



**JOINT-STOCK COMMERCIAL BANK
«MIKROKREDITBANK»**

**Financial statements for the year ended 31 December 2022
and Independent auditor's opinion
(Translated from Russian language)**

Content

Pages

Independent Auditor's opinion	1
Statement of financial position	5
Statement of profit and loss and other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to financial statements	8
1 Primary activity	10
2 The economic environment in which the Bank operates	11
3 Principles of presenting financial statements	12
4 Important assessment and professional judgement	13
5 Transition to new or revised standards and interpretations	14
6 Key principles of accounting policy	15
7 Cash and cash equivalents	32
8 Mandatory reserves in CBU	33
9 Due from other banks	33
10 Loans to customers	35
11 Investment financial assets	42
12 Investment property	42
13 Fixed assets and intangible assets	44
14 Investment financial assets	42
15 Other assets	45
16 Due to other banks	46
17 Customers deposits	46
18 Debt securities issued	42
19 Other borrowings	47
20 Subordinated loan	42
21 Other liabilities	47
22 Share capital	49
23 Interest income and expenses	49
24 Commission income and expenses	50
25 Other operating income	42
26 Administrative and other operating expenses	50
27 Income tax	51
28 Earnings per share	53
29 Contingent financial liabilities	54
30 Related party transactions	55
31 Fair value	56
32 Capital management	60
33 Risk management	61
34 Segment information	71

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Independent Auditor's opinion

To shareholders and the Supervisory Board of JSCB «Mikrokreditbank»

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 2022 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 that 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 2022, 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.



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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 were performed regarding the key audit matter

Provision for credit losses on loans to customers, as well as on credit related commitments

Due to the materiality of the provision for impairment of loans and advances to customers and credit related liabilities for the financial position of the Bank, as well as due to the complexity and necessity to apply judgments in estimating expected credit losses in accordance with the new IFRS 9 Financial Instruments This issue is one of the key audit questions.

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.

Information on the provision for expected credit losses in respect of loans and advances to customers, as well as credit related commitments presented in Notes 10 and 33 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 a portfolio basis.

We evaluated the rationality of the credit risk factors and the thresholds chosen by management to determine a significant increase in credit risk on a portfolio basis.

When testing the impairment calculated on a portfolio basis, we analyzed the underlying statistical models, key input data and assumptions, as well as forward-looking information used to calculate expected credit losses. We reviewed the results of a Bank that was subsequently tested on the models used for IFRS 9.

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

We focused on this issue due to the materiality of the amount and the subjective nature of the valuation of loans and advances to customers measured at fair value through profit or loss.

The fair value of these loans is assessed using complex valuation models that use data that is not observed in the market, including data reflecting the credit quality of customers, interest rate curves and volatility.

Notes 10 and 33 to the financial statements provide detailed information on the measurement of loans and advances to customers measured 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 the assessment, for their compliance with the requirements of IFRS.

We tested the valuation models of the loans we selected. Our work included assessing whether the models and the data used were acceptable, repeating individual calculations, as well as various analytical and other procedures.



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Other information

The audit of the Bank's financial statements for the year ended December 31, 2021 was conducted by another auditor who expressed an unmodified opinion on these financial statements dated May 18, 2022.

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;



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- 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.

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.

Jamshid Karimov

General Director

Qualification certificate of the auditor for conducting bank audits No.19 dated 28 December 2021, issued by the Central Bank of the Republic of Uzbekistan.



Grant Thornton LLC

12 June 2023

Tashkent, Uzbekistan

Statement of financial position

	Notes	31 December 2022	31 December 2021
Assets			
Cash and cash equivalents	7	1 535 079 577	1 172 161 642
Mandatory reserves in CBU	8	35 708 264	27 336 514
Due from other banks	9	104 185 258	116 440 600
Loans and advances to customers	10	13 350 403 171	10 334 248 893
Investment financial assets	11	454 696 391	507 199 539
Investment property	12	195 552 338	61 959 438
Advance income tax payments		6 170 732	-
Deferred tax asset	27	10 780 352	18 663 410
Fixed assets and intangible assets	13	600 079 444	462 862 254
Non-current assets held for sale	14	143 689 934	51 958 814
Other assets	15	84 965 252	49 460 571
Total assets		16 521 310 713	12 802 291 675
Liabilities			
Due to other banks	16	2 545 841 210	1 068 854 512
Customer deposits	17	5 282 969 031	2 688 126 941
Debt securities issued	18	10 000 153	19 600 153
Other borrowings	19	4 851 177 076	5 245 244 899
Subordinated loan	20	50 000 000	-
Other liabilities	21	130 396 144	1 488 859 366
Total liabilities		12 870 383 614	10 510 685 871
Equity			
Share capital	22	3 547 469 705	2 197 278 787
Retained earnings and funds		103 457 394	94 327 017
Total equity		3 650 927 099	2 291 605 804
Total liabilities and equity		16 521 310 713	12 802 291 675

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

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



J.S. Sagdullaev
Chief Accountant of the Bank

12 June 2023

The notes on pages from 10 to 74 are an integral part of these financial statements

Statement of profit and loss and other comprehensive income

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Continuing activity			
Interest income calculated at the effective interest rate	23	1 621 700 930	1 115 719 262
Other interest income	23	582 963 850	458 316 779
Interest expense calculated at the effective interest rate	24	(938 731 480)	(683 500 566)
Other interest expenses	24	(413 624 666)	(230 038 892)
Net interest income		852 308 634	660 496 583
Provision for credit losses on debt financial assets	7,9,10	(143 400 186)	(435 953 517)
Net gains/(losses) from initial recognition of financial instruments and loan modifications	10	(99 127 746)	179 639 092
Net interest income after provision for credit losses		609 780 702	404 182 158
Commission income	24	168 798 925	114 971 623
Commission expenses	24	(44 452 267)	(41 046 240)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency		23 492 843	28 153 830
Recovery / (creation) of a provision for credit losses on credit related commitments	21	20 477 821	(3 621 803)
Creation of a provision for other assets	15	(20 203 275)	(8 633 753)
Other operating income		7 037 158	7 417 481
Administrative and other operating expenses	26	(716 313 491)	(493 758 142)
Income before tax		48 618 416	7 665 154
Income tax expense	27	(38 220 831)	(2 570 579)
Net income for the year		10 397 585	5 094 575
Other comprehensive income:			
Revaluation of the building		(1 267 208)	43 888 932
Total other comprehensive income/(loss) for the year		(1 267 208)	43 888 932
Total comprehensive income for the year		9 130 377	48 983 507

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

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



J.S. Sagdullaev
Chief Accountant of the Bank

12 June 2023

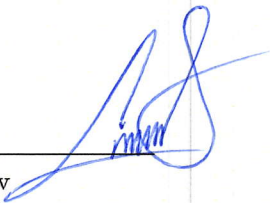
Statement of changes in equity

	Share capital	Retained earnings and funds	Total equity
Balance as at 1 January 2021	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 year	-	48 983 507	48 983 507
Increase in share capital	558 495 819	-	558 495 819
Decrease in 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
Net income for the year	-	10 397 585	10 397 585
Other comprehensive income	-	(1 267 208)	(1 267 208)
Total comprehensive income for the year	-	9 130 377	9 130 377
Increase in share capital	1 350 190 918	-	1 350 190 918
Balance as at 31 December 2022	3 547 469 705	103 457 394	3 650 927 099

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


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




J.S. Sagdullaev
Chief Accountant of the Bank

12 June 2023

Statement of cash flows

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash flow from operating activities		
Interest received	1 969 962 278	1 492 898 451
Interest paid	(1 282 717 496)	(952 805 198)
Commission received	168 544 878	114 808 759
Commissions paid	(44 437 953)	(41 044 001)
Net income from operations in foreign currency	23 505 497	27 828 212
Other operating income received	7 037 158	7 417 481
Staff costs	(474 027 211)	(317 098 917)
Administrative and other operating expenses	(242 288 253)	(186 653 351)
Income tax paid	(27 372 024)	(7 261 621)
Cash flow from operating activities before changes in operating assets and liabilities	98 206 874	138 089 815
Net (increase) / decrease in operating assets		
Mandatory reserves in CBU	(8 371 750)	22 048 254
Due from other banks	12 255 342	(7 293 195)
Loans and advances to customers	(2 904 163 614)	(2 036 962 129)
Other assets	(35 504 681)	(13 528 711)
Net increase / (decrease) in operating liabilities		
Due to other banks	1 476 986 698	(516 859 261)
Customer deposits	2 594 842 090	312 971 569
Other liabilities	(566 768 123)	1 390 968 804
Net cash flow from operating activities	667 482 836	(710 564 854)
Cash flow from investing activities		
Purchase of investment securities	(1 867 655 872)	(917 229 362)
Repayment of investment securities	1 987 120 000	639 010 000
Acquisition of investment property	(133 592 900)	(61 959 438)
Acquisition of fixed assets and intangible assets	(212 003 574)	(162 752 235)
Proceeds from the sale of fixed assets	8 173 276	8 785 413
Dividends received	494 836	167 042
Net cash flow from investing activities	(217 464 234)	(493 978 580)

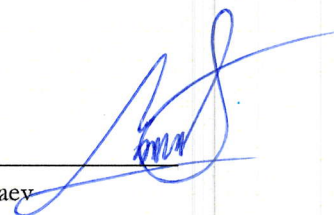
Statement of cash flows (Continue)

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash flow from financial activities		
Proceeds from the issue of shares	-	558 495 819
Debt securities issued	10 000 000	19 600 000
Repayment of debt securities	(19 600 000)	(35 100 000)
Receipt of other borrowings	3 553 252 234	3 679 662 418
Repayment of other borrowings	(3 698 635 471)	(2 875 275 651)
Subordinated loans	50 000 000	-
Dividends paid	(112)	(602)
Net cash flow from financial activities	(104 983 349)	1 347 381 984
The effect of changes in exchange rates on cash and cash equivalents	17 895 336	9 785 996
The effect of expected credit losses on cash and cash equivalents	(12 654)	325 618
Net change in cash and cash equivalents	362 917 935	152 950 164
Cash and cash equivalents at the beginning of the reporting year	1 172 161 642	1 019 211 478
Cash and cash equivalents at the end of the reporting year	1 535 079 577	1 172 161 642

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


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




J.S. Sagdullaev
Chief Accountant of the Bank

12 June 2023

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 a wide range 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 for 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 - the "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 public and provides loans, makes payments on the territory of the Republic of Uzbekistan and abroad, as well as 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 Deposits of Citizens in Banks" dated 5 April 2002, which guarantees payment of 100% of deposits, regardless of the amount of the deposit in case of a license withdrawal from the Bank.

As of December 31, 2022, the Bank carries out banking activities through its Head Office and has 65 branches in the territory of the Republic of Uzbekistan (December 31, 2021: 71 branches).

The legal address of the Bank's head office is 14, Lutfiy Street, Tashkent city, the Republic of Uzbekistan, 100096.

The total number of the Bank's personnel as at 31 December 2022 was 3 397 people (31 December 2021: 3 575 people).

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

Shareholders	31 December 2022	31 December 2021
	Share (%)	Share (%)
Ministry of Finance of the Republic of Uzbekistan	70,8	52,9
Fund for Reconstruction and Development of the Republic of Uzbekistan	28,2	45,5
Shareholders holding less than 1% of the Bank's share capital	1,0	1,6
Total shareholders	100,0	100,0

As of December 31, 2022 (2021: also) The Bank is under the de facto 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 has 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, the obligation 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 local 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 government authorities in the Republic of Uzbekistan due to the COVID-19 pandemic have been lifted, and the Bank is observing a recovery in 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 support clients in the current economic conditions, the Bank offered to restructure existing loans and issued new loans 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 impact of the current economic environment is difficult to predict and management's current expectations and estimates may differ from actual results.

According to the decision of the Central Bank of Uzbekistan, from 22 July 2022, the refinancing rate has decreased from 16 percent to 15 percent.

The state of the economy of the Republic of Uzbekistan is characterized by relatively inflation rates. During 2022, the inflation rate was 12.3 percent (2021: 10.0 percent).

The dynamics of GDP remains in the positive zone, and GDP growth at the end of 2022 amounted to 5,7 percent compared to 2021, while at the end of 2021, GDP growth was 7,4 percent.

3 Principles of presenting financial statements

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 2022	11 225,46	11 961,85
31 December 2021	10 837,66	12 224,88

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 provision for expected credit losses

Measurement of the estimated provision 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 provision for credit losses on financial instruments. These factors are set out below;

A number of factors affect the estimated allowance for credit losses on financial instruments, which are outlined 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 provisions 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 provisions 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 33.

Definitions of terms related to the estimated expected credit losses are given in Note 33.

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 31.

5 Transition to new or revised standards and interpretations

The following amendments to standards became effective for the Bank effective 1 January 2022, but did not have a significant impact on the Bank.

Amendments to IFRS (IAS) 16 "Fixed Assets" Additions to the Standard relate to accounting and disclosure of information regarding receipts for fixed assets before they are used for their intended purpose. The amendments prohibit deducting from the initial cost of fixed assets the amounts received from the sale of products produced during the preparation of the asset for its intended use. Instead, such sales revenue and related costs are recognized in profit or loss. Amendments should be applied retrospectively. The Organization must apply these amendments for annual reporting periods beginning on or after January 1, 2022.

Amendments to IAS 37 "Estimated Liabilities, Contingent Liabilities and Contingent Assets" The amendments clarify which costs are included in the assessment of the costs of fulfilling obligations under the contract in order to determine it as burdensome. Costs that are directly related to a contract for the supply of goods or services include both additional costs (for example, labor and materials costs) and the allocation of costs directly related to the contract (for example, depreciation of equipment used to fulfill the contract, as well as the costs of contract management and supervision). General and administrative expenses are not directly related to the contract and are excluded if they are not explicitly attributed to the counterparty under the contract. The Organization must apply these amendments for annual reporting periods beginning on or after January 1, 2022.

Amendments to IFRS 3 "Business Combinations" The standard is supplemented by an exception to the principles of recognition of assets and liabilities in the object of acquisition. An exception has been made with respect to liabilities and contingent liabilities related to the scope of IFRS (IAS) 37 or the

IFRIC Clarification (IFRIC) 21. These liabilities are assessed as if they arose as a result of separate transactions, and were not accepted as part of a business combination. The organization must apply the amendments to business combinations for which the acquisition date coincides or occurs after the beginning of the first annual reporting period beginning on or after January 1, 2022. Early application is allowed if earlier or at the same time the organization also applies all the amendments made by the document "Amendments to the References to the "Conceptual Framework" in the IFRS Standards", issued in March 2018.

Annual Improvements to IFRS 2018-2020.

Amendments to IFRS 9 "Financial Instruments" (10% test on derecognition of financial liabilities) When determining whether to derecognize a financial liability whose terms have been modified or modified, the organization must assess whether the terms differ significantly based on the criterion of "10 percent". When a debt instrument is replaced with another one or the terms are modified, with the repayment of the instrument reflected in the accounting, all costs and commissions paid are recognized as profit or loss from repayment. If the repayment is not reflected in the accounting, then the carrying amount of the debt instrument is adjusted for the amount of costs and commissions and this adjustment is amortized over the remaining term of the modified liability.

Amendments to IFRS 1 "First Application of IFRS" The amendment consists in extending the exemption provided for in paragraph D16 (a) to accumulated exchange differences in the statements of a subsidiary that first switches to IFRS later than its parent company. A subsidiary that uses the exemption provided for in paragraph D16 (a) may measure accumulated exchange differences for all foreign units in its financial statements at the carrying amount at which they would be included in the financial statements of the parent organization, based on the date of transition of the parent organization to IFRS. An associated organization or a joint venture has a similar choice.

Amendments to IAS 41 "Agriculture" (taxation in the assessment of fair value) The requirement to exclude cash flows for taxation when assessing fair value using this standard has been removed from paragraph 22 of IFRS (IAS) 41 "Agriculture".

Amendments to IFRS (IAS) 1 "Presentation of Financial Statements" The amendment to IFRS (IAS) 1 "Presentation of Financial Statements" will relate to changes in items related to the classification of current and long-term liabilities. These amendments apply to annual reporting periods beginning on or after January 1, 2022.

The application of these amendments did not have a significant impact on the financial statements.

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 2023 and were not early adopted by the Bank.

The IFRS document *"Deferred Tax related to Assets and Liabilities that arise as a result of a single transaction" has been put into effect. Amendments to IFRS (IAS) 12"*. The document contains amendments:

- IAS 12 Income Taxes;
- IFRS 1 "First Application of International Financial Reporting Standards".

IFRS (IAS) 12 "Income Taxes" has been supplemented with another condition for a transaction as a result of which a deferred tax liability is not recognized. It should not lead to equal taxable and deductible temporary differences at the time of its commission. The same condition was established for an operation that does not result in the recognition of a deferred tax asset.

The IFRS document *"Disclosure of information on accounting policy. Amendments to IFRS (IAS) 1 "Presentation of Financial Statements" and Practical Recommendations No. 2 on the*

Application of IFRS "Formation of Judgments on Materiality". The document amends a number of IFRS:

- IFRS (IAS) 1 "Presentation of Financial Statements";
- Practical recommendations No. 2 on the application of IFRS;
- IFRS 7 "Financial Instruments: Disclosure of Information";
- IFRS (IAS) 26 "Accounting and Reporting on Pension Programs";
- IAS 34 Interim Financial Reporting.

For IFRS (IAS) 1 "Presentation of Financial statements" it is specified that the full set of these statements should include notes with material information about accounting policies. Previously, the wording was different: it was necessary to include a brief overview of significant provisions.

The concept of material information about accounting policy is defined. This is information that, together with other information from the financial statements, can influence the decision of its main users.

It is added that it is necessary to disclose, among other things, information about management's judgments when applying accounting policies (other than those related to estimates), which significantly affected the amounts in the statements. This should be done together with the disclosure of material information or in other notes.

These amendments to the standards should be applied to annual reporting periods beginning on or after January 1, 2023. Early application is allowed. If the organization will apply these amendments to an earlier period, it will have to disclose this fact.

IFRS 17 Insurance Contracts

The new standard establishes the principles of recognition, evaluation, presentation and disclosure of insurance contracts and replaces IFRS 4 "Insurance Contracts". This standard provides for the use of a general model modified according to insurance contracts with direct participation components described as contracts with variable insurance remuneration.

The IASB has issued amendments to IFRS 17 "Insurance Contracts" designed to help companies implement the standard and simplify the explanation of financial results. The changes make it possible to: reduce the costs of companies by simplifying some of the requirements of the standard; simplify the explanation of financial indicators; make it easier to switch to the standard, since its effective date is postponed to 2023, and companies are granted an additional exemption when first applying IFRS 17. It is applied for annual periods beginning no earlier than January 1 2023.

The Bank is currently studying 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 be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the main market or, if there is none, in the most profitable market to which the Bank has access to indicated date. The fair value of the liability reflects the risk of default.

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

In the absence of current quotes in an active market, the Bank uses valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods selected include all factors that market participants would take into account in the circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price, that is, the fair value of the consideration 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 supported by current quoted prices in an active market for a similar asset or liability and is not based on valuation techniques using only observable inputs, the financial instrument is initially measured at fair value adjusted so as to defer recognition of the difference between the transaction price and fair value. After initial recognition, this difference is subject to amortization in profit or loss over the life of the instrument, but not later than when the valuation is fully supported by observable inputs or when the transaction is completed.

If the transaction price in an inactive market differs from the fair value of current market transactions in the observed market for the same instrument or is based on a valuation technique whose initial parameters include only information from observed markets, the Bank will immediately recognize the difference between the transaction price and fair value ("First Day earnings") in profit or loss. If unobservable information is used, 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 source data becomes observable or if the financial instrument is derecognized.

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

6.3 Effective interest rate (discount method)

The effective interest rate 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 CBU, 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 CBU 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 with respect to which there are restrictions on use for a period of more than three months at the time of provision 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 amortised cost because (i) they are held to receive contractual cash flows and these cash flows are solely payments against principal and interest, and (ii) they are not classified as measured at fair value through profit or loss. The conditions established exclusively by the legislation (for example, provisions on the conversion of debt into equity in some countries) do not affect the results of the SPPI test, except in cases where they are included in the terms of the contract and would apply even if the legislation subsequently 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 CBU

Mandatory reserves in CBU are carried at amortized cost and represent funds deposited in CBU 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.

Amortization

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.

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 CBU 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 CBU 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 CBU. 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.

7 Cash and cash equivalents

	31 December 2022	31 December 2021
Cash and cash equivalents measured at amortized cost	1 535 079 577	1 172 161 642
Cash and cash equivalents measured at fair value through profit or loss	-	-
Total cash and cash equivalents	1 535 079 577	1 172 161 642

Cash and cash equivalents measured at amortized cost

	31 December 2022	31 December 2021
Cash on hand	550 033 331	296 970 169
Current account balances in CBU	389 619 936	553 211 060
Current account balances in other banks	597 006 341	283 547 790
Term deposits with other banks placed for up to 90 days	-	40 000 000
Provision for credit losses	(1 580 031)	(1 567 377)
Total cash and cash equivalents measured at amortized cost	1 535 079 577	1 172 161 642

As of December 31, 2022, 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 490,958,211 thousand UZS.

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

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 31 December 2022. A description of the Bank's credit risk classification system is provided in Note 33. The carrying amount of cash and cash equivalents balances as at 31 December 2022 in the table below also represents the Bank's maximum exposure to credit risk for these assets:

	Minimal credit risk	Low credit risk	Average credit risk	High credit risk	Total
Current account balances in CBU	-	389 619 936	-	-	389 619 936
Current account balances in other banks	-	560 190 774	36 703 256	112 311	597 006 341
Provision for credit losses	-	(1 462 947)	(104 601)	(12 483)	(1 580 031)
Total cash and cash equivalents measured at amortized cost, excluding cash on hand	-	948 347 763	36 598 655	99 828	985 046 246

The table below provides an analysis of the credit quality of cash and cash equivalents measured at amortised cost based on credit ratings as of December 31, 2021.

	Minimal 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	544 825	153 659 633	129 343 332	-	283 547 790
Term deposits with other banks placed for 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	544 667	745 663 457	128 983 349	-	875 191 473

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

The table below shows a reconciliation of the incoming balances of the provision for losses on current accounts with other banks accounted for at amortised cost, broken down by the relevant categories. The approach to estimating expected credit losses is given in Note 28.

	Stage 1	Stage 2	Total
Balance as at 1 January 2021	1 892 995	-	1 892 995
Restoration of the credit loss reserve	(325 618)	-	(325 618)
Balance as at 31 December 2021	1 567 377	-	1 567 377
Creation of a provision for credit losses	171	12 483	12 654
Balance as at 31 December 2022	1 567 548	12 483	1 580 031

8 Mandatory reserves in CBU

As of December 31, 2022 and 2021, the balance of mandatory reserves on accounts with the Central Bank of the Republic of Uzbekistan is 35 708 264 thousand UZS and 27 336 514 thousand UZS, respectively.

Mandatory reserves in 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 in the Central Bank of the Republic of Uzbekistan on a permanent basis, for which no interest is accrued and which are part of the Bank's obligations with limited possibility of their use.

9 Due from other banks

	31 December 2022	31 December 2021
Due from other banks measured at amortized cost	104 185 258	113 453 258
Due from other banks measured at fair value through profit or loss	-	2 987 342
Total due from other banks	104 185 258	116 440 600

Due from other banks measured at amortized cost

	31 December 2022	31 December 2021
Term deposits with other banks placed for a period of more than 90 days	105 586 012	116 426 198
Provision for credit losses	(1 400 754)	(2 972 940)
Total due from other banks measured at amortized cost	104 185 258	113 453 258

The book value of balances with other banks as of December 31, 2022 also reflects the Bank's maximum exposure to credit risk for these assets:

	Low credit risk	Average credit risk	Total
Term deposits with other banks placed for a period of more than 90 days	94 195 905	11 390 107	105 586 012
Provision for credit losses	(1 250 943)	(149 811)	(1 400 754)
Total due from other banks measured at amortized cost	92 944 962	11 240 296	104 185 258

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	Average credit risk	Total
Term deposits with other banks placed for a period of more than 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 measured at amortized cost	15 945 244	97 508 014	113 453 258

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

The table below shows a reconciliation of the incoming balances of the provision for losses on funds in other banks accounted for at amortised cost, broken down by appropriate categories. The approach to estimating expected credit losses is given in Note 33.

	Stage 1	Total
Balance at January 1, 2021	865 212	865 212
Creation of a reserve for credit losses	2 107 728	2 107 728
Balance as of December 31, 2021	2 972 940	2 972 940
Restoration of the credit loss reserve	(1 572 186)	(1 572 186)
Balance as of December 31, 2022	1 400 754	1 400 754

Funds in other banks measured at fair value through profit or loss

	31 December 2022	31 December 2021
Term deposits in banks	-	2 987 342
Total funds in other banks measured at fair value through profit and loss	-	2 987 342

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	Average credit risk	Total
Term deposits in banks	2 987 342		2 987 342
Total funds in other banks measured at fair value through profit and loss	2 987 342	-	2 987 342

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

As of December 31, 2022 and 2021, there are no overdue balances on funds in other banks.

10 Loans to customers

	31 December 2022	31 December 2021
Loans and advances to customers measured at amortized cost	12 037 419 188	7 604 623 503
Loans and advances to customers measured at fair value through profit or loss	1 312 983 983	2 729 625 390
Total loans and advances to customers	13 350 403 171	10 334 248 893

Loans and advances to customers measured at amortized cost

The structure of the risk concentration of the client loan portfolio by economic sector as of December 31, 2022 is presented below:

	Gross book value	Provision for credit losses	Book value
Individuals	4 271 955 436	(270 926 216)	4 001 029 220
Industry	2 665 504 626	(153 138 213)	2 512 366 413
Construction	746 807 220	(30 596 005)	716 211 215
Agriculture and food industry	2 335 784 377	(184 804 246)	2 150 980 131
Trade	1 897 317 977	(166 603 150)	1 730 714 827
Services	495 607 603	(36 134 417)	459 473 186
Transport and communication	481 123 740	(14 479 544)	466 644 196
Total loans and advances to customers measured at amortised cost	12 894 100 979	(856 681 791)	12 037 419 188

The structure of the risk concentration of the client loan portfolio by economic sector as of December 31, 2021 is presented below:

	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 communication	384 146 650	(30 328 457)	353 818 193
Total loans and advances to customers measured at amortised cost	8 219 320 618	(614 697 115)	7 604 623 503

As of December 31, 2022, the Bank has a balance of customer loans to one borrower (2021: three borrowers), in which the loan balances exceed 10% of the Bank's capital. The amount of this loan is 3 84 179 253 thousand UZS (2021: 1 026 948 723 thousand UZS).

The tables below provide an analysis of the credit quality of loans to customers measured at amortized cost provided by the Bank as at 31 December 2022. Description of terms 12-month expected credit losses, lifetime expected credit losses in Note 33. The credit quality analysis of loans presented in the tables below is based on the credit quality scale of borrowers developed by the Bank.

Summary	Stage 1	Stage 2	Stage 3	Total
Minimum credit risk	2 070 545 149	1 271 709 157	175 802 616	3 518 056 922
Low credit risk	2 978 268 397	1 095 870 423	459 922 570	4 534 061 390
Average credit risk	1 843 121 671	940 521 800	227 187 517	3 010 830 988
High credit risk	426 658 649	527 988 822	865 178 210	1 819 825 681
Default assets	-	59 612	11 266 386	11 325 998
Total gross book value of loans and advances to customers	7 318 593 866	3 836 149 814	1 739 357 299	12 894 100 979
Provision for credit losses	(121 067 559)	(325 566 824)	(410 047 408)	(856 681 791)
Total loans and advances to customers	7 197 526 307	3 510 582 990	1 329 309 891	12 037 419 188

Legal entities	Stage 1	Stage 2	Stage 3	Total
Minimum credit risk	1 594 250 343	1 203 499 650	164 834 410	2 962 584 403
Low credit risk	1 568 029 813	813 506 079	426 361 662	2 807 897 554
Average credit risk	1 001 026 474	682 897 962	99 097 511	1 783 021 947
High credit risk	262 807 603	398 466 747	401 566 951	1 062 841 301
Default assets	-	-	5 800 338	5 800 338
Total gross book value of loans to legal entities	4 426 114 233	3 098 370 438	1 097 660 872	8 622 145 543
Provision for credit losses	(68 081 189)	(257 448 786)	(260 225 600)	(585 755 575)
Total loans to legal entities	4 358 033 044	2 840 921 652	837 435 272	8 036 389 968

Individuals	Stage 1	Stage 2	Stage 3	Total
Minimum credit risk	476 294 806	68 209 507	10 968 206	555 472 519
Low credit risk	1 410 238 584	282 364 344	33 560 908	1 726 163 836
Average credit risk	842 095 197	257 623 838	128 090 006	1 227 809 041
High credit risk	163 851 046	129 522 075	463 611 259	756 984 380
Default assets	-	59 612	5 466 048	5 525 660
Total gross book value of loans to individuals	2 892 479 633	737 779 376	641 696 427	4 271 955 436
Provision for credit losses	(52 986 370)	(68 118 038)	(149 821 808)	(270 926 216)
Total loans to individuals	2 839 493 263	669 661 338	491 874 619	4 001 029 220

The tables below provide an analysis of the credit quality of loans to customers measured at amortized cost provided by the Bank as at 31 December 2021.

Summary	Stage 1	Stage 2	Stage 3	Total
Minimal 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 of 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	Stage 1	Stage 2	Stage 3	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 of 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	Stage 1	Stage 2	Stage 3	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 of 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

Analysis of the movement of the provision for credit losses on loans to customers, measured at amortized cost for 2022 is presented below:

Summary

	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2021	103 897 182	299 065 870	211 734 063	614 697 115
Transfer to Stage 1	139 678 840	(123 173 943)	(16 504 897)	-
Transfer to Stage 2	(24 441 835)	69 291 829	(44 849 994)	-
Transfer to Stage 3	(9 548 780)	(13 039 868)	22 588 648	-
Net expense from the creation / (recovery) of provision for credit losses within one stage	(88 517 848)	93 422 936	237 079 588	241 984 676
- including new loans issued	66 653 509	69 632 409	11 305 435	147 591 353
Balance as at 31 December 2022	121 067 559	325 566 824	410 047 408	856 681 791

Legal entities

	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2021	83 100 278	248 548 525	143 159 468	474 808 271
Transfer to Stage 1	106 125 512	(98 161 676)	(7 963 836)	-
Transfer to Stage 2	(22 363 832)	60 346 530	(37 982 698)	-
Transfer to Stage 3	(8 921 389)	(8 680 577)	17 601 966	-
Net expense from the creation / (recovery) of provision for credit losses within one stage	(89 859 380)	55 395 984	145 410 700	110 947 304
- including new loans issued	21 198 886	44 387 865	5 554 252	71 141 003
Balance as at 31 December 2022	68 081 189	257 448 786	260 225 600	585 755 575

Individuals

	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2021	20 796 904	50 517 345	68 574 595	139 888 844
Transfer to Stage 1	33 553 328	(25 012 267)	(8 541 061)	-
Transfer to Stage 2	(2 078 003)	8 945 299	(6 867 296)	-
Transfer to Stage 3	(627 391)	(4 359 291)	4 986 682	-
Net expense from the creation / (recovery) of provision for credit losses within one stage	1 341 532	38 026 952	91 668 888	131 037 372
- including new loans issued	45 454 623	25 244 544	5 751 183	76 450 350
Balance as at 31 December 2022	52 986 370	68 118 038	149 821 808	270 926 216

Analysis of the movement of the provision for credit losses on loans to customers, measured at amortized cost for 2021 is presented below:

Summary

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	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 / (recovery) of 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	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	225 808 485	47 201 132	54 116 936	327 126 553
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 / (recovery) of 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	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	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 / (recovery) of 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

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

Information on credit quality for loans as of December 31, 2022 is as follows:

	Loans to legal entities	Loans to individuals	Total
Overdue	6 858 665 101	3 113 018 810	9 971 683 911
Undue;			
- with a payment delay of less than 30 days	505 609 556	274 867 224	780 476 780
- with a delay in payment for a period of 30 to 90 days	1 010 229 654	322 788 279	1 333 017 933
- with a delay in payment for a period of 30 to 180 days	23 418 328	69 591 676	93 010 004
- with a payment delay of more than 180 days	224 222 904	491 689 447	715 912 351
Total gross book value loans and advances to customers	8 622 145 543	4 271 955 436	12 894 100 979
Provision for credit losses	(585 755 575)	(270 926 216)	(856 681 791)
Total loans and advances to customers	8 036 389 968	4 001 029 220	12 037 419 188

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

	Loans to legal entities	Loans to individuals	Total
Overdue	5 095 479 260	1 033 209 171	6 128 688 431
Undue;			
- 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 30 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

Below are the payments receivable on finance leases and their present value:

	31 December 2022	31 December 2021
Gross investment in finance leases	44 331 651	6 295 705
Unearned deferred finance income on finance leases	(15 933 726)	(771 258)
Net investment in finance leases	28 397 925	5 524 447

	Less than 1 year	From 1 to 5 years	Total
Payments receivable on finance leases as at December 31, 2022	8 704 939	35 626 712	44 331 651
Unearned financial income	(5 307 014)	(10 626 712)	(15 933 726)
Present value of lease payments receivable as at December 31, 2022	3 397 925	25 000 000	28 397 925

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

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

The table below presents 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, 2022 using the borrower credit quality scale developed by the Bank for loans and advances to customers measured at amortised cost:

	Commercial loans to legal entities	Consumer and other loans to individuals	Total
Minimum credit risk	155 435 387	90 405 381	245 840 768
Low credit risk	99 368 413	550 082 253	649 450 666
Average credit risk	134 590 712	182 407 530	316 998 242
High credit risk	50 440 095	50 234 610	100 674 705
Default assets	-	19 602	19 602
Total loans to customers measured at fair value through profit and loss	439 834 607	873 149 376	1 312 983 983

The table below presents 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 borrower credit quality scale developed by the Bank for loans and advances to customers measured at amortised 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 measured at fair value through profit and loss	996 139 472	1 733 485 918	2 729 625 390

Below is the concentration of loans by economic sectors:

	31 December 2022	31 December 2021
Individuals	873 149 376	1 733 485 918
Services	190 001 193	195 331 852
Industry	90 065 444	318 863 691
Agriculture and food industry	66 206 860	313 759 415
Trade	59 530 043	126 674 764
Construction	28 153 647	27 882 716
Transport and communication	5 877 420	13 627 034
Total loans and advances to customers, measured at fair value through profit or loss	1 312 983 983	2 729 625 390

Information on credit quality for loans as of December 31, 2022 is as follows:

	Loans to legal entities	Loans to individuals	Total
Overdue	368 464 585	792 366 401	1 160 830 986
Undue;			
- with a payment delay of less than 30 days	16 552 028	32 590 257	49 142 285
- with a payment delay from 30 to 90 days	44 033 798	35 139 951	79 173 749
- with a payment delay from 30 to 180 days	4 976 999	13 039 651	18 016 650
- with a payment delay more than 180 days	5 807 197	13 116	5 820 313
Total loans to customers measured at fair value through profit and loss	439 834 607	873 149 376	1 312 983 983

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

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

11 Investment financial assets

	31 December 2022	31 December 2021
Securities measured at fair value through profit or loss on mandatory basis	454 589 171	507 092 319
Securities classified as measured at fair value through other comprehensive income – equity instruments	107 220	107 220
Total investment financial assets	454 696 391	507 199 539

Securities measured at fair value through profit or loss

	31 December 2022	31 December 2021
Bonds of CBU	454 589 171	469 567 157
Bonds of Government	-	37 525 162
Total securities measured at fair value through profit or loss	454 589 171	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, 2022.

	Low credit risk	Total
Bonds of CBU	454 589 171	454 589 171
Total securities measured at fair value through profit or loss on mandatory basis	454 589 171	454 589 171

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 Government	469 567 157	469 567 157
Bonds of CBU	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 2022	31 December 2021
"Market, Money and Credit" LLC	77 000	77 000
"KATM" Credit Bureau LLC	30 220	30 220
Total securities classified as measured at fair value through other comprehensive income - equity instruments	107 220	107 220

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 design cost of construction is 220 820 641,4 thousand UZS, of which 195 552 338 thousand UZS were mastered as of December 31, 2022 (61 959 438 thousand UZS were mastered on December 31, 2021).

13 Fixed assets and intangible assets

Below is the information on the movement of fixed assets and intangible assets as at 31 December 2022:

	Building and construction	Office and computer equipment	Assets in the form of right of use	Construction in progress	Total fixed assets	Intangible assets	Total
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
<i>Initial cost</i>							
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
Receipts	15 614 310	98 632 585	42 722 255	51 337 108	208 306 258	3 697 316	212 003 574
Disposal and write-off	(6 220 070)	(13 079 893)	(9 509)	-	(19 309 472)	(1 514 832)	(20 824 304)
Internal displacement	13 759 984	-	-	(13 759 984)	-	-	-
Balance as at 31 December 2022	399 346 918	289 948 618	84 942 955	72 252 069	846 490 560	5 500 936	851 991 496
<i>Accumulated depreciation</i>							
Balance as at 31 December 2021	111 187 006	79 049 929	6 091 493	-	196 328 428	1 621 544	197 949 972
Depreciation	17 794 603	44 064 103	2 258 039	-	64 116 745	2 496 363	66 613 108
Disposal and write-off	(4 614 497)	(6 583 383)	(9 509)	-	(11 207 389)	(1 443 639)	(12 651 028)
Balance as at 31 December 2022	124 367 112	116 530 649	8 340 023	-	249 237 784	2 674 268	251 912 052
Residual value as at 31 December 2022	274 979 806	173 417 969	76 602 932	72 252 069	597 252 776	2 826 668	600 079 444

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

	Building and construction	Office and computer equipment	Assets in the form of right of use	Construction in progress	Total fixed assets	Intangible assets	Total
Residual value as at 1 January 2021	170 754 459	106 548 117	18 851 116	10 030 554	306 184 246	437 399	306 621 645
<i>Initial cost</i>							
Balance as at 1 January 2021	203 802 540	170 822 638	22 735 828	10 030 554	407 391 560	2 398 601	409 790 161
Receipts	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
<i>Accumulated depreciation</i>							
Balance as at 1 January 2021	33 048 081	64 274 521	3 884 712	-	101 207 314	1 961 202	103 168 516
Depreciation	6 904 804	31 267 157	2 213 011	-	40 384 972	1 949 187	42 334 159
Internal displacement	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.

14 Non-current assets held for sale

	31 December 2022	31 December 2021
Mortgaged property recovered from loans and leasing	161 184 317	60 193 814
Provision for impairment	(17 494 383)	(8 235 000)
Total non-current assets held for sale	143 689 934	51 958 814

15 Other assets

	31 December 2022	31 December 2021
Other financial assets		
Incomplete bank card payments	11 471 365	4 917 823
Comission income receivable	5 417 293	1 112 226
Accounts receivable from money transfers	689 809	22 781 721
Assets for settlements through the Munis system	-	7 896 649
Less allowance for credit losses	(2 760 221)	(701 256)
Total other financial assets	14 818 246	36 007 163
Other non-financial assets		
Prepayments for construction	32 580 783	4 527 823
Prepayments for equipment and goods	20 615 400	3 012 518
Prepayments for services	9 343 586	5 050 183
Inventory items and other valuables in stock	4 741 086	-
Calculations on taxes, except for income tax	80 819	-
Other non-financial assets	12 300 152	977 285
Less allowance for impairment of other non-financial assets	(9 514 820)	(114 401)
Total other non-financial assets	70 147 006	13 453 408
Total other assets	84 965 252	49 460 571

The table below provides a reconciliation of opening balances of provision for credit losses on other financial assets, disaggregated by category. An approach to measuring expected credit losses is disclosed in Note 33.

	Stage 1	Stage 2	Stage 3	Total
The amount of the provision for the expected credit loss as of January 1, 2021	256 860	-	-	256 860
Net creation/(recovery) of provision for expected credit loss	45 277	348 008	51 111	444 396
The amount of the provision for the expected credit loss as of December 31, 2021	302 137	348 008	51 111	701 256
Net creation/(recovery) of provision for expected credit loss	456 557	(51 634)	1 654 042	2 058 965
The amount of the provision for the expected credit loss as of December 31, 2022	758 694	296 374	1 705 153	2 760 221

16 Due to other banks

	31 December 2022	31 December 2021
Due to other banks measured at amortized cost	2 545 841 210	1 068 854 512
Due to other banks measured at fair value through profit or loss	-	-
Total due to other banks	2 545 841 210	1 068 854 512

Due to other banks measured at amortized cost

	31 December 2022	31 December 2021
Term deposits of banks	2 545 841 210	1 068 854 512
Total due to other banks measured at amortized cost	2 545 841 210	1 068 854 512

As of December 31, 2022, the Bank has funds from other banks for two banks (2021: two banks) that exceed 10 percent of the bank's capital. The balance of funds of these banks is 1 136 768 983 thousand UZS (2021: 891 613 195 thousand UZS).

17 Customers deposits

	31 December 2022	31 December 2021
<i>State and public organizations</i>		
Demand deposits	233 459 309	157 161 752
Term deposits	3 066 654 556	1 256 448 645
<i>Other legal entities</i>		
Demand deposits	391 291 626	298 855 262
Term deposits	283 575 054	173 928 677
<i>Individuals</i>		
Demand deposits	342 712 612	229 075 264
Term deposits	965 275 874	572 657 341
Total customer deposits	5 282 969 031	2 688 126 941

As of December 31, 2022 and December 31, 2021, deposits in the amount of 12 354 035 thousand UZS and 39 430 828 thousand UZS, respectively, which are collateral for letters of credit and other similar services provided by the Bank, are reflected in customer deposits.

As of December 31, 2022, the Bank has no customers (2021: none) with balances exceeding 10% of the Bank's capital.

In accordance with the legislation of the Republic of Uzbekistan, the Bank is obliged to issue the deposit amount of an individual at the first request of the depositor. In cases where the 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 the agreement provides for a different amount of interest.

18 Debt securities issued

	31 December 2022	31 December 2021
Certificates of deposit	10 000 153	19 600 153
Total debt securities issued	10 000 153	19 600 153

Issued certificates of deposit at an interest rate of 1% + the refinancing rate of the Central Bank of the Republic of Uzbekistan.

19 Other borrowings

	31 December 2022	31 December 2021
Other borrowings measured at amortized cost	3 923 555 578	3 565 237 673
Other borrowings measured at fair value through profit or loss	927 621 498	1 680 007 226
Total other borrowings	4 851 177 076	5 245 244 899

Other borrowings measured at amortized cost

	31 December 2022	31 December 2021
Borrowings from other banks	1 275 143 314	1 899 405 896
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	1 164 481 200	18 217 228
Borrowings from other lenders	982 335 971	1 558 027 310
Borrowings from CBU	250 936 530	215 525
Borrowings from extra-budgetary funds	183 408 769	30 399 950
Borrowings from funds supporting government lending programs	63 316 185	-
Borrowings from non-bank financial institutions	3 933 609	58 971 764
Total other borrowings measured at amortized cost	3 923 555 578	3 565 237 673

Other borrowings measured at fair value through profit or loss

	31 December 2022	31 December 2021
Borrowings from other lenders	465 219 989	448 036 310
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	413 414 634	30 573 710
Borrowings from extra-budgetary funds	23 052 115	111 548 200
Borrowings from non-bank financial institutions	19 011 592	832 985 264
Borrowings from other banks	6 923 168	165 697 075
Borrowings from CBU	-	91 166 667
Total other borrowings measured at fair value through profit or loss	927 621 498	1 680 007 226

20 Subordinated loan

	31 December 2022	31 December 2021
Ministry of Finance of the Republic of Uzbekistan	50 000 000	-
Total subordinated loan	50 000 000	-

21 Other liabilities

	31 December 2022	31 December 2021
Other financial liabilities		
Finance lease obligations	75 940 910	32 332 258
Accounts payable	10 614 087	49 653 830
Settlements on money transfer systems	4 798 585	569 499
Dividends payable	30 439	30 551
Accrued expenses for the payment of remuneration to staff	920	2 893
Deposits by subscription to shares	-	1 350 190 918
Other financial liabilities	438 134	255 313
Total other financial liabilities	91 823 075	1 433 035 262
Other non-financial liabilities		
Taxes payable, except for income tax	23 517 171	14 167 480
Provision for credit losses on credit-related liabilities and provision for other liabilities	12 122 125	32 599 946
Deferred commission income	2 933 773	1 238 789
Income tax payable	-	7 814 603
Other non-financial liabilities	-	3 286
Total other non-financial liabilities	38 573 069	55 824 104
Total other liabilities	130 396 144	1 488 859 366

The movement of the provision for credit losses on credit related commitments and other contingent liabilities is presented below:

	Guarantees issued	Loan commitments and unused credit lines	Total
Provision for credit losses on credit related commitments and provision for other contingent liabilities as of January 1, 2021	6 832 674	22 145 469	28 978 143
Net creation/(recovery) of provision for expected credit loss	(6 170 082)	9 791 885	3 621 803
Provision for credit losses on credit related commitments and provision for other contingent liabilities as at December 31, 2021	662 592	31 937 354	32 599 946
Net creation/(recovery) of provision for expected credit loss	1 939 663	(22 417 484)	(20 477 821)
Provision for credit losses on credit related commitments and provision for other contingent liabilities as at December 31, 2022	2 602 255	9 519 870	12 122 125

22 Share capital

The declared, issued and fully paid share capital includes the following components:

	The number of shares, pieces	Ordinary shares, in thousands UZS	The impact of hyperinflation	Total
1 January 2021	1 537 198 929	1 641 584 276	280 545	1 641 864 821
Issue of new shares	520 050 530	555 413 966	-	555 413 966
31 December 2021	2 057 249 459	2 196 998 242	280 545	2 197 278 787
Issue of new shares	1 264 223 706	1 350 190 918	-	1 350 190 918
31 December 2022	3 321 473 165	3 547 189 160	280 545	3 547 469 705

As of December 31, 2022, the total number of declared ordinary and preferred shares with a par value of 1 068 UZS per share. Each share grants the right to one vote.

Preferred shares are not redeemable and have an advantage over ordinary shares in case of liquidation of the Bank. Preferred shares give holders the right to participate in the general meeting of shareholders, but do not grant the right to vote, except in cases when decisions are made regarding the reorganization and liquidation of the Bank, and in cases when amendments to the Bank's Charter are proposed that restrict the rights of holders of preferred shares.

23 Interest income and expense

	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest income calculated at the effective interest rate		
Loans and advances to customers	1 493 068 304	1 033 522 561
Investment financial assets	71 664 052	41 450 213
Cash and cash equivalents	31 585 691	11 920 566
Due from other banks	25 382 883	28 825 922
Total interest income calculated at the effective interest rate	1 621 700 930	1 115 719 262
Other interest incomes		
Loans and advances to customers	576 341 236	454 619 347
Due from other banks	14 242	452 525
Other assets	6 608 372	3 244 907
Total other interest incomes	582 963 850	458 316 779
Interest expense calculated at the effective interest rate		
Customer deposits	461 784 256	272 955 150
Other borrowings	271 903 842	264 948 700
Due from other banks	203 408 686	142 422 933
Debt securities issued	1 634 696	3 173 783
Total interest expense calculated at the effective interest rate	938 731 480	683 500 566
Other interest expenses		
Other borrowings	400 713 293	225 283 445
Lease obligations	12 812 900	4 746 897
Debt securities issued	92 658	-
Other liabilities	5 815	8 550
Total other interest expenses	413 624 666	230 038 892
Net interest income	852 308 634	660 496 583

24 Commission income and expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Commission income		
Settlement operations	80 347 130	65 600 272
Cash operations	45 226 968	23 319 610
Clients' transactions with foreign currency	25 885 446	10 128 291
Bank Card operations	11 794 208	11 069 257
Account management (Interactive services)	3 576 555	3 972 860
Commissions on documentary transactions and other credit obligations	1 562 670	174 388
Other	405 948	706 945
Total commission income	168 798 925	114 971 623
Commission expenses		
Bank Card operations	18 355 270	14 574 124
Settlement operations	11 239 372	7 095 231
Customer transactions with foreign currency	5 173 978	741 198
Cash collection services	5 156 689	1 922 819
Commissions on documentary transactions and other credit obligations	2 053 453	7 858 046
Commissions on operations with securities	102 945	426 558
Other	2 370 560	8 428 264
Total commission expenses	44 452 267	41 046 240
Net commission income	124 346 658	73 925 383

25 Other operating income

	For the year ended 31 December 2022	For the year ended 31 December 2021
Rental income from fixed assets	3 298 773	3 684 639
Income from the sale of collateral	2 334 213	2 524 400
Dividends	494 836	167 042
Gratuitous receipt of the building	88 186	-
Fees and penalty	57 146	338 974
Other	764 004	702 426
Total other operating income	7 037 158	7 417 481

26 Administrative and other operating expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Salary and bonuses	395 944 536	249 507 937
Other employee rewards	48 996 897	31 260 406
Single social payment	29 083 805	26 336 448
Staff costs	474 025 238	307 104 791
Depreciation	66 613 108	42 334 159
Security	56 965 570	41 510 079
Software maintenance	15 206 901	4 143 085
Repair	12 931 188	6 584 255
Membership fee	12 047 347	6 977 897
Insurance	11 473 324	15 006 383
Charity and sponsorship expenses	11 358 813	11 295 195
Professional services	10 278 419	5 549 280
Stationery	6 933 757	10 932 406
Travel expenses	6 797 352	4 776 492
Other taxes other than income tax	6 782 944	9 726 478
Communication	5 583 895	2 772 907
Utilities	3 644 178	3 321 786
Expenses for the maintenance of vehicles	3 019 283	2 367 337
Hospitality expenses	2 557 872	936 065
Loss on sale of fixed assets	2 544 198	4 117 664
Advertisement	2 305 899	226 454
Rent	1 441 559	3 284 488
Other	3 802 646	10 790 941
Total other operating expenses	242 288 253	186 653 351
Total staff costs and other operating expenses	716 313 491	493 758 142

27 Income tax

Components of income tax expense

Income tax expense includes the following components:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current income tax expense	30 337 773	13 234 054
Deferred taxation	7 883 058	(10 663 475)
Income tax expense for the year	38 220 831	2 570 579

Reconciliation of tax expenses and profit or loss multiplied by the applicable tax rate

For 2022 and 2021, the income tax rate applied to most of the Bank's profits, corporate income tax is 20 percent, respectively

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

	For the year ended 31 December 2022	For the year ended 31 December 2021
Income before tax	48 618 416	7 665 154
Theoretical tax deductions at the statutory rate - 20%	9 723 683	1 533 031
Tax effects of income or expenses that are not deductible for tax purposes:		
- expenses that do not reduce the tax base	28 497 148	1 037 548
Income tax expense for the year	38 220 831	2 570 579

Deferred tax analysis by type of temporary differences

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

The tax consequences of the movement of these temporary differences for 2022, which are reflected at a rate of 20 percent, are presented in detail below:

	31 December 2022	Restored / (allocated) to profit and loss account	31 December 2021
Tax effects of temporary differences that reduce / (increase) the tax base			
Cash and cash equivalents	293 318	276 103	17 215
Due from other banks	280 151	(330 095)	610 246
Loans and advances to customers	93 755 156	(58 142 193)	151 897 349
Investment financial assets	-	(15 260)	15 260
Fixed assets and intangible assets	(19 166 123)	(4 957 622)	(14 208 501)
Other borrowings	(71 318 251)	56 737 103	(128 055 354)
Other assets	3 864 775	2 687 325	1 177 450
Other liabilities	3 071 328	(4 138 418)	7 209 746
Net deferred tax assets	10 780 353	(7 883 058)	18 663 411
Recognized deferred tax assets	101 264 728	59 662 538	160 927 266
Recognized deferred tax liabilities	(90 484 375)	(51 779 480)	(142 263 855)
Net deferred tax (liability) / assets	10 780 353	(7 883 058)	18 663 411

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

	31 December 2022	Restored / (allocated) to profit and loss account	31 December 2021
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 assets 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	7 209 746	1 299 110	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

28 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, less the average number of ordinary shares repurchased by the Bank from shareholders and, accordingly, preferred shares.

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 2022	For the year ended 31 December 2021
Income for the year attributable to ordinary shareholders	10 397 585	5 094 575
Net income for the period attributable to shareholders (thousand UZS)	10 397 585	5 094 575
Weighted average number of ordinary shares outstanding during the period (pcs)	3 155 219 089	1 785 404 090
Basic and diluted earnings / (loss) per ordinary share (pcs / UZS)	3,30	2,85

29 Contingent financial liabilities

29.1 Insurance

The Bank did not provide full insurance of property, plant and equipment, insurance in case of business interruption, or in respect of third party liability in terms of property or environmental damage arising from equipment malfunction or in connection with the Bank's core business. Until the Bank is able to obtain 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.

29.2 Legal issues

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the possible liabilities (if any) arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Bank.

29.3 Tax legislation

Tax and customs legislation, as well as legislation in the sphere of currency regulation of the Republic of Uzbekistan, admit the possibility of different interpretations and are subject to frequent changes. Moreover, the regulations issued by various government bodies may contradict each other. Management's interpretation of the legislation applied to the operations and the relevant authorities may challenge activities of the Bank. The Uzbek tax authorities may take a tougher stance in interpreting legislation and assessing accruals, and there is a possibility that operations and activities that have not been challenged in the past will be challenged. As a result, significant amounts of additional taxes, penalties and interest may be assessed. Tax periods remain open for review by the relevant tax authorities for tax payments for five calendar years. previous year for which the audit is carried out. In some cases, checks may cover longer periods.

The Bank's management believes that its interpretation of the relevant legislation is correct and that the Bank's tax, currency and customs positions will be confirmed. Accordingly, as of December 31, 2022 and December 31, 2021, management has not formed a provision for potential tax liabilities. According to the Bank's assessment, there are no potential tax liabilities, except for unlikely ones.

29.4 Credit commitment

The main purpose of these tools is to ensure the provision of funds to customers as needed. Guarantees and guarantee letters of credit, which represent irrevocable obligations of the Bank to make payments in the event that a client fails to fulfill 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 clients within the agreed amount when certain conditions are met, 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-related obligations, the Bank issues guarantees of proper performance of obligations. Guarantees of proper performance of obligations are insurance contracts that provide for 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 for ensuring proper performance of obligations is the probability of an insured event occurring (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 agreements, as compared with the forecast. The Bank uses historical data and statistical methods to predict the amount of such payments. Claims should be sent 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 with respect to 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 claims payments on claims. The Bank has a process for processing claims for insurance claims for claims that provides for the right to review claims and reject falsified or non-compliant claims.

The table below provides credit commitments and guarantees for the proper performance:

	31 December 2022	31 December 2021
Guarantees issued	337 713 066	124 389 184
Loan commitment	185 842 619	642 410 864
Letters of credit	22 871 109	39 430 828
Total credit commitments before deducting provision for credit losses	546 426 794	806 230 876
Less provision for credit losses	(12 122 125)	(32 599 946)
Total credit commitments	534 304 669	773 630 930

Obligations under letters of credit are secured by deposits with customer funds in the amount of 12 354 035 thousand UZS (2021: 39 430 828 thousand UZS).

Movements in the allowance for credit losses on credit related commitments are presented in Note 21.

30 Related party transactions

For the purposes of compiling these financial statements, the parties are considered related if one of them has the ability to control the other or have a significant influence on the other party's financial and operational decisions, as set out in IAS 24 "Related Party Disclosures". 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 balances of assets and liabilities with related parties at the reporting date are as follows:

	31 December 2022		31 December 2021	
	Shareholders	Other related parties	Shareholders	Other related parties
Assets				
Cash and cash equivalents	-	568 344 507	-	193 649 633
Due from other banks	-	100 143 144	-	103 671 294
Loans and advances to customers	-	2 014 500	-	733 710
Investment financial assets	-	-	37 525 162	-
Liabilities				
Due to other banks	-	2 081 087 566	-	1 136 130 800
Customer deposits	1 039 448 254	49 025 518	411 077 812	-
Other borrowings	663 507 323	-	165 697 075	1 279 096 436
Subordinated loans	50 000 000	-	-	-

The rates of income and expenses from related parties for 2022 and 2021 are presented below:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	Shareholders	Other related parties	Shareholders	Other related parties
Income and expenses				
Interest income calculated at the effective interest rate	-	10 970 697	1 035 211	21 770 630
Interest expense calculated at the effective interest rate	(49 445 171)	(137 804 656)	(30 750 657)	(126 691 929)
Administrative and other operating expenses	(38 004 945)	(3 954 990)	(67 067 473)	-
- Remuneration of key management personnel	-	(17 758 577)	-	(10 218 186)

31 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 shows the analysis of assets recorded in the financial statements at fair value, by level of assessment hierarchy as at 31 December 2022:

	Level 1	Level 2	Level 3	Book value
Financial assets measured at fair or revalued value				
Loans and advances to customers	-	-	1 312 983 983	1 312 983 983
Commercial loans of legal entities	-	-	439 834 607	439 834 607
Consumer and other loans to individuals	-	-	873 149 376	873 149 376
Investment financial assets	-	454 589 171	107 220	454 696 391
Securities that are measured at fair value through profit or loss on a mandatory basis	-	454 589 171	-	454 589 171
Securities classified as measured at fair value through other comprehensive income – equity instruments	-	-	107 220	107 220

The table below presents an analysis of assets accounted for in the fair value statements by levels of the valuation hierarchy as of December 31, 2021:

	Level 1	Level 2	Level 3	Book value
Financial assets measured at fair 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	-	507 092 319
Securities classified as measured at fair value through other comprehensive income – equity instruments	-	-	107 220	107 220

The table below presents an analysis of assets carried at amortised cost accounted for at fair value by levels of the valuation hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Book value
Financial assets measured at amortized cost				
Cash and cash equivalents	550 033 331	986 626 277	-	1 536 659 608
Cash on hand	550 033 331	-	-	550 033 331
Current account balances in CBU	-	389 619 936	-	389 619 936
Current account balances in other banks	-	597 006 341	-	597 006 341
Mandatory reserves in CBU	-	35 708 264	-	35 708 264
Due from other banks	-	105 586 012	-	105 586 012
Term deposits with other banks placed for a period of more than 90 days	-	105 586 012	-	105 586 012
Loans and advances to customers	-	-	12 894 100 979	12 894 100 979
Commercial loans to legal entities	-	-	8 622 145 543	8 622 145 543
Consumer and other loans to individuals	-	-	4 271 955 436	4 271 955 436
Other financial assets	-	-	14 818 246	14 818 246

The table below presents an analysis of assets carried at amortised cost accounted for at fair value by levels of the valuation hierarchy as of December 31, 2021:

	Level 1	Level 2	Level 3	Book value
Financial assets carried at amortised cost				
Cash and cash equivalents	296 970 169	876 758 850	-	1 173 729 019
Cash on hand	296 970 169	-	-	296 970 169
Balance on current accounts in CBU	-	553 211 060	-	553 211 060
Current account balances in other banks	-	283 547 790	-	283 547 790
Term deposits with other banks placed for a period of more than 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 with 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 of legal entities	-	-	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

Below is an estimate of the fair value of the Bank's classes of financial liabilities by levels of the hierarchy of sources of fair value as at December 31, 2022:

	Level 1	Level 2	Level 3	Book value
Financial liabilities measured at fair or revalued value				
Due from other banks	-	-	-	-
Other borrowings	-	-	927 621 498	927 621 498
Borrowings from extra-budgetary funds	-	-	23 052 115	23 052 115
Borrowings from other banks	-	-	6 923 168	6 923 168
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	413 414 634	413 414 634
Borrowings from non-bank financial institutions	-	-	19 011 592	19 011 592
Borrowings from other lenders	-	-	465 219 989	465 219 989

Below is an estimate of the fair value of the Bank's classes of financial liabilities by levels of the hierarchy of sources of fair value as at December 31, 2021:

	Level 1	Level 2	Level 3	Book value
Financial liabilities measured 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-bank financial institutions	-	-	832 985 264	832 985 264
Borrowings from other lenders	-	-	448 036 310	448 036 310

The table below presents an analysis of liabilities carried at amortised cost accounted for at fair value by levels of the valuation hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Book value
Financial liabilities carried at amortised cost				
Due to other banks	2 545 841 210	-	-	2 545 841 210
Term deposits of banks	2 545 841 210	-	-	2 545 841 210
Customer deposits	-	967 463 547	4 315 505 484	5 282 969 031
Demand deposits	-	967 463 547	-	967 463 547
Term deposits	-	-	4 315 505 484	4 315 505 484
Debt securities issued	-	-	10 000 153	10 000 153
Certificates of deposit	-	-	10 000 153	10 000 153
Other borrowings	-	-	3 923 555 578	3 923 555 578
Borrowings from funds supporting government lending programs	-	-	63 316 185	63 316 185
Borrowings from other lenders	-	-	982 335 971	982 335 971
Borrowings from other banks	-	-	1 275 143 314	1 275 143 314
Borrowings from CBU	-	-	250 936 530	250 936 530
Borrowings from extra-budgetary funds	-	-	183 408 769	183 408 769
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	1 164 481 200	1 164 481 200
Borrowings from non-bank financial institutions	-	-	3 933 609	3 933 609
Subordinated loan	-	-	50 000 000	50 000 000
Subordinated loan	-	-	50 000 000	50 000 000
Other financial liabilities	-	-	91 823 075	91 823 075

The table below presents an analysis of liabilities carried at amortised cost accounted for at fair value by levels of the valuation hierarchy as at December 31, 2021:

	Level 1	Level 2	Level 3	Book value
Financial liabilities carried at amortised 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 CBU	-	-	215 525	215 525
Borrowings from extra-budgetary funds	-	-	30 399 950	30 399 950
Borrowings from other banks	-	-	1 899 405 896	1 899 405 896
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	18 217 228	18 217 228
Borrowings from other lenders	-	-	1 558 027 310	1 558 027 310
Borrowings from non-bank financial institutions	-	-	58 971 764	58 971 764
Other financial liabilities	-	-	1 433 035 262	1 433 035 262

The fair value measurement at Level 2 and Level 3 of the fair value hierarchy was performed using the discounted cash flow model. The fair value of derivatives with floating interest rates, which have no quotations in an active market, was assumed to be equal to the carrying value. The fair value of fixed interest rate instruments that do not have quotations in an active market was estimated based on estimated future cash flows disrupted using current interest rates on the borrowing market for new instruments with similar credit risk and a similar maturity.

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

32 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 vided 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 2022	31 December 2021
Fully paid shares	3 547 469 705	2 197 278 787
Retained earnings/(loss)	94 327 017	45 343 510
Intangible assets	(2 826 668)	(1 696 908)
Investments in the capital of unconsolidated economic entities	(107 220)	(107 220)
Adjusted Tier 1 capital	3 638 862 834	2 240 818 169
Net profit for the period	9 130 377	48 983 507
Adjusted total amount of risk-based capital	3 647 993 211	2 289 801 676
The amount of balance sheet and off-balance sheet assets weighted with risk	17 344 377 392	15 406 474 407
Operational risk	251 743 647	255 627 055
Market risk	207 442 773	116 896 815
Adjusted total amount of risk-weighted assets	17 803 563 812	15 778 998 277
Capital adequacy ratios:		
Tier 1 capital	20,4%	14,2%
Total capital	20,5%	14,5%

33 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. The Bank's management should ensure proper compliance with internal regulations and procedures in order to minimize operational and legal risks.

33.1 Credit risk

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

Policy to reduce and limit risk. The Bank manages, sets limits and monitors the concentration of credit risk, wherever it is installed - in particular, in relation to individual counterparties and groups, and in relation to industries. The Bank controls credit risk by setting limits for one borrower or a group of related borrowers, as well as setting limits for 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 pay interest and principal, and, if necessary, by changing credit limits.

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

For acquired or issued depreciated financial assets, the estimated provision for credit losses is formed in the amount of accumulated changes in the value of expected credit losses for the entire lifetime of the instrument from the moment of acquisition or provision.

Factors indicating 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 as impaired are:

- The presence of overdue debts to the Bank for a period from 31 to 90 days (inclusive);
- Significant changes in the external and internal credit rating resulting from changes in credit risk compared with the moment of initial recognition;
- Deterioration of the internal rating to the level at which the Bank decides to refuse to provide a loan;
- Identification of events that may affect solvency (revocation of a license, presence of claims, violation of credit documentation conditions, etc.).

The main signs of assigning a debt financial instrument to impaired (Stage 3):

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

Credit quality recovery. The improvement in the borrower's credit quality, which at the previous reporting dates revealed a significant increase in credit risk to the level of risk related to the first stage, is determined on the basis of an estimate of the change in credit risk at the reporting date compared to the initial recognition.

Credit quality is restored from the impaired level to the level of risk related to the first stage when the indicators of impairment are eliminated at the reporting date, as well as if there are no factors at the reporting date indicating a significant increase in credit risk.

Reservation approach for impaired assets purchased or issued. To calculate the estimated reserve for credit losses in respect of acquired or disbursed impaired assets, the Bank estimates the cumulative changes in the value of expected credit losses over the entire life of the instrument from the moment of its acquisition or issue.

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

- significant financial difficulties of the counterparty / issuer;
- breach of contract terms, such as late payment;
- granting by the creditor of an assignment to his counterparty / issuer for economic reasons or contractual terms associated with the financial difficulties of such counterparty / issuer and which the lender would not have provided otherwise;
- the likelihood of bankruptcy or other financial reorganization;

- the disappearance of an active market for this financial asset as a result of the issuer's financial difficulties;
- purchase or creation of a financial asset with a large discount that reflects credit losses incurred.

Assessment methods and method of forming an allowance for credit losses. In order to estimate expected credit losses, two methods are distinguished: at the transaction level or at the counterparty level. Transaction level valuation is used for all debt financial instruments, except those related to the Individuals segment.

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

The main method of formation of estimated reserves for credit losses, which is applied at the Bank level, is collective reservation. It is necessarily applied to financial instruments for which the debt is not material or for which no significant increase in credit risk or impairment was detected during the reporting period.

Reserving financial assets on an individual basis. The amount of the estimated reserve for credit losses for each debt financial asset is based on an estimate of the weighted average expected credit losses under the scenarios under consideration.

- The number of considered scenarios and their weights are determined on the basis of the methodology developed by the Bank, taking into account the current, as well as reasonable forecast information, however, the number of considered scenarios cannot be less than two (including the 100% loss scenario) and the probability of their implementation must be above zero.
- Estimation of expected losses in case of 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 allowance for credit losses is determined as the difference between the gross book value of the debt financial asset before deducting the allowance for credit losses at the valuation date and its recoverable amount.

To estimate the recoverable amount, the discounted cash flow method is used based on the expected future payments on the 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 flow:

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

Reserving financial assets collectively. A collective assessment of estimated reserves for credit losses of 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 the analysis of financial and other information, and which are regularly monitored.

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 CBU (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 rate (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.

- "Minimum 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.

33.2 Market risk

The Bank assumes market risk associated with open positions in interest, currency and equity instruments, which are exposed to the risk of general and specific changes in the market. 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 exposure to market risk does not go beyond acceptable parameters, while ensuring optimization of the profitability received for the accepted risk.

33.3 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 stock price risk. Most of the equity investments held by the Bank are carried at cost of acquisition and periodically assessed for impairment, respectively, it is not expected that the Bank's exposure to equity risk will be significant.

33.4 Geographical risk

The following is an analysis of the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2022:

	Uzbekistan	OECD and FATF member countries	Other countries	Total
Financial assets				
Cash and cash equivalents	1 524 007 554	-	11 072 023	1 535 079 577
Mandatory reserve in CBU	35 708 264	-	-	35 708 264
Due from other banks	104 185 258	-	-	104 185 258
Loans and advances to customers	13 350 403 171	-	-	13 350 403 171
Investment financial assets	454 696 391	-	-	454 696 391
Other financial assets	14 128 437	-	689 809	14 818 246
Total financial assets	15 483 129 075	-	11 761 832	15 494 890 907
Financial liabilities				
Due to other banks	2 512 164 830	-	33 676 380	2 545 841 210
Customer deposits	5 282 969 031	-	-	5 282 969 031
Debt securities issued	10 000 153	-	-	10 000 153
Other borrowings	3 669 333 327	464 999 565	716 844 184	4 851 177 076
Subordinated loan	50 000 000	-	-	50 000 000
Other financial liabilities	87 024 490	-	4 798 585	91 823 075
Total financial liabilities	11 611 491 831	464 999 565	755 319 149	12 831 810 545
Net financial assets / (liabilities)	3 871 637 244	(464 999 565)	(743 557 317)	2 663 080 362
Credit commitments	511 433 560	-	22 871 109	534 304 669

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	13 225 442	-	22 781 721	36 007 163
Total financial assets	12 154 584 716	-	38 809 635	12 193 394 351
Financial liabilities				
Due to other banks	1 068 854 512	-	-	1 068 854 512
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)	5 022 642 445	(1 076 220 631)	(2 207 889 230)	1 738 532 584
Credit commitments	734 200 102	-	39 430 828	773 630 930

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.

33.5 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
2022			
UZS	10 626 911 141	8 403 250 477	2 223 660 664
USD	3 588 611 608	3 410 748 051	177 863 557
Euro	1 262 807 125	1 016 759 876	246 047 249
Other	16 561 033	1 052 141	15 508 892
Total	15 494 890 907	12 831 810 545	2 663 080 362
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

The Bank takes on exposure to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. The Council sets limits on the level of accepted risk by currency and in general both at the end of each day and within one day and monitors their observance on a daily basis. The Bank Treasury measures its currency risk by analyzing its net currency position denominated in the same currency, as well as analyzing the effect of strengthening / weakening of the same currency in relation to the Uzbek Soum on the Bank's profit and loss.

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 2022	31 December 2021
Strengthening of the USD by 10%	17 786 356	(57 435)
Weakening of the USD by 10%	(17 786 356)	57 435
Strengthening of the Euro by 10%	24 604 725	14 980 732
Weakening of the Euro by 10%	(24 604 725)	(14 980 732)

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

33.6 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 accounts, 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 Resource Management Committee 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 liquidity management of the Bank requires an analysis of the level of liquid assets necessary to settle liabilities when they mature; providing access to various sources of funding; availability of plans in case of problems with financing and control over compliance of liquidity ratios with legal requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirements of CBU. These standards include (standards are calculated on the basis of indicators in accordance with the requirement of CBU):

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 table below shows 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 table below shows 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.

An analysis of liquidity risk and interest rate risk as at 31 December 2022 is presented in the following table:

	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	1 717 670	500 000	25 428 149	41 138 889	35 400 550	104 185 258
Loans and advances to customers	1 414 818 948	993 489 138	3 659 157 857	2 920 410 286	4 362 526 942	13 350 403 171
Investment financial assets	332 559 447	122 029 724	-	-	-	454 589 171
Total interest accrued financial assets	1 749 096 065	1 116 018 862	3 684 586 006	2 961 549 175	4 397 927 492	13 909 177 600
Cash and cash equivalents	1 535 079 577	-	-	-	-	1 535 079 577
Mandatory reserve in CBU	35 708 264	-	-	-	-	35 708 264
Investment financial assets	107 220	-	-	-	-	107 220
Other financial assets	14 818 246	-	-	-	-	14 818 246
Total financial assets	3 334 809 372	1 116 018 862	3 684 586 006	2 961 549 175	4 397 927 492	15 494 890 907
Financial liabilities						
Due to other banks	460 262 546	712 948 725	817 356 309	112 254 600	443 019 030	2 545 841 210
Customer deposits	31 929 353	154 536 244	1 486 015 660	1 613 523 519	1 029 500 708	4 315 505 484
Debt securities issued	-	-	10 000 153	-	-	10 000 153
Other borrowings	172 947 956	637 340 331	772 630 087	673 057 454	2 595 201 248	4 851 177 076
Subordinated loan	-	-	-	-	50 000 000	50 000 000
Total interest-bearing financial liabilities	665 139 855	1 504 825 300	3 086 002 209	2 398 835 573	4 117 720 986	11 772 523 923
Customer deposits	967 463 547	-	-	-	-	967 463 547
Other financial liabilities	91 823 075	-	-	-	-	91 823 075
Total financial liabilities	1 724 426 477	1 504 825 300	3 086 002 209	2 398 835 573	4 117 720 986	12 831 810 545
The difference between financial assets and liabilities	1 610 382 895	(388 806 438)	598 583 797	562 713 602	280 206 506	2 663 080 362
The difference between interest accrued financial assets and interest-bearing financial liabilities	1 083 956 210	(388 806 438)	598 583 797	562 713 602	280 206 506	2 136 653 677
The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative	1 083 956 210	695 149 772	1 293 733 569	1 856 447 171	2 136 653 677	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	7,00%	4,49%	8,35%	11,98%	13,79%	

The table below presents an analysis of financial liabilities by maturity, excluding discounting, as at December 31, 2021:

	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
Investment financial assets	507 092 319	-	-	-	-	507 092 319
Total interest accrued financial assets	1 630 944 869	1 039 375 859	2 849 272 506	3 277 878 558	2 200 310 020	10 997 781 812
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	107 220	-	-	-	-	107 220
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	241 322 879	1 443 969 640	924 600 268	1 418 638 836	1 216 713 276	5 245 244 899
Total interest-bearing financial liabilities	452 656 495	1 965 976 191	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	2 570 784 035	1 965 976 191	1 979 707 299	2 102 957 641	1 835 436 601	10 454 861 767
The difference between financial assets and liabilities	255 773 373	(926 600 332)	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	1 178 288 374	(926 600 332)	869 565 207	1 174 920 917	364 873 419	2 661 047 585
The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative	1 178 288 374	251 688 042	1 121 253 249	2 296 174 166	2 661 047 585	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	9,66%	2,06%	9,20%	18,83%	21,82%	

In the opinion of management of the Bank, the discrepancy between the maturity and interest maturities and interest rates of assets and liabilities is a temporary factor. In banks, as a rule, there is no complete coincidence in these positions, since operations often have uncertain maturities and are of a different nature.

Liquidity requirements in respect of guarantees and letters of credit payments are significantly lower than the sum of the corresponding liabilities, as the Bank usually does not expect that third parties will claim funds from these liabilities. The total amount of contractual commitments to provide loans does not necessarily represent the amount of cash that will be required in the future, since many of these commitments may be unclaimed or terminated before their expiration date.

33.7 Interest rate risk

The Bank takes on exposure to the effects of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the level of interest margin; however, in the event of an unexpected change in interest rates, the interest margin may also decrease or cause losses.

The Bank is exposed to interest rate risk, primarily as a result of its lending activities at fixed interest rates in amounts and for periods that differ from the amounts and terms for raising funds at fixed interest rates. In practice, interest rates are usually set for a short period. In addition, interest rates fixed in the terms of contracts for both assets and liabilities are often revised based on 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:

	2022		2021	
	UZS	USD	UZS	USD
Financial assets				
Cash and cash equivalents	13%-19%	-	12%-14%	-
Due from other banks	3%-19%	-	0%-21%	-
Loans and advances to customers	0%-54%	3%-18%	0%-36%	4%-14%
Investment financial assets	13,5%	-	11,3%-15%	-
Financial liabilities				
Due to other banks	0%-18%	2%-7%	0%-20%	1%-7,3%
Customer deposits	0%-23%	0%-7%	0%-23,2%	0%-7%
Debt securities issued	16%	-	16%	-
Other borrowings	0%-17%	0%-8,8%	0%-16%	0%-6,8%
Subordinated loans	8%	-	-	-

34 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 the residents of the Republic of Uzbekistan.

34.1 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 and deposits, servicing debit cards, providing consumer loans and loans secured by real estate;
- Legal entities - maintaining accounts, attracting deposits, providing loans and other lending services, direct debiting of deposits, 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.

The table below provides information on the segment concentration of assets and liabilities as at 31 December 2022:

	Individuals	Legal entities	Unsplittable	Total
Financial assets				
Cash and cash equivalents	-	595 426 310	939 653 267	1 535 079 577
Mandatory reserve in CBU	-	-	35 708 264	35 708 264
Due from other banks	-	104 185 258	-	104 185 258
Loans and advances to customers	4 874 178 596	8 476 224 575	-	13 350 403 171
Investment financial assets	-	454 696 391	-	454 696 391
Other financial assets	8 711 144	6 107 102	-	14 818 246
Total financial assets	4 882 889 740	9 636 639 636	975 361 531	15 494 890 907
Financial liabilities				
Due to other banks	-	2 545 841 210	-	2 545 841 210
Customer deposits	1 307 988 486	3 974 980 545	-	5 282 969 031
Debt securities issued	-	10 000 153	-	10 000 153
Other borrowings	-	4 851 177 076	-	4 851 177 076
Subordinated loans	-	50 000 000	-	50 000 000
Other financial liabilities	4 799 505	87 023 570	-	91 823 075
Total financial liabilities	1 312 787 991	11 519 022 554	-	12 831 810 545
Net financial assets / (liabilities)	3 570 101 749	(1 882 382 918)	975 361 531	2 663 080 362
Credit commitments	41 866 770	492 437 899	-	534 304 669

The table below provides information on the segment concentration of income and expenses as of December 31, 2022:

	Individuals	Legal entities	Unsplittable	Total
Interest income calculated at the effective interest rate	652 291 576	969 409 354	-	1 621 700 930
Other interest income	184 607 468	398 356 382	-	582 963 850
Interest expenses calculated at the effective interest rate	(139 735 430)	(798 996 050)	-	(938 731 480)
Other interest expenses	-	(413 624 666)	-	(413 624 666)
Net interest expenses	697 163 614	155 145 020	-	852 308 634
Creation of provisions for credit losses on debt financial assets	(131 037 372)	(12 362 814)	-	(143 400 186)
Net gains/(losses) from initial recognition of financial instruments and loan modifications	(206 838 250)	107 710 504	-	(99 127 746)
Net interest income after provision for credit losses	359 287 992	250 492 710	-	609 780 702
Commission income	93 093 798	75 705 127	-	168 798 925
Commission expenses	(39 600)	(44 412 667)	-	(44 452 267)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency	-	-	23 492 843	23 492 843
Restoration/(creation) of a provision for credit losses on credit-related obligations	-	20 477 821	-	20 477 821
Provision for other assets	-	(20 203 275)	-	(20 203 275)
Other operating income	-	7 037 158	-	7 037 158
Administrative and other operating expenses	(474 025 238)	(242 288 253)	-	(716 313 491)
Profit before tax	(21 683 048)	46 808 621	23 492 843	48 618 416

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

	Individuals	Legal entities	Unsplittable	Total
Financial assets				
Cash and cash equivalents	-	281 980 413	890 181 229	1 172 161 642
Mandatory reserves on accounts with 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/(obligations)	2 342 831 354	(1 521 816 513)	917 517 743	1 738 532 584
Credit commitments	-	773 630 930	-	773 630 930

The table below provides information on the segment concentration of income and expenses as of December 31, 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 expenses calculated at the effective interest rate	(87 096 353)	(596 404 213)	-	(683 500 566)
Other interest expenses	-	(230 038 892)	-	(230 038 892)
Net interest expenses	647 495 581	13 001 002	-	660 496 583
Creation of provisions for credit losses on debt financial assets	(82 302 638)	(353 650 879)	-	(435 953 517)
Net gains/(losses) 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 expenses	-	(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
Restoration/(creation) of a provision for credit losses on credit-related obligations	(1 126 585)	(2 495 218)	-	(3 621 803)
Provision for other assets	-	(8 633 753)	-	(8 633 753)
Other operating income	-	7 417 481	-	7 417 481
Administrative and other operating expenses	(307 104 791)	(186 653 351)	-	(493 758 142)
Profit before tax	61 192 574	(81 681 250)	28 153 830	7 665 154

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

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



J.S. Sagdullaev
Chief Accountant of the Bank

12 June 2023