MIKROKREDITBANK

Joint-Stock Commercial Bank «Microcreditbank»

Financial statements for the year ended 31 December 2019
and Independent auditor's opinion
(Translated from Russian language)

Content

Grant Thornton

An instinct for growth™

AO OOO «Grant Thornton»
Республика Узбекистан,
100128, Ташкент,
ул. Абая. 1А
Тел.: +998 (71) 230-45-43
Факс: +998 (71) 244-47-43

"Grant Thornton" AO LLC
1A, Abay Str.,
Tashkent, 100128,
Republic of Uzbekistan
Tel.: +998 (71) 230-45-43
Fax: +998 (71) 244-47-43
W: www.grantthornton.uz

Independent Auditor's opinion

To shareholders and the Supervisory Board of «Microcreditbank» JSCB

Opinion

We have audited the financial statements of Joint-stock Commercial Bank "Microcreditbank" (hereinafter referred to as the "Bank"), which consist of the statement of financial position as at 31 December 2019, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on the specified date and the notes to the financial statements, including a summary of key accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects the financial position of the Bank as at 31 December 2019, as well as its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section "Auditor's responsibility for auditing financial statements" of our opinion. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the schedule in the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (PAIESB Code) and ethical requirements applicable to our audit of the financial statements in the Republic of Uzbekistan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are matters that, in our professional judgment, were the most significant for our audit of the financial statements for the current period. These issues were considered in the context of our audit of the financial statements as a whole and in the formation of our opinion on these statements, and we do not express a separate opinion on these issues.

Grant Thornton

An instinct for growth™

Key audit matters	*What audit procedures have been performed regarding the key audit matters?*

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

Due to the materiality of the provision for credit losses on loans to customers and credit commitments for the financial position of the Bank, as well as to the complexity and necessity of applying judgments in estimating expected credit losses in accordance with the new IFRS 9 "Financial Instruments" standard this issue is one of the key audit matters.

It is necessary to apply judgment to determine a significant increase of credit risk from the date of initial recognition, both on an individual and on a portfolio basis, as well as for the calculation of expected credit losses. The assessment of the increase in credit risk is based on the relative change in credit ratings, the duration of overdue debts and other objective and subjective factors. The choice of thresholds at which an increase of credit risk is recognized as significant, such as the magnitude of deterioration in a credit rating, is also subjective.

The calculation of expected credit losses includes valuation techniques that use significant unobservable input data and factors, such as internal credit ratings, as well as comprehensive statistical modeling and expert judgment. These methods are used to determine the probability of default based on available historical data and external information.

An analysis of financial and non-financial information and the widespread use of assumptions are required to calculate expected credit losses for significant financial assets that have been individually impaired by credit. The estimation of future cash flows is based on such significant unobservable initial data as the current and forecast financial indicators of the borrower, the value of collateral and an assessment of the likelihood of possible scenarios. The use of other modeling techniques, assumptions and forecasts may lead to significantly different estimates of the provision for expected credit losses.

Information on the provision for expected credit losses on loans to customers and credit commitments is presented in Notes 10, 18 and 30 to the financial statements.

In the process of our audit, we paid special attention to the following: assessment of credit risk models and assumptions used to determine key parameters for provisioning and expected credit losses on a portfolio; assessment of management's judgments regarding the identification of a significant increase of credit risk on both of an individual and portfolio basis, using quantitative and qualitative criteria; testing of expected future cash flows, including cash flows from collateral, in respect of significant loans to customers and credit commitments.

Our audit procedures included an assessment of the expected credit loss calculation methodology developed by the Bank in accordance with IFRS 9 to assess loan impairment provisions for loans to customers and credit commitments. We evaluated the reasonableness of credit risk factors and thresholds selected by management to determine a significant increase of credit risk on an individual and portfolio basis. We assessed the consistency in applying the criteria selected by management at the reporting date.

When testing the impairment calculated on a portfolio basis, we analyzed the underlying statistical models, key inputs and assumptions, as well as the forward-looking information used in the calculation of expected credit losses. For the selected material loans, we conducted an audit of internal credit ratings, credit risk factors and classification by stages. In collaboration with valuation specialists, we analyzed assumptions about future cash flows for selected material corporate loans, including the value of the collateral and the likelihood of possible scenarios. We reviewed the results of the Bank's subsequent testing of the models used for the purposes of IFRS 9.

Grant Thornton

An instinct for growth™

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

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

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

Note 10 and 30 to the financial statements provide details of the measurement of loans and advances to customers at fair value through profit or loss.

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

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

Other information

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

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

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

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

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

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

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

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

Auditor's responsibility for auditing financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Grant Thornton

An instinct for growth™

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

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

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

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

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

AO "Grant Thornton" LLC

29 April 2020
Tashkent, Uzbekistan

(in thousands UZS)

Statement of financial position

	Notes	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents	7	407 355 224	255 393 830
Mandatory reserves in CBU	8	43 446 340	26 845 096
Due from other banks	9	258 034 763	8 982 014
Loans and advances to customers	10	4 466 349 536	2 393 567 871
Investment financial assets	11	117 112 381	341 924
Deferred tax asset		-	30 585 965
Fixed assets and intangible assets	12	258 212 227	218 400 503
Other assets	13	21 018 602	8 802 797
Total assets		**5 571 529 073**	**2 942 920 000**
Liabilities			
Due to other banks	14	1 255 550 581	287 062 340
Customer deposits	15	1 378 972 456	1 060 415 607
Debt Securities Issued	16	106 171 952	83 087 259
Other borrowed funds	17	1 112 653 119	765 094 446
Deferred tax liabilities	24	8 657 163	27 856 947
Other liabilities	18	49 509 128	23 281 981
Total liabilities		**3 911 514 399**	**2 246 798 580**
Equity			
Share capital	19	1 642 009 001	694 465 804
Retained earnings and funds		18 005 673	1 655 616
Total equity		**1 660 014 674**	**696 121 420**
Total liabilities and equity		**5 571 529 073**	**2 942 920 000**

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

O'ZBEKISTON RESPUBLIKASI MIKROKREDITBANK AKSIYADORLIK TIJORAT BANKI TOSHKENT SHAHRI

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

Taylakov I.R.
Chief Accountant of the Bank

29 April 2020

(in thousands UZS)

Statement of profit and loss and other comprehensive income

	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
Continuing activities			
Interest income calculated at the effective interest rate	20	498 950 019	311 068 098
Other interest income	20	143 786 462	82 730 148
Interest expense calculated at the effective interest rate	20	(193 253 453)	(107 486 036)
Other interest expenses	20	(88 185 569)	(43 771 193)
Net interest income		**361 297 459**	**242 541 017**
Provisions for credit losses on debt financial assets	7,9,10,11	(62 764 302)	(15 644 852)
Net income / (expense) from initial recognition of financial instruments and loan modifications		(15 627 078)	5 560 979
Net interest income after provision for credit losses		**282 906 079**	**232 457 144**
Commission income	21	75 550 772	54 071 321
Commission expense	21	(28 283 908)	(16 725 314)
Net income / (expense) from operations in foreign currency and from revaluation of foreign currency		(14 581 196)	(13 141 630)
Recovery / (creation) of a provision for credit losses on credit related commitments	18	(6 678 408)	5 560 979
Provisions for other assets		(2 810 753)	(4 066 794)
Other operating income	22	7 291 870	7 331 046
Administrative and other operating expenses	23	(282 505 392)	(244 109 485)
Income before tax		**30 889 064**	**21 377 267**
Income tax expense	24	(14 510 171)	(6 470 770)
Net income for the year		**16 378 893**	**14 906 497**
Other comprehensive income		-	-
Total comprehensive income for the year		**16 378 893**	**14 906 497**

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

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

29 April 2020

Taylakov I.R.
Chief Accountant of the Bank

O'ZBEKISTON RESPUBLIKASI MIKROKREDITBANK AKSIYADORLIK TIJORAT BANKI TOSHKENT SHAHRI

(in thousands UZS)

Statement of changes in equity

	Share capital	Retained earnings and funds	Total capital
Balance as at 1 January 2018	**593 032 833**	**(13 250 881)**	**579 781 952**
Net income for the year	-	14 906 497	14 906 497
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**14 906 497**	**14 906 497**
Share capital increase	101 432 971	-	101 432 971
Balance as at 31 December 2018	**694 465 804**	**1 655 616**	**696 121 420**
Net income for the year	-	16 378 893	16 378 893
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**16 378 893**	**16 378 893**
Share capital increase	947 543 197	-	947 543 197
Dividends declared on preferred shares	-	(28 836)	(28 836)
Balance as at 31 December 2019	**1 642 009 001**	**18 005 673**	**1 660 014 674**

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

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

29 April 2020

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

Taylakov I.R.
Chief Accountant of the Bank

(in thousands UZS)

Statement of cash flow

	For the year ended 31 December 2019	For the year ended 31 December 2018
Cash flow from operating activities		
Interest received	600 516 640	389 069 804
Interest paid	(278 450 918)	(147 364 104)
Commissions received	75 538 729	55 152 564
Commissions paid	(28 282 315)	(16 725 314)
Net income from operations in foreign currency	(14 581 196)	13 141 630
Other operating income	7 291 870	12 892 025
Staff costs	(196 640 917)	(149 848 958)
Administrative and other operating expenses	(89 240 897)	(72 584 497)
Income tax paid	(216 430)	(3 177 708)
Cash flow from operating activities before changes in operating assets and liabilities	**75 934 566**	**80 555 442**
Net (increase) / decrease in operating assets		
Mandatory reserves in CBU	(16 601 244)	56 654 713
Due from other banks	(249 052 749)	(8 557 665)
Loans and advances to customers	(2 072 781 665)	(1 261 749 615)
Other assets	(12 215 805)	(4 135 701)
Net increase / (decrease) in operating liabilities		
Due to other banks	968 488 241	273 887 691
Customer deposits	318 556 849	89 061 315
Other liabilities	26 227 147	12 646 667
Net cash flow from operating activities	**(961 444 660)**	**(761 637 153)**
Cash flows from investing activities		
Purchase of investment securities	(117 350 949)	
Repayment of investment securities	-	
Acquisition of fixed assets and intangible assets	(55 399 301)	(13 319 272)
Revenues from sale of fixed assets	755 653	1 174 946
Dividends received	81 945	30 701
Net cash flows from investing activities	**(171 912 652)**	**(12 113 625)**

(in thousands UZS)

Statement of cash flow (Continuation)

	For the year ended 31 December 2019	For the year ended 31 December 2018
Cash flows from financing activities		
Proceeds from the issue of shares	947 543 197	101 432 971
Debt Securities Issued	(50 500 000)	67 331 000
Repayment of debt securities	27 300 000	(52 254 357)
Getting other borrowed funds	974 666 627	752 223 981
Repayment of other borrowed funds	(656 792 138)	(128 811 573)
Dvidends paid	(1 147)	-
Net cash flows from financing activities	**1 242 216 539**	**739 922 022**
The effect of changes in exchange rates on cash and cash equivalents	37 564 172	2 494 814
Net change in cash and cash equivalents	**146 423 399**	**(31 333 942)**
Cash and cash equivalents at the beginning of the reporting year	257 831 974	**289 165 916**
Cash and cash equivalents at the end of the reporting year	**404 255 373**	**257 831 974**

The balance of cash and cash equivalents at the end of the period minus the provision for expected credit losses, see note 7.

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

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

29 April 2020

Taylakov I.R.
Chief Accountant of the Bank

(in thousands UZS)

Notes to the financial statements

1 Primary activity

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

The Bank is registered in the Republic of Uzbekistan to carry out banking activities in accordance with the updated banking license No. 37 dated October 21, 2017, issued by the Central Bank of the Republic of Uzbekistan (hereinafter - "CBU").

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

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

As at December 31, 2019, the Bank carries out banking activities through the Head Office and has 71 branches in the Republic of Uzbekistan (December 31, 2018: 80 branches).

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

The total number of employees of the Bank as of December 31, 2019 amounted to 2,797 people (December 31, 2018: 2,835 people).

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

Shareholders	31 December 2019 Share (%)	31 December 2018 Share (%)
Fund for Reconstruction and Development of the Republic of Uzbekistan	51,2	34,9
Agency for State Assets Management of the Republic of Uzbekistan	41,4	-
Ministry of Finance of the Republic of Uzbekistan	5,2	59,3
Shareholders holding less than 1% of the Bank's share capital	2,2	5,8
Total shareholders	**100,0**	**100,0**

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.

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.

(in thousands UZS)

In 2019, the Government carried out work to further strengthen liquidity and increase the stability of the country's financial and banking system. As a result, the total capital of commercial banks on 1 January 2020 reached 52.4 trillion. UZS (2019: 26.6 trillion UZS).

According to the decision of the Central Bank of Uzbekistan, from 28 June 2017, the refinancing rate increased from 9 percent to 14 percent and from 25 September 2018 to 16 percent.

The state of the economy of the Republic of Uzbekistan is characterized as relative inflation rates. During 2019, the inflation rate was 15.2 percent (in 2018: 14.3 percent).

The dynamics of GDP remain in the positive zone, and GDP growth in 2019 amounted to 5.5 percent compared to 2018, while in 2018 GDP growth amounted to 5.1 percent.

In December 2018, the Republic of Uzbekistan for the first time received a sovereign credit rating. In 2019, Fitch and Standard & Poor's affirmed, both assigned the country a long-term issuer rating of the "BB-". The rating outlook is stable.

The Agency "Moody's" for the first time assigned the Republic of Uzbekistan a long-term sovereign rating at the "B1" level, with a stable outlook (February 2019).

3 Principles of presentation of financial statement

3.1 Applicable standards

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

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

3.2 Functional and presentation currency

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

All financial statements have been rounded to the nearest thousand.

3.3 Currency operations

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

Date	USD	EURO
31 December 2019	9 507,56	10 624,70
31 December 2018	8 339,55	9 479,57

4 Important assessment and professional judgement

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

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

Going concern

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

Classification of financial assets

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

Measurement of estimated reserve for expected credit losses

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

- Defining criteria for a significant increase in credit risk;
- Selection of suitable models and assumptions for measuring expected credit losses;
- Determining the number and relative weights of possible future scenarios for each type of product/market and the corresponding expected credit losses;
- Creation of groups of similar financial assets for estimating expected credit losses. The number of factors is influencing to the estimation of reserves for credit losses on financial instruments. These factors are set out below;
- Remittances and the corresponding estimate of the provision for credit losses between stage 1 (12-months expected credit losses) and 2 (expected credit losses for the entire life span - unimpaired assets), or stage 3, due to the fact that the balances experienced a significant increase (or decrease) in credit risk within one Stage. Another reason is depreciation during the period with a consequent increase (or decrease) from expected credit losses for 12 months to expected credit losses for the entire life;
- Creation of additional estimated reserves for newly recognized or purchased financial instruments during the period, as well as their recovery in respect of financial instruments whose recognition has been discontinued during the period;

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

Information on input data, assumptions, valuation methods and judgments used in measuring expected credit losses is described in detail in Notes 6 and 30.

Definitions of terms related to the estimated expected credit losses are given in Note 30.

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 28.

Assets in the form of rights of use and lease obligations

Starting 1 January 2019, a lease is recognized as an asset in the form of a right of use and a corresponding liability on the date the leased asset is available for use by the Bank. Each rental payment is allocated between the liability and financial expenses. Finance costs are recognized in profit or loss over the lease term to ensure a constant periodic interest rate on the remaining lease liability for each period. An asset in the form of a right of use is amortized on a straight-line basis over the shorter of the terms, useful life of the asset and the lease term.

Assets in the form of a right of use are disclosed in the line "Fixed assets and assets in the form of a right of use" in the statement of financial position, lease obligations are disclosed in the line "Other liabilities" in the statement of financial position. Finance expenses are disclosed in the line "Interest expense calculated at the effective interest rate" in the income statement, depreciation of assets in the form of right of use is disclosed in the line "Personnel expenses and administrative expenses" in the income statement. The total cash outflow from lease obligations is disclosed in the section "Cash from financing activities" in the cash flow statement.

Assets and liabilities arising from leases are initially measured at current present value. Lease obligations include the net present value of the following lease payments:

- fixed payments (including direct fixed payments), net of any incentive lease payments receivable on a canceled and non-cancellable operating lease;
- variable rental payments, which depend on the price index or interest rate;
- Amounts that are expected to be paid by the lessee under liquidation value guarantees;
- the exercise price of the purchase option, if the lessee has sufficient confidence in the exercise of this option;
- the payment of penalties for early termination of the lease, if the lease term reflects the tenant's potential exercise of the option to terminate the lease ahead of time.

Lease payments are discounted using the lessee's interest rate on raising additional borrowed funds, which is the rate that the lessee will have to pay in order to raise the funds necessary to obtain an asset of a similar value in a similar economic environment with similar conditions.

(in thousands UZS)

Assets in the form of a right of use are measured at historical cost, which includes the following components:

- the amount of the initial value of the lease obligation;
- any lease payments made on or before the date the lease begins, minus any incentive lease payments received;
- any initial direct costs incurred by the lessee and
- estimated recovery costs.

Payments related to short-term leases and leases of low-value assets are recognized evenly as expenses in profit or loss. A short-term lease is a lease with a rental period of twelve months or less.

5 Transition to new or revised standards and interpretations

IFRS 16 «Leases»

The Bank has applied IFRS 16 «Leases», issued on 13 January 2016, from the date 1 January 2019.

The new standard defines the principles for recognition, measurement, presentation and disclosure of information in relation to rental transactions. All leases result in the tenant receiving the right to use the asset from the moment the lease begins, as well as in obtaining financing if lease payments are made over a period of time. In accordance with this, IFRS 16 cancels the classification of leases as operating or financial in accordance with IAS 17 and instead introduces a single lease accounting model for tenants. The Bank applied this standard using a modified retrospective method, without recounting comparative indicators. The Bank recognized assets in the form of a right of use in the amount of 16 828 582 thousand UZS, as well as the corresponding lease liability as at 1 January 2019. The reconciliation of operating lease contractual obligations with a recognized lease obligation under IFRS 16 is presented below:

	1 January 2019
Operating lease payments	**15 880 969**
Adjustment to the amount of lease payments:	
Practical exception: short term lease	947 613
Practical exception: underlying low value asset	-
Future lease payments accepted for the purpose of IFRS 16	**16 828 582**
The effect of applying discounts	(10 277 439)
Lease obligations under IFRS 16	**6 551 143**
The amount of previously paid advances and non-refundable guarantee deposits under contracts	-
Assets in the form of right of use in accordance with IFRS 16	**6 551 143**

The following amendments to the standards became applicable for the Bank starting 1 January 2019, but did not have a significant impact on the Bank:

- IFRIC 23 "Uncertainty in the recognition of income tax" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19, Amendment, Reduction and Settlement of the Pension Plan (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS, 2015-2017 - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

6 Key principles of accounting policy

6.1 Standards that have been released but not effective yet

IFRS 17 "Insurance Contracts" (issued 18 May 2017 and effective for annual periods beginning on or after 1 January 2021) IFRS 17 supersedes IFRS 4, which allowed companies to apply existing accounting practices. Consequently, it was difficult for investors to compare and contrast financial results in other respects of similar insurance companies. IFRS 17 is a unified, principles-based accounting standard for all types of insurance contracts, including reinsurance contracts held by the insurer. According to this standard, the recognition and measurement of groups of insurance contracts should be based on (i) the present value of future cash flows (cash flows for the performance of contracts), adjusted for risk, which takes into account all available information about cash flows for the performance of contracts corresponding to the observed market information to which is added (if value is an obligation) or from which is deducted (if value is an asset) (ii) the amount of retained earnings for a group of contracts (service margin under contracts). Insurers will reflect the profit from the group of insurance contracts for the period during which they provide insurance coverage, and as the risk is released. If a group of contracts is or becomes unprofitable, the organization will immediately reflect the loss.

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on October 12, 2017 and effective for annual periods beginning on or after January 1, 2019). These amendments clarify that reporting entities must apply IFRS 9 to long-term loans, preference shares and similar instruments that are part of a net investment in an investee using the equity method before they can reduce their carrying amount by the share of loss of the investee in excess of the investor's participation in ordinary shares.

Amendments to IFRS 3, "Definition of Business" (issued on 22 October 2018 and shall enter into force in relation to acquire for annual periods beginning on or after 1 January 2020) These amendments amend the definition of a business. A business consists of contributions and significant processes, which together form the ability to create returns. The new management includes a system to determine the contribution and the essential process, including for companies in the early stages of development that have not yet received returns. In the absence of returns, in order for the enterprise to be considered a business, an organized workforce must be present. The definition of the term "return" is narrowed to focus on the goods and services provided to customers, on the creation of investment income and other income, while excluding the results in the form of lower costs and other economic benefits. In addition, now it is no longer necessary to assess whether market participants are able to replace missing elements or integrate acquired activities and assets. An organization can apply a "concentration test". Acquired assets will not be considered a business if substantially all of the fair value of the acquired gross assets is concentrated in one asset (or a group of similar assets).

Amendments to IFRS (IAS) 1 and IFRS (IAS) 8, Determination of Materiality (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of materiality and the application of this concept by including recommendations by definition that were previously presented in other IFRS standards. In addition, clarifications to this definition have been improved. The amendments also ensure consistency in the use of the definition of materiality in all IFRS standards. Information is considered material if it is reasonably expected that its omission, misrepresentation or difficulty in understanding it may affect decisions made by the main users of general financial statements based on such financial statements that provide financial information about a particular reporting entity.

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

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

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

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

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

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

6.3 Effective interest rate (discount method)

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

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

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

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

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

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

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

The accounting policy that was in effect until 1 January 2018 (the date of transition to IFRS 9) did not provide for a separate procedure for calculating the effective interest rate on credit impaired financial assets.

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

6.4 Amortized cost of a financial instrument

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

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

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

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

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

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

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

6.5 Financial assets and liabilities

Classification of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimation of business model

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

- Policies and objectives established for portfolio management, as well as the implementation of these policies in practice. In particular, whether the management strategy is focused on obtaining interest income stipulated by the contract, maintaining a certain structure of interest rates, ensuring that the maturity of financial assets matches the maturity of financial liabilities used to finance these assets, or realizing cash flows through the sale of assets.
- How portfolio performance is assessed and how this information is communicated to the management of the Bank;
- Risks that impacts on the performance of the business model (and financial assets held under this business model), and how these risks are managed;

- How remuneration is given to managers responsible for managing the portfolio (for example, whether this remuneration depends on the fair value of the specified assets or on the cash flows from the assets provided by the contract);
- Frequency, volume and timing of sales in past periods, the reasons for such sales, as well as expectations regarding future sales. However, information on sales levels is not considered in isolation, but as part of a single holistic analysis of how the Bank's stated goal of managing financial assets is achieved and how cash flows are realized.

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

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

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

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

In conducting the assessment, the Bank takes into account:

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

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

General principles for the initial valuation of financial instruments

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

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

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

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

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

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

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

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

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

Reclassification

The classification of financial assets after initial recognition does not change, except in the period following how the Bank changes its business model for managing financial assets. The Bank should reclassify financial assets only if it has changed the business model used to manage these financial assets. It is expected that such changes will occur extremely rarely. Such changes should be determined by the top management of the Bank as a result of external or internal changes and should be significant for the Bank's activities and obvious to external parties. Accordingly, a change in the purpose of the Bank's business model can occur if and only when the Bank starts or stops carrying out an activity significant in relation to its operations; for example, in the case of the acquisition, disposal or termination of a specific activity by the Bank.

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

De-recognition of financial instruments

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

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

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

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

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

Under the transfer of a financial asset means:

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

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

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

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

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

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

Impairment

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

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

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

- debt investment securities with low credit risk at the reporting date; and

- other financial instruments (other than net investments in financial leases) for which credit risk has not increased significantly since their initial recognition.

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

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

Estimation of expected credit losses

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

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

Restructured financial assets

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

- If the expected restructuring does not result in de-recognition of an existing asset, then the expected cash flows for the modified financial asset are included in the calculation of the amounts of cash shortfall in the existing asset.
- If the expected restructuring will lead to de-recognition of an existing asset, then the expected fair value of the new asset is considered as the final cash flow of the existing asset at the time of its de-recognition. This amount is included in the calculation of the cash shortfall on an existing financial asset, which is discounted for the period from the expected date of de-recognition to the reporting date using the original effective interest rate on the existing financial asset.

Credit impaired financial assets

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

Submission of a provision for expected credit losses

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

- financial assets measured at amortized cost: as a decrease in the gross book value of these assets;
- loan commitments and financial guarantee agreements: generally, as a reserve;
- if the financial instrument contains both a claimed and unclaimed component, and the Bank cannot determine expected credit losses on the loan commitment made separately from the expected credit losses on the already claimed part (loan issued): The Bank represents the aggregate loss allowance for both components. The cumulative amount is presented as a decrease in the gross book value of the claimed part (loan disbursed). Any excess of the loss allowance over the gross book value of the loan issued is presented as a reserve; and

- debt instruments measured at fair value through other comprehensive income: an allowance for losses is not recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the allowance for losses is disclosed and recognized in the composition of the reserve of changes in fair value.

Write-offs

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

Cash and cash equivalents

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

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

Mandatory reserves in the Central Bank of Uzbekistan

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

Bank Card Payments

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

Due from other banks

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

Loans and advances to customers

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

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

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

Property received for non-payment

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

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

Investment in debt securities

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

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

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

Equity Investments

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

Derivative financial instruments

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

Property, plant and equipment

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

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

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

Construction in progress is carried at cost less impairment allowance.

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

Intangible assets

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

Depreciation

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

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

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

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

Operating lease

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

Financial leases

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

Financial lease liabilities

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

Terminated activity

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

Financial liabilities

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

Termination of financial liabilities

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

Financial liabilities classified as at fair value through profit or loss

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

Due to banks

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

Customers deposits

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

Debt securities issued

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

Other borrowings

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

Loan commitments

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

Financial guarantees

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

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

Performance guarantees

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

Settlements with suppliers and other payables

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

Equity

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

Dividends

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

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

Earnings per share

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

Interest income and expenses calculated using the effective interest method

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

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

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

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

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

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

Fees and commission received and paid

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

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

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

Other interest income and expenses

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

Taxation

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

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

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

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

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

Netting

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

Employee remuneration and social security contributions

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

Segment information

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

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

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

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

Foreign currency

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

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

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

(in thousands UZS)

7 Cash and cash equivalents

	31 December 2019	31 December 2018
Cash and cash equivalents measured at amortized cost	407 355 224	255 393 830
Cash and cash equivalents at fair value through profit and loss	-	-
Total cash and cash equivalents	**407 355 224**	**255 393 830**

Cash and cash equivalents measured at amortized cost

	31 December 2019	31 December 2018
Cash	173 330 586	129 368 348
Current account balances in CBU	97 296 380	56 172 957
Current account balances in other banks	137 128 407	72 290 669
Provision for credit losses	(400 149)	(2 438 144)
Total cash and cash equivalents measured at amortized cost	**407 355 224**	**255 393 830**

As at 31 December, 2019 and 2018, 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 December 31, 2019. A description of the Bank's credit risk classification system is provided in Note 30. The carrying value of cash balances and cash equivalents as at 31 December, 2019 in the table below also represents the Bank's maximum exposure to credit risk for these assets:

	Minimum credit risk	Low credit risk	Average credit risk	Total
Current account balances in CBU	-	97 296 380	-	97 296 380
Current account balances in other banks	14 427 215	117 204 953	5 496 239	137 128 407
Provision for credit losses	(206 833)	(176 504)	(16 812)	(400 149)
Total cash and cash equivalents measured at amortized cost, excluding cash on hand	**14 220 382**	**214 324 829**	**5 479 427**	**234 024 638**

The table below provides an analysis of the credit quality of cash and cash equivalents measured at amortized cost based on credit ratings as at December 31, 2018.

	Minimum credit risk	Low credit risk	Average credit risk	Total
Current account balances in CBU	-	56 172 957	-	56 172 957
Current account balances in other banks	1 606 942	1 517 102	69 166 625	72 290 669
Provision for credit losses	(7 231)	(31 707)	(2 399 206)	(2 438 144)
Total cash and cash equivalents measured at amortized cost, excluding cash on hand	**1 599 711**	**57 658 352**	**66 767 419**	**126 025 482**

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

(in thousands UZS)

The table below provides a reconciliation of the incoming reserve balances for losses on current accounts with other banks carried at amortized cost, disaggregated by category. An approach to estimating expected credit losses is disclosed in Note 30.

	ECL for 12 months	Total
Balance as at 1 January, 2018	**2 957 787**	**2 957 787**
Recovery of provision for credit losses	(519 643)	(519 643)
Balance as at 31 December, 2018	**2 438 144**	**2 438 144**
Recovery of provision for credit losses	(2 037 995)	(2 037 995)
Balance as at 31 December, 2019	**400 149**	**400 149**

8 Mandatory reserves in CBU

As at 31 December, 2019, and 2018, the balance of required reserves in the accounts with the Central Bank of the Republic of Uzbekistan is 43 446 340 thousand UZS and 26 845 096 thousand UZS, respectively.

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

9 Средства в других банках

	31 December 2019	31 December 2018
Due from other banks at amortized cost	246 414 144	-
Due from other banks at fair value through profit or loss	11 620 619	8 982 014
Total due from other banks	**258 034 763**	**8 982 014**

Due from other banks at amortized cost

	31 December 2019	31 December 2018
Term deposits in other banks placed for a period exceeding 90 days	246 686 992	-
Provision for credit losses	(272 848)	-
Total due from other banks estimated at amortized cost	**246 414 144**	-

The balance value of due from other banks as at 31 December 2019 also reflects the Bank's maximum exposure to credit risk for these assets:

	Low credit risk	Total
Term deposits in other banks placed for a period exceeding 90 days	246 686 992	246 686 992
Provision for credit losses	(272 848)	(272 848)
Total due from other banks estimated at amortized cost	**246 414 144**	**246 414 144**

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

(in thousands UZS)

The table below provides a reconciliation of incoming reserve balances for losses on funds with other banks carried at amortized cost, disaggregated by category. An approach to estimating expected credit losses is disclosed in Note 30.

	ECL for 12 months	Total
Balance as at 1 January, 2018	**7 704**	**7 704**
Provision for credit losses	(7 704)	(7 704)
Balance as at 31 December, 2018	**-**	**-**
Recovery of provision for credit losses	272 848	272 848
Balance as at 31 December, 2019	**272 848**	**272 848**

As at 31 December, 2019, there are no past due balances with other banks, measured at amortized cost, and no evidence of impairment.

Due from other banks at fair value through profit or loss

	31 декабря 2019 года	31 декабря 2018 года
Term deposits in banks	11 620 619	8 624 589
Limited Use Cash	-	357 425
Total due from other banks at fair value through profit or loss	**11 620 619**	**8 982 014**

As at December 31, 2019 and 2018, there are no past due balances with other banks at fair value through profit or loss.

10 Loans to customers

	31 December 2019	31 December 2018
Loans and advances to customers, measured at amortized cost	3 503 304 262	2 002 720 195
Loans and advances to customers at fair value through profit or loss	963 045 274	390 847 676
Total loans and advances to customers	**4 466 349 536**	**2 393 567 871**

Loans and advances to customers, measured at amortized cost

Below is the risk concentration structure of the client loan portfolio by industry as at 31 December 2019:

	Gross book value	Provision for credit losses	Book value
Individuals	835 973 098	(53 725 235)	782 247 863
Industry	1 479 966 578	(51 916 908)	1 428 049 670
Trade	486 223 112	(18 431 842)	467 791 270
Building	159 322 641	(7 287 443)	152 035 198
Agriculture and food industry	264 695 480	(14 628 219)	250 067 261
Services	75 206 645	(5 001 995)	70 204 650
Housing and communal services	165 325 698	(19 974 607)	145 351 091
Transport and communications	79 425 013	(3 731 817)	75 693 196
Other	132 994 331	(1 130 268)	131 864 063
Total loans and advances to customers measured at amortized cost	**3 679 132 596**	**(175 828 334)**	**3 503 304 262**

(in thousands UZS)

Below is the risk concentration structure of the client loan portfolio by industry as at 31 December 2018:

	Gross book value	Provision for credit losses	Book value
Individuals	799 171 381	(34 865 916)	764 305 465
Industry	414 681 006	(8 743 726)	405 937 280
Trade	319 964 610	(12 507 348)	307 457 262
Building	159 325 404	(6 928 442)	152 396 962
Agriculture and food industry	158 333 357	(6 994 204)	151 339 153
Services	89 438 724	(4 422 802)	85 015 922
Housing and communal services	78 266 061	(32 081 211)	46 184 850
Transport and communications	66 758 621	(720 402)	66 038 219
Other	24 604 961	(559 879)	24 045 082
Total loans and advances to customers measured at amortized cost	**2 110 544 125**	**(107 823 930)**	**2 002 720 195**

As at December 31, 2019, the Bank has customer loan balances for two borrowers (2018: none), in which loan balances exceed 10% of the Bank's capital. The amount of this loan is 779 420 608 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 of December 31, 2019. Description of terms 12-month expected credit losses, expected credit losses for the whole life in Note 30. The analysis of credit quality of loans presented in the tables below is based on the credit quality scale of borrowers developed by the Bank.

Summary

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	1 992 924 337	206 428 286	51 965 923	2 251 318 546
Low credit risk	818 399 025	228 425 181	58 994 663	1 105 818 869
Average credit risk	90 645 360	34 981 022	10 755 024	136 381 406
High credit risk	133 049 590	43 571 949	3 860 530	180 482 069
Default assets	-	-	5 131 706	5 131 706
Total gross book value loans and advances to customers	**3 035 018 312**	**513 406 438**	**130 707 846**	**3 679 132 596**
Provision for credit losses	(61 315 321)	(44 974 248)	(69 538 765)	(175 828 334)
Total loans and advances to customers	**2 973 702 991**	**468 432 190**	**61 169 081**	**3 503 304 262**

Legal entities

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	1 943 161 171	188 356 231	49 186 957	2 180 704 359
Low credit risk	464 103 068	125 482 963	51 617 085	641 203 116
Average credit risk	5 751 772	5 257 297	8 817 557	19 826 626
High credit risk	200 921	-	1 224 476	1 425 397
Total gross book value loans to legal entities	**2 413 216 932**	**319 096 491**	**110 846 075**	**2 843 159 498**
Provision for credit losses	(41 042 143)	(22 377 759)	(58 683 197)	(122 103 099)
Total loans to legal entities	**2 372 174 789**	**296 718 732**	**52 162 878**	**2 721 056 399**

(in thousands UZS)

Individuals

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	49 763 166	18 072 055	2 778 966	70 614 187
Low credit risk	354 295 957	102 942 218	7 377 578	464 615 753
Average credit risk	84 893 588	29 723 725	1 937 467	116 554 780
High credit risk	132 848 669	43 571 949	2 636 054	179 056 672
Default assets	-	-	5 131 706	5 131 706
Total gross book value loans to individuals	**621 801 380**	**194 309 947**	**19 861 771**	**835 973 098**
Provision for credit losses	(20 273 178)	(22 596 489)	(10 855 568)	(53 725 235)
Total loans to individuals	**601 528 202**	**171 713 458**	**9 006 203**	**782 247 863**

The tables below provide an analysis of the credit quality of loans to customers, measured at amortized cost, provided by the Bank as of December 31, 2018.

Summary

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	1 278 374 284	103 209 671	4 219 972	1 385 803 927
Low credit risk	460 500 436	177 487 280	559 854	638 547 570
Average credit risk	48 255 409	6 048 285	122 276	54 425 970
High credit risk	567 260	598 375	-	1 165 635
Default assets	-	-	30 601 023	30 601 023
Total gross book value loans and advances to customers	**1 787 697 389**	**287 343 611**	**35 503 125**	**2 110 544 125**
Provision for credit losses	(49 713 402)	(33 525 133)	(24 585 395)	(107 823 930)
Total loans and advances to customers	**1 737 983 987**	**253 818 478**	**10 917 730**	**2 002 720 195**

Legal entities

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	643 694 255	103 209 671	4 219 972	751 123 898
Low credit risk	460 500 436	22 507 883	555 854	483 564 173
Average credit risk	48 255 409	6 048 285	122 276	54 425 970
High credit risk	567 260	598 375	-	1 165 635
Default assets	-	-	21 093 068	21 093 068
Total gross book value loans to legal entities	**1 153 017 360**	**132 364 214**	**25 991 170**	**1 311 372 744**
Provision for credit losses	(41 913 942)	(14 951 563)	(16 092 509)	(72 958 014)
Total loans to legal entities	**1 111 103 418**	**117 412 651**	**9 898 661**	**1 238 414 730**

(in thousands UZS)

Individuals

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	634 680 029	-	-	634 680 029
Low credit risk	-	154 979 397	4 000	154 983 397
Default assets	-	-	9 507 955	9 507 955
Total gross book value loans to individuals	**634 680 029**	**154 979 397**	**9 511 955**	**799 171 381**
Provision for credit losses	(7 799 460)	(18 573 570)	(8 492 886)	(34 865 916)
Total loans to individuals	**626 880 569**	**136 405 827**	**1 019 069**	**764 305 465**

Analysis of the movement of the reserve for credit losses for 2019 for loans to customers, measured at amortized cost:

Summary

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 31 December, 2018	**49 713 402**	**33 525 133**	**24 585 395**	**107 823 930**
Transfer to stage 1	2 021 771	(1 997 806)	(23 965)	-
Transfer to stage 2	(10 210 442)	10 611 417	(400 975)	-
Transfer to stage 3	(35 849 884)	(4 795 256)	40 645 140	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	55 640 474	7 630 760	4 733 170	68 004 404
- including new loans issued	*41 587 089*	*18 882 766*	*12 398 561*	*72 868 416*
Balance as at 31 December, 2019	**61 315 321**	**44 974 248**	**69 538 765**	**175 828 334**

Legal entities

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 31 December, 2018	**41 913 942**	**14 951 563**	**16 092 509**	**72 958 014**
Transfer to stage 1	142 404	(142 404)	-	-
Transfer to stage 2	(8 396 611)	8 727 441	(330 830)	-
Transfer to stage 3	(35 298 121)	(4 144 351)	39 442 472	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	42 680 529	2 985 510	3 479 046	49 145 085
- including new loans issued	*30 861 113*	*10 874 448*	*8 820 445*	*50 556 006*
Balance as at 31 December, 2019	**41 042 143**	**22 377 759**	**58 683 197**	**122 103 099**

(in thousands UZS)

Individuals

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 31 December, 2018	**7 799 460**	**18 573 570**	**8 492 886**	**34 865 916**
Transfer to stage 1	1 879 367	(1 855 402)	(23 965)	-
Transfer to stage 2	(1 813 831)	1 883 976	(70 145)	-
Transfer to stage 3	(551 763)	(650 905)	1 202 668	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	12 959 945	4 645 250	1 254 124	18 859 319
- including new loans issued	*10 725 976*	*8 008 318*	*3 578 116*	*22 312 410*
Balance as at 31 December, 2019	**20 273 178**	**22 596 489**	**10 855 568**	**53 725 235**

Analysis of the movement of the reserve for credit losses for 2018 for loans to customers, measured at amortized cost:

Summary

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 1 January, 2018	**22 631 507**	**27 661 042**	**23 806 306**	**74 098 855**
Transfer to stage 1	1 895 243	(1 872 538)	(22 705)	-
Transfer to stage 2	(1 356 080)	1 456 810	(100 730)	-
Transfer to stage 3	(3 854 890)	(4 279 742)	8 134 632	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	30 397 622	10 559 561	(7 232 108)	33 725 075
- including new loans issued	*42 156 917*	*12 445 194*	*1 186 939*	*55 789 050*
Balance as at 31 December, 2018	**49 713 402**	**33 525 133**	**24 585 395**	**107 823 930**

Legal entities

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 1 January, 2018	**19 207 024**	**18 948 454**	**17 509 918**	**55 665 396**
Transfer to stage 1	1 275 014	(1 267 928)	(7 086)	-
Transfer to stage 2	(1 230 522)	1 331 252	(100 730)	-
Transfer to stage 3	(3 351 337)	(3 616 796)	6 968 133	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	26 013 763	(443 419)	(8 277 726)	17 292 618
- including new loans issued	*37 781 940*	*12 445 194*	*1 186 939*	*51 414 073*
Balance as at 31 December, 2018	**41 913 942**	**14 951 563**	**16 092 509**	**72 958 014**

(in thousands UZS)

Individuals

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 1 January, 2018	**3 424 483**	**8 712 588**	**6 296 388**	**18 433 459**
Transfer to stage 1	620 229	(604 610)	(15 619)	-
Transfer to stage 2	(125 558)	125 558	-	-
Transfer to stage 3	(503 553)	(662 946)	1 166 499	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	4 383 859	11 002 980	1 045 618	16 432 457
- including new loans issued	*4 374 977*	-	-	*4 374 977*
Balance as at 31 December, 2018	**7 799 460**	**18 573 570**	**8 492 886**	**34 865 916**

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

Information on the credit quality of loans as of December 31, 2019 is as follows:

	Loans to legal entities	Loans to individuals	Total
Undue	2 689 205 415	819 825 508	3 509 030 923
Overdue			
- with a payment delay of less than 30 days	38 287 194	5 423 905	43 711 099
- with a delay in payment for a period of 30 to 90 days	34 726 504	4 302 278	39 028 782
- with a delay in payment for a period of 90 to 180 days	43 295 805	3 098 039	46 393 844
- with a payment delay of more than 180 days	37 644 580	3 323 368	40 967 948
Total gross book value loans and advances to customers	**2 843 159 498**	**835 973 098**	**3 679 132 596**
Provision for credit losses	(122 103 099)	(53 725 235)	(175 828 334)
Total loans and advances to customers	**2 721 056 399**	**782 247 863**	**3 503 304 262**

Information on the credit quality of loans as of December 31, 2018 is as follows:

	Loans to legal entities	Loans to individuals	Total
Undue	1 252 489 169	784 256 204	2 036 745 373
Overdue			
- with a payment delay of less than 30 days	27 874 728	6 064 258	33 938 986
- with a delay in payment for a period of 30 to 90 days	9 264 139	3 381 126	12 645 265
- with a delay in payment for a period of 90 to 180 days	14 456 579	3 456 879	17 913 458
- with a payment delay of more than 180 days	7 288 129	2 012 914	9 301 043
Total gross book value loans and advances to customers	**1 311 372 744**	**799 171 381**	**2 110 544 125**
Provision for credit losses	(72 958 014)	(34 865 916)	(107 823 930)
Total loans and advances to customers	**1 238 414 730**	**764 305 465**	**2 002 720 195**

(in thousands UZS)

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

	31 December 2019	31 December 2018
Gross investment in finance leases	1 121 510	7 126 946
Unearned finance lease income	5 644 640	(2 300 374)
Net investment in finance leases	**6 766 150**	**4 826 572**

	Less than 1 year	From 1 to 5 years	Total
Finance lease payments receivable as at 31 December, 2019	**(560 007)**	1 681 517	**1 121 510**
Unearned finance income	2 698 597	2 946 043	5 644 640
The carried value of lease payments receivable as at 31 December, 2019	**2 138 590**	**4 627 560**	**6 766 150**

	Less than 1 year	From 1 to 5 years	Total
Finance lease payments receivable as at 31 December, 2018	**2 918 327**	**4 208 619**	**7 126 946**
Unearned finance income	(732 178)	(1 568 196)	(2 300 374)
The carried value of lease payments receivable as at 31 December, 2018	**2 186 149**	**2 640 423**	**4 826 572**

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

The table below provides an analysis of the credit quality of loans and advances to customers, measured at fair value through profit or loss, provided by the Bank as of December 31, 2019 using the borrowers' credit quality scale developed by the Bank for loans and advances to customers, measured at amortized cost:

	Commercial loans to legal entities	Consumer and other loans to individuals	Total
Minimum credit risk	192 960 973	70 509 855	263 470 828
Low credit risk	123 874 746	441 925 312	565 800 058
Average credit risk	463 302	64 246 997	64 710 299
High credit risk	-	69 064 089	69 064 089
Total loans to customers at fair value through profit or loss	**317 299 021**	**645 746 253**	**963 045 274**

The table below provides an analysis of the credit quality of loans and advances to customers, measured at fair value through profit or loss, provided by the Bank as of December 31, 2018 using the borrowers' credit quality scale developed by the Bank for loans and advances to customers, measured at amortized cost:

	Commercial loans to legal entities	Consumer and other loans to individuals	Total
Minimum credit risk	9 063 898	241 940 636	251 004 534
Low credit risk	50 019 277	82 374 097	132 393 374
Average credit risk	7 449 768	-	7 449 768
Total loans to customers at fair value through profit or loss	**66 532 943**	**324 314 733**	**390 847 676**

(in thousands UZS)

Below is the concentration of loans by economy:

	31 December 2019	31 December 2018
Individuals	645 746 253	324 314 733
Industry	112 183 533	18 904 441
Services	57 381 931	4 081 658
Housing and communal services	45 808 699	1 149 087
Trade	43 559 326	17 742 383
Agriculture and food industry	39 543 232	9 574 135
Building	12 365 652	11 193 147
Transport and communications	3 979 046	282 210
Other	2 477 602	3 605 882
Total loans and advances to customers at fair value through profit or loss	**963 045 274**	**390 847 676**

Information on the credit quality of loans as at 31 December, 2019 is as follows:

	Loans to legal entities	Loans to individuals	Total
Undue	314 917 961	637 909 451	952 827 412
Overdue			
- with a payment delay of less than 30 days	861 272	4 901 084	5 762 356
- with a delay in payment for a period of 30 to 90 days	1 519 788	2 935 718	4 455 506
Total loans to customers at fair value through profit or loss	**317 299 021**	**645 746 253**	**963 045 274**

Information on the credit quality of loans as of December 31, 2018 is as follows:

	Loans to legal entities	Loans to individuals	Total
Undue	65 449 887	321 437 272	386 887 159
Overdue			
- with a payment delay of less than 30 days	1 073 951	1 813 707	2 887 658
- with a delay in payment for a period of 30 to 90 days	9 105	1 063 754	1 072 859
Total loans to customers at fair value through profit or loss	**66 532 943**	**324 314 733**	**390 847 676**

(in thousands UZS)

11 Investment financial assets

	31 December 2019	31 December 2018
Securities measured at amortized cost	116 733 457	-
Securities classified as measured at fair value through other comprehensive income - equity instruments	378 924	341 924
Total investment financial assets	**117 112 381**	**341 924**

Securities measured at amortized cost

	31 December 2019	31 December 2018
Government bonds	117 350 949	-
Provision for credit losses	(617 492)	-
Total securities measured at amortized cost	**116 733 457**	**-**

The table below provides an analysis of the credit risk of debt securities measured at amortized cost as at December 31, 2019, for which the estimated allowance for expected credit losses is recognized based on credit risk levels.

	Low credit risk	Total
Government bonds	117 350 949	117 350 949
Provision for credit losses	(617 492)	(617 492)
Total securities measured at amortized cost	**116 733 457**	**116 733 457**

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

	31 December 2019	31 December 2018
JSC "DORIDARMON"	271 704	271 704
LLC "Rynok, Dengi and Kredit"	77 000	40 000
Credit Bureau "KATM"	30 220	30 220
Securities classified as measured at fair value through other comprehensive income - equity instruments	**378 924**	**341 924**

(in thousands UZS)

12 Fixed and intangible assets

Below is the information on the movement of fixed assets and intangible assets as at 31 December 2019:

	Buildings and constructions	Office and computer equipment	Assets in the form of user rights	Construction in progress	Total fixed assets	Intangible assets	Total
Residual value as at 31 December, 2018	**166 119 105**	**49 811 963**	**-**	**1 093 621**	**217 024 689**	**1 375 814**	**218 400 503**
Initial cost							
Balance as at 31 December, 2018	**187 484 811**	**83 359 105**	**-**	**1 093 621**	**271 937 537**	**4 102 356**	**276 039 893**
The effect of the first application of IFRS 16 as at 1 January, 2019	-	-	6 551 143	-	6 551 143	-	6 551 143
Income	265 200	34 928 673	1 165 420	17 694 693	54 053 986	1 345 315	55 399 301
Disposal and write-off	(106 963)	(5 612 313)	-	(182 303)	(5 901 579)	(13 167)	(5 914 746)
Internal displacement	7 812 220	799 059	-	(8 611 279)	-	-	-
Balance as at 31 December, 2019	**195 455 268**	**113 474 524**	**7 716 563**	**9 994 732**	**326 641 087**	**5 434 504**	**332 075 591**
Accumulated depreciation							
Balance as at 31 December, 2018	**21 365 706**	**33 547 142**	**-**	**-**	**54 912 848**	**2 726 542**	**57 639 390**
Depreciation deductions	5 651 418	14 131 279	610 480	-	20 393 177	989 890	21 383 067
Internal displacement	195 455	(195 455)	-	-	-	-	-
Disposal and write-off	-	(5 145 926)	-	-	(5 145 926)	(13 167)	(5 159 093)
Balance as at 31 December, 2019	**27 212 579**	**42 337 040**	**610 480**	**-**	**70 160 099**	**3 703 265**	**73 863 364**
Residual value as at 31 December, 2019	**168 242 689**	**71 137 484**	**7 106 083**	**9 994 732**	**256 480 988**	**1 731 239**	**258 212 227**

Below is the information on the movement of fixed assets and intangible assets as at 31 December 2018:

	Buildings and constructions	Office and computer equipment	Assets in the form of user rights	Construction in progress	Total fixed assets	Intangible assets	Total
Residual value as at 1 January, 2018	**168 958 080**	**52 662 922**	**-**	**4 815 537**	**226 436 539**	**2 031 581**	**228 468 120**
Initial cost							
Balance as at 1 January, 2018	**181 955 582**	**80 214 722**	**-**	**4 815 537**	**266 985 841**	**4 298 529**	**271 284 370**
Income	1 179 955	8 509 412	-	3 446 637	13 136 004	183 268	13 319 272
Disposal and write-off	(3 181 475)	(4 907 594)	-	-	(8 089 069)	(474 680)	(8 563 749)
Internal displacement	7 530 749	(457 435)	-	(7 168 553)	(95 239)	95 239	-
Balance as at 31 December, 2018	**187 484 811**	**83 359 105**	**-**	**1 093 621**	**271 937 537**	**4 102 356**	**276 039 893**
Accumulated depreciation							
Balance as at 1 January, 2018	**12 997 502**	**27 551 800**	**-**	**-**	**40 549 302**	**2 266 948**	**42 816 250**
Depreciation deductions	9 059 249	12 294 612	-	-	21 353 861	858 082	22 211 943
Internal displacement	1 391 676	(1 391 676)	-	-	-	-	-
Disposal and write-off	(2 082 721)	(4 907 594)	-	-	(6 990 315)	(398 488)	(7 388 803)
Balance as at 31 December, 2018	**21 365 706**	**33 547 142**	**-**	**-**	**54 912 848**	**2 726 542**	**57 639 390**
Residual value as at 31 December, 2018	**166 119 105**	**49 811 963**	**-**	**1 093 621**	**217 024 689**	**1 375 814**	**218 400 503**

(in thousands UZS)

13 Other assets

	31 December 2019	31 December 2018
Other financial assets		
Incomplete transactions with bank cards	8 093 405	1 730 184
Commission income receivable	12 043	-
Receivable on Money transfer operations	-	1 407 192
Less provision for credit losses	(80 934)	(404 756)
Total other financial assets	**8 024 514**	**2 732 620**
Other non-financial assets		
Prepayment for equipment and goods	6 376 170	1 574 433
Prepayment for objects for leasing	5 799 802	-
Prepayment for services	1 229 918	1 523 072
Non-current assets held for sale	404 977	8 123 994
Accounts receivable from employees	167 177	589 733
Tax calculations other than income tax	-	624 214
Other non-financial assets	-	347 359
Less provision for impairment of other non-financial assets	(983 956)	(6 712 628)
Total other non-financial assets	**12 994 088**	**6 070 177**
Total other assets	**21 018 602**	**8 802 797**

The table below provides a reconciliation of incoming reserve balances for losses on other financial assets, disaggregated by category. An approach to estimating expected credit losses is disclosed in Note 30.

	12-month expected credit losses	Total
Provision for expected credit losses as at 31 December, 2018	**404 756**	**404 756**
Net creation / (recovery) of provision for expected credit losses	(323 822)	(323 822)
Provision for expected credit losses as at 31 December, 2019	**80 934**	**80 934**

	12-month expected credit losses	Total
Provision for expected credit losses as at 1 January 2018	-	-
Net creation / (recovery) of provision for expected credit losses	404 756	404 756
Provision for expected credit losses as at 31 December 2018	**404 756**	**404 756**

14 Due to other banks

	31 December 2019	31 December 2018
Due to other banks measured at amortized cost	1 255 550 581	287 062 340
Due to other banks at fair value through profit or loss	-	-
Total due to other banks	**1 255 550 581**	**287 062 340**

(in thousands UZS)

Amounts due to other banks measured at amortized cost

	31 December 2019	31 December 2018
Term deposits of banks	1 255 208 714	286 931 562
Correspondent accounts and deposits of overnight banks	341 867	113 396
Other	-	17 382
Total due to other banks measured at amortized cost	**1 255 550 581**	**287 062 340**

As at December 31, 2019, the Bank has funds from other banks in two banks (2018: one bank), which exceed 10 percent of the bank's capital. The balance of this bank is 511,927,597 thousand UZS (2018: 194,900,000 thousand UZS).

15 Customer deposits

	31 December 2019	31 December 2018
State and public organizations		
Demand deposits	29 172 621	38 089 005
Term deposits	478 431 497	486 715 844
Other legal entities		
Demand deposits	421 671 839	219 884 701
Term deposits	75 852 436	79 322 722
Individuals		
Demand deposits	161 407 309	115 564 004
Term deposits	212 436 754	120 839 331
Total customer deposits	**1 378 972 456**	**1 060 415 607**

As at December 31, 2019 and December 31, 2018, customer deposits were recorded in the amount of 6,953,381 thousand UZS and 27,506,703 thousand UZS, respectively, which are collateral for letters of credit and other similar services provided by the Bank.

As at December 31, 2019, the Bank has no customers (2018: four customers) in which balances exceed 10% of the Bank's capital. (2018: Balance of funds 465,415,616 thousand UZS).

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

16 Debt Securities Issued

	31 December 2019	31 December 2018
Certificates of deposit	106 171 952	83 087 259
Total issued debt securities	**106 171 952**	**83 087 259**

Issued certificates of deposit at an interest rate from 8.5% to 16% per annum.

(in thousands UZS)

17 Other borrowed funds

	31 December 2019	31 December 2018
Other borrowed funds measured at amortized cost	520 691 703	442 985 201
Other borrowed funds at fair value through profit or loss	591 961 416	322 109 245
Total other borrowed funds	**1 112 653 119**	**765 094 446**

Other borrowed funds measured at amortized cost

	31 December 2019	31 December 2018
Borrowings from other lenders	277 775 270	63 586 541
Borrowings from other banks	209 553 960	-
Borrowings from CBU	21 101 639	-
Finance lease liabilities	6 538 089	-
Extrabudgetary borrowings	5 722 745	379 398 660
Total other borrowings measured at amortized cost	**520 691 703**	**442 985 201**

Other borrowed funds at fair value through profit or loss

	31 December 2019	31 December 2018
Borrowings from non-banking financial institutions	338 158 297	-
Extrabudgetary borrowings	97 015 977	138 800 914
Borrowings from other lenders	94 697 594	27 841 195
Borrowings from CBU	44 504 647	155 467 136
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	17 584 901	-
Total other borrowed assets at fair value through profit or loss	**591 961 416**	**322 109 245**

18 Other liabilities

	31 December 2019	31 December 2018
Other financial liabilities		
Accounts payable	20 709 402	634 540
Transactions by money transfer system	2 357 794	1 391 361
Dividends payable	92 817	65 128
Accrued expenses for the payment of remuneration to staff	7 200	3 925 679
Прочие финансовые обязательства	1 619 584	-
Total other financial liabilities	**24 786 797**	**6 016 708**
Other non-financial liabilities		
Provision for credit losses on credit related commitments and provision for other liabilities	18 602 012	11 923 604
Taxes payable, excluding income tax	3 118 578	4 669 730
Profit tax payable	2 994 000	86 440
Deferred commission income	7 741	8 722
Other non-financial liabilities	-	576 777
Total other non-financial liabilities	**24 722 331**	**17 265 273**
Total other liabilities	**49 509 128**	**23 281 981**

(in thousands UZS)

The movement of the allowance for credit losses on credit related commitments and other contingent liabilities for the year ended December 31, 2019 is presented below:

	Guarantees issued	Credit commitments and unused credit lines	Total
Provisions for credit losses on credit commitments and other contingent liabilities as at 31 December 2018	**2 416 392**	**9 507 212**	**11 923 604**
Net creation / (recovery) of provision for expected credit losses	1 637 920	5 040 488	6 678 408
Provisions for credit losses on credit commitments and other contingent liabilities as at 31 December 2019	**4 054 312**	**14 547 700**	**18 602 012**

The movement of the reserve for credit losses on credit related commitments and other contingent liabilities for the year ended December 31, 2018 is presented below:

	Guarantees issued	Credit commitments and unused credit lines	Total
Provisions for credit losses on credit commitments and other contingent liabilities as at 1 January 2018	**2 924 311**	**14 357 881**	**17 282 192**
Net creation / (recovery) of provision for expected credit losses	(507 919)	(4 850 669)	(5 358 588)
Provisions for credit losses on credit commitments and other contingent liabilities as at 31 December 2018	**2 416 392**	**9 507 212**	**11 923 604**

19 Share capital

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

	The number of shares, pieces	Ordinary shares, thousand UZS	Preferred shares, thousand UZS	The effect of hyperinflation	Total
1 January 2018	**555 011 506**	**592 608 108**	**144 180**	**280 545**	**593 032 833**
Issue of new shares	94 974 692	101 432 971	-	-	101 432 971
31 December 2018	**649 986 198**	**694 041 079**	**144 180**	**280 545**	**694 465 804**
Issue of new shares	887 212 731	947 543 197	-	-	947 543 197
31 December 2019	**1 537 198 929**	**1 641 584 276**	**144 180**	**280 545**	**1 642 009 001**

As at 31 December, 2019, the total number of authorized ordinary and preferred shares is 1,537,064 thousand shares and 135 thousand shares, respectively (December 31, 2018: 649,851 thousand shares and 135 thousand shares), with a nominal value of 1,068 UZS per share. Each share provides one vote.

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

(in thousands UZS)

20 Interest income and expense

	For the year ended 31 December 2019	For the year ended 31 December 2018
Interest income calculated at the effective interest rate		
Loans and advances to customers	479 239 292	310 031 084
Due from other banks	12 820 557	812 439
Investment financial assets	6 768 986	204 442
Cash and cash equivalents	121 184	20 133
Total interest income calculated at the effective interest rate	**498 950 019**	**311 068 098**
Other interest income		
Loans and advances to customers	141 100 740	82 000 702
Due from other banks	2 685 722	729 445
Total other interest income	**143 786 462**	**82 730 147**
Interest expense calculated at the effective interest rate		
Customer deposits	107 140 276	71 918 018
Due to other banks	52 377 347	20 166 819
Other borrowings	17 146 536	2 196 443
Debt Securities Issued	16 589 294	13 204 755
Total interest expense calculated at the effective interest rate	**193 253 453**	**107 486 035**
Other interest expenses		
Other borrowings	88 169 742	43 771 193
Other liabilities	15 827	-
Total other interest expense	**88 185 569**	**43 771 193**
Net interest income	**361 297 459**	**242 541 017**

21 Commission income and expenses

	For the year ended 31 December 2019	For the year ended 31 December 2018
Commission income		
Settlement operations	41 564 000	44 629 802
Foreign currency customer transactions	11 787 777	8 008 607
Bank Card Operations	8 848 773	-
Cash Operations	6 403 510	-
Account Management (Interactive Services)	4 385 297	-
Commissions for documentary operations and other credit related commitments	1 072 339	991 529
Securities Commissions	19	-
Other	1 489 057	441 383
Total commission income	**75 550 772**	**54 071 321**
Commission expense		
Bank Card Operations	10 403 099	523 168
Encashment services	10 272 305	11 080 816
Cash Operations	2 530 959	-
Foreign currency customer transactions	1 930 491	706 153
Settlement operations	1 785 707	3 196 145
Commissions for documentary operations and other credit related commitments	908 745	883 524
Securities Commissions	23 915	58 488
Other	428 687	277 020
Total commission expenses	**28 283 908**	**16 725 314**
Net commission income	**47 266 864**	**37 346 007**

(in thousands UZS)

22 Other operating income

	For the year ended 31 December 2019	For the year ended 31 December 2018
Income from rental of fixed assets	4 199 377	3 099 268
Income from the sale of collateral	1 284 825	2 008 033
Fines and penalties	494 530	131 632
Dividends	81 945	30 701
Other	1 231 193	2 061 412
Total other operating income	**7 291 870**	**7 331 046**

23 Administrative and other operating expenses

	For the year ended 31 December 2019	For the year ended 31 December 2018
Salaries and bonuses	139 991 955	110 589 842
Single social payment	37 214 382	28 488 112
Other employee benefits	16 058 158	11 488 974
Staff costs	**193 264 495**	**150 566 928**
Security	26 312 481	18 165 366
Depreciation	21 383 067	22 211 943
Insurance	8 862 516	1 198 189
Stationery	6 657 436	6 721 656
Travel expenses	3 688 380	3 695 561
Repairs	2 862 049	1 968 538
Membership fee	2 683 557	1 893 865
Other taxes, except income tax	2 309 153	18 046 321
Maintenance software	2 053 146	-
Utilities	2 009 700	1 502 402
Professional services	1 970 145	1 482 540
Vehicle maintenance costs	1 606 236	737 081
Communication	1 535 621	1 357 245
Loss on sale of fixed assets	1 209 335	568 112
Advertising	264 921	373 108
Charity and sponsorship expenses	853 647	4 631 129
Hospitality expenses	515 478	461 850
Fine and penalties	-	9 676
Lease	-	947 613
Other	2 464 029	7 570 362
Total other operating expenses	**89 240 897**	**93 542 557**
Total staff and other operating expenses	**282 505 392**	**244 109 485**

(in thousands UZS)

24 Income tax

Income tax expense components

Income tax expense includes the following components:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Current income tax expense	3 123 990	3 741 752
Deferred taxation	11 386 181	2 729 018
Income tax expense for the year	**14 510 171**	**6 470 770**

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

For 2019 and 2018, the income tax rate applicable to most of the Bank's profit, corporate income tax is 20 and 22 percent, respectively.

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

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

	For the year ended 31 December 2019	For the year ended 31 December 2018
Income before tax	**30 889 064**	**21 377 267**
Theoretical tax deductions at the established rate - 20% (2018: 22%)	6 177 813	4 702 999
Tax effects of income or expenses that are not deductible for tax purposes:		
- expenses that do not reduce the tax base	8 332 358	1 767 771
Income tax expense for the year	**14 510 171**	**6 470 770**

Deferred tax analysis by types of temporary differences

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

(in thousands UZS)

The tax consequences of the movement of these temporary differences for 2019, which are recorded at a rate of 20 percent, are presented in detail below.

	31 December 2019	Restored / (allocated) to profit and loss account	31 December 2018
Tax effects of temporary differences that reduce / (increase) the tax base			
Cash and cash equivalents	79 248	79 248	-
Due from other banks	843 882	1 696 975	(853 093)
Loans and advances to customers	66 949 074	64 407 266	2 541 808
Investment financial assets	652 477	656 169	(3 692)
Fixed and intangible assets	(20 514 867)	6 512 726	(27 027 593)
Customer deposits	156 470	156 470	-
Other borrowings	(60 778 362)	(87 302 525)	26 524 163
Other assets	46 245	(1 347 287)	1 393 532
Other liabilities	3 908 671	3 754 778	153 893
Net deferred tax assets	**(8 657 163)**	**(11 386 181)**	**2 729 018**
Recognized deferred tax assets	72 636 066	(71 592 071)	1 043 995
Recognized deferred tax liabilities	(81 293 229)	82 978 252	1 685 023
Net deferred tax (liability) / assets	**(8 657 163)**	**(11 386 181)**	**2 729 018**

The tax consequences of the movement of these temporary differences for 2018, which are recorded at a rate of 22 percent, are presented in detail below.

	31 December 2019	Restored / (allocated) to profit and loss account	31 December 2018
Tax effects of temporary differences that reduce / (increase) the tax base			
Due from other banks	(853 093)	921 603	68 510
Loans and advances to customers	2 541 808	9 282 747	11 824 555
Investment financial assets	(3 692)	27 887	24 195
Fixed and intangible assets	(27 027 593)	(865 992)	(27 893 585)
Other borrowings	26 524 163	(22 597 678)	3 926 485
Other assets	1 393 532	(1 163 983)	229 549
Other liabilities	153 893	(1 542 229)	(1 388 336)
Net deferred tax assets	**2 729 018**	**(15 937 645)**	**(13 208 627)**
Recognized deferred tax assets	(27 884 378)	10 427 012	(17 457 366)
Recognized deferred tax liabilities	30 613 396	(26 364 657)	4 248 739
Net deferred tax (liability) / assets	**2 729 018**	**(15 937 645)**	**(13 208 627)**

(in thousands UZS)

25 Earnings per share

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

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

	For the year ended 31 December 2019	For the year ended 31 December 2018
Profit / (loss) for the year attributable to preferred shareholders	2 454	3 367
Profit / (loss) for the year attributable to ordinary shareholders	16 376 439	14 903 130
Net profit for the period attributable to shareholders (thousand UZS)	**16 378 893**	**14 906 497**
Weighted average number of preferred shares outstanding during the period (pcs)	135 000	135 000
Weighted average number of ordinary shares outstanding during the period (pcs)	900 777 581	597 550 066
Basic and diluted earnings / (loss) per preferred share (pcs / UZS)	**18,18**	**24,94**
Basic and diluted earnings / (loss) per ordinary share (pcs / UZS)	**18,18**	**24,94**

26 Contingent financial liabilities

26.1 Insurance

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

26.2 Legal issue

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

26.3 Tax law

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

The Bank's management believes that its interpretation of the relevant legislation is correct and that the Bank will confirm its tax, currency and customs positions. Accordingly, at 31 December 2019, management did not form a provision for potential tax liabilities. According to the Bank, there are no potential tax liabilities, with the exception of the unlikely.

26.4 Compliance with special conditions

The bank must comply with certain special conditions, mainly related to borrowed funds. The Bank had special financial conditions with foreign financial institutions. In accordance with these loan agreements, the Bank must comply with the relevant financial special conditions on the basis of financial statements prepared in accordance with IFRS.

The Bank agreed to comply with the following financial conditions prescribed in the respective loan agreements:

Financial terms according to the Credit Agreement with the Islamic Corporation for the Development of the Private Sector (hereinafter referred to as the "ICDPS"):

- Ratio of the ratio of Regulatory capital to risk-weighted assets of at least 11.5% during the term of the agreement with the ICDPS;
- The maximum risk per borrower or group of related borrowers should not exceed 25% of Tier I capital;
- Liquidity coverage ratio of at least 80%;
- Net stable financing ratio of at least 100%;
- The ratio of problem and doubtful loans to the aggregate of all loans in the Bank's loan portfolio is not more than 5%;
- The ratio of total operating expenses to operating income not exceeding 70%;
- Comply with all standards established by the Central Bank of the Republic of Uzbekistan or other regulatory and supervisory authorities.

As at December 31, 2019, the Bank makes a separate calculation to comply with the above financial conditions.

26.5 Credit related commitments

The main objective of these tools is to ensure that funds are provided to customers as necessary. Guarantees and guarantee letters of credit, which are 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 the Bank's written obligations to make payments on behalf of customers within the agreed amount when certain conditions are met, are provided with appropriate deliveries of goods or cash deposits and, accordingly, have a lower risk level than direct lending.

In addition to credit related commitments, the Bank provides guarantees for the proper performance of commitments. Banks for the proper performance of obligations are insurance contracts that provide for compensation in case the other party is unable to fulfill the contractual obligation. Such contracts, in addition to credit risk, convey the non-financial risk of default. The risk under contracts to ensure the proper performance of obligations lies in the likelihood of an insurance event (that is, non-fulfillment of contractual obligations by the other party). The main risks of the Bank are significant changes in the frequency and amount of payments arising from such agreements, compared with the forecast. The Bank uses historical data and statistical methods to forecast the volume of such payments. Claims must be submitted before the contract expires, and most claims must be resolved in the short term. This enables the Bank to provide a high degree of certainty regarding planned payments and, as a result, future cash flows. The Bank manages such risks by constantly monitoring the level of payments for such products and is able to adjust future commissions based on the experience of changing insurance claims payments. The Bank has a process for processing claims for claims insurance claims, which provides for the right to review claims and reject falsified or inadequate claims.

In 2013 and 2017, the Bank signed a financial line agreement with the ICDPS for the amount of 8,000 thousand US dollars and 12,000 thousand US dollars, respectively. The line will be used to finance small businesses and private entrepreneurship in the Republic of Uzbekistan, while banks are given the right to act as an agent in relation to funded projects. The Bank provides a guarantee to the ICDPS for the non-return by the ICDPS of allocated funds for approved and funded projects.

(in thousands UZS)

The terms of financing under an agreement with the ICDPS are structured in such a way that the Bank does not bear credit risk associated with projects financed from the ICDPS funds, except for the risk of unforeseen circumstances under the relevant guarantees issued under these projects. Thus, the funds used to finance projects in accordance with the terms of the agreement with the ICDPS are reflected in off-balance accounts. As at December 31, 2019, the Bank created an expected credit loss of 4 054 302 thousand UZS in the statement of financial position.

In accordance with the terms of the ICDPS financing agreement, the Bank is obliged to comply with all prudential standards established by the Central Bank of the Republic of Uzbekistan, as well as some other financial covenants. As at December 31, 2019, the Bank makes a separate calculation to comply with the above financial conditions.

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

	31 December 2019	31 December 2018
Guarantees issued	112 904 990	120 977 004
Credit commitment	667 843 900	168 081 322
Letters of credit	6 962 191	27 880 196
Total credit commitments before deducting provision for credit losses	**787 711 081**	**316 938 522**
Less provision for credit losses	(18 602 012)	(11 923 604)
Total credit related commitments	**769 109 069**	**305 014 918**

Obligations on import letters of credit are secured by deposits with customer accounts in the amount of 6,953,381 thousand UZS (2018: 27,506,703 thousand UZS).

The change in the provision for credit losses on credit related commitments is presented in Note 18.

27 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.

(in thousands UZS)

The following are balances with related parties:

	31 December 2019		31 December 2018	
	Shareholders	Other related parties	Shareholders	Other related parties
Assets				
Cash and cash equivalents	-	117 360 164	45 604 973	-
Due from other banks	-	248 650 011	-	356 676
Loans and advances to customers	-	36 630 438	-	46 358 120
Investment financial assets	116 733 457	-	-	-
Liabilities				
Due to other banks	-	227 223 526	42 030 000	204 900 000
Customer deposits	1 427 245 550	934 004	11 900 000	-
Debt Securities Issued	-	4 500 000	-	-
Other borrowings	348 965 801	-	379 398 660	-

The rates of income and expenses from related parties for 2019 and 2018 are presented below:

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	Shareholders	Other related parties	Shareholders	Other related parties
Income and expenses				
Interest income calculated at the effective interest rate	6 768 986	664 676	1 121 850	-
Other interest income	-	552 616	-	-
Interest expense calculated at the effective interest rate	(31 520 146)	(168 121)	(4 859 643)	-
Other interest expenses	(32 794 763)	-	-	-
Administrative and other operating expenses	-	(5 749 074)	-	(1 596 436)
- Remuneration of key management personnel	-	(5 749 074)	-	(1 596 436)

28 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.

(in thousands UZS)

The table below summarizes the analysis of assets recorded at fair value in the context of assessment hierarchy levels as at December 31, 2019:

	Level 1	Level 2	Level 3	Book value
Financial assets at fair value or revalued value				
Due from other banks	-	**11 620 619**	-	**11 620 619**
Term deposits in banks	-	11 620 619	-	11 620 619
Loans and advances to customers	-	-	**963 045 274**	**963 045 274**
Commercial loans to legal entities	-	-	317 299 021	317 299 021
Consumer and other loans to individuals	-	-	645 746 253	645 746 253
Investment financial assets	-	-	**378 924**	**378 924**
Securities classified as measured at fair value through other comprehensive income - equity instruments	-	-	378 924	378 924

The table below summarizes the analysis of assets recorded at fair value in the context of assessment hierarchy levels as at December 31, 2018:

	Level 1	Level 2	Level 3	Book value
Financial assets at fair value or revalued value				
Due from other banks	-	**8 624 589**	**357 425**	**8 982 014**
Term deposits in banks	-	8 624 589	-	8 624 589
Limited Use Cash	-	-	357 425	357 425
Loans and advances to customers	-	-	**390 847 676**	**390 847 676**
Commercial loans to legal entities	-	-	66 532 943	66 532 943
Consumer and other loans to individuals	-	-	324 314 733	324 314 733
Investment financial assets	-	-	**341 924**	**341 924**
Securities classified as measured at fair value through other comprehensive income - equity instruments	-	-	341 924	341 924

The table below summarizes the analysis of assets carried at amortized cost, carried at fair value, by hierarchy of valuation as at December 31, 2019:

	Level 1	Level 2	Level 3	Book value
Financial assets carried at amortized cost				
Cash and cash equivalents	**173 330 586**	**234 424 787**	-	**407 755 373**
Cash on hand	173 330 586	-	-	173 330 586
Current account balances in CBU	-	97 296 380	-	97 296 380
Current account balances in other banks	-	137 128 407	-	137 128 407
Mandatory reserves in CBU	-	**43 446 340**	-	**43 446 340**
Due from other banks	-	**246 686 992**	-	**246 686 992**
Term deposits in other banks placed for a period of more than 90 days	-	246 686 992	-	246 686 992
Loans and advances to customers	-	-	**3 679 132 596**	**3 679 132 596**
Commercial loans to corporate clients	-	-	2 843 159 498	2 843 159 498
Consumer and other loans to individuals	-	-	835 973 098	835 973 098
Investment financial assets	-	**116 733 457**	-	**116 733 457**
Securities measured at amortized cost	-	116 733 457	-	116 733 457
Other financial assets	-	-	**8 024 514**	**8 024 514**

(in thousands UZS)

The table below presents an analysis of assets carried at amortized cost, carried at fair value, broken down by hierarchy of valuation as at 31 December 2018:

	Level 1	Level 2	Level 3	Book value
Financial assets carried at amortized cost				
Cash and cash equivalents	**129 368 348**	**128 463 626**	**-**	**257 831 974**
Cash on hand	129 368 348	-	-	129 368 348
Current account balances in CBU	-	56 172 957	-	56 172 957
Current account balances in other banks	-	72 290 669	-	72 290 669
Mandatory reserves in CBU	**-**	**26 845 096**	**-**	**26 845 096**
Loans and advances to customers	**-**	**-**	**2 110 544 125**	**2 110 544 125**
Commercial loans to corporate clients	-	-	1 311 372 744	1 311 372 744
Consumer and other loans to individuals	-	-	799 171 381	799 171 381
Other financial assets	**-**	**-**	**2 732 620**	**2 732 620**

The following is an estimate of the fair value of the classes of financial liabilities of the Bank by the level of the hierarchy of fair value sources as at December 31, 2019:

	Level 1	Level 2	Level 3	Book value
Financial liabilities at fair or revalued value				
Other borrowings	**-**	**-**	**591 961 416**	**591 961 416**
Borrowings from CBU	-	-	44 504 647	44 504 647
Extrabudgetary borrowings	-	-	97 015 977	97 015 977
Borrowings from other banks	-	-	-	-
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	17 584 901	17 584 901
Borrowings from non-banking financial institutions	-	-	338 158 297	338 158 297
Borrowings from other lenders	-	-	94 697 594	94 697 594

The following is an estimate of the fair value of the classes of financial liabilities of the Bank by the level of the hierarchy of fair value sources as of December 31, 2018:

	Level 1	Level 2	Level 3	Book value
Financial liabilities at fair or revalued amounts				
Other borrowings	**-**	**-**	**322 109 245**	**322 109 245**
Borrowings from CBU	-	-	155 467 136	155 467 136
Extrabudgetary borrowings	-	-	138 800 914	138 800 914
Borrowings from other lenders	-	-	27 841 195	27 841 195

(in thousands UZS)

The table below provides an analysis of liabilities carried at amortized cost, carried at fair value, by level of assessment hierarchy as at 31 December 2019:

	Level 1	Level 2	Level 3	Book value
Financial liabilities carried at amortized cost				
Due to other banks	**1 255 208 714**	**341 867**	**-**	**1 255 550 581**
Term deposits of banks	1 255 208 714	-	-	1 255 208 714
Correspondent accounts and overnight deposits of banks	-	341 867	-	341 867
Customer deposits	**-**	**612 251 769**	**766 720 687**	**1 378 972 456**
Demand deposits	-	612 251 769	-	612 251 769
Term deposits	-	-	766 720 687	766 720 687
Debt Securities Issued	**-**	**-**	**106 171 952**	**106 171 952**
Certificates of deposit	-	-	106 171 952	106 171 952
Other borrowings	**-**	**-**	**520 691 703**	**520 691 703**
Borrowings from other lenders	-	-	277 775 270	277 775 270
Borrowings from other banks	-	-	209 553 960	209 553 960
Borrowings from CBU	-	-	21 101 639	21 101 639
Finance lease liabilities	-	-	6 538 089	6 538 089
Extrabudgetary borrowings	-	-	5 722 745	5 722 745
Other financial liabilities	**-**	**-**	**24 786 797**	**24 786 797**

The table below provides an analysis of liabilities carried at amortized cost, carried at fair value, by level of assessment hierarchy as at 31 December 2018:

	Level 1	Level 2	Level 3	Book value
Financial liabilities carried at amortized cost				
Due to other banks	**286 931 562**	**130 778**	**-**	**287 062 340**
Term deposits of banks	286 931 562	-	-	286 931 562
Correspondent accounts and overnight deposits of banks	-	113 396	-	113 396
Other	-	17 382	-	17 382
Customer deposits	**-**	**373 537 710**	**686 877 897**	**1 060 415 607**
Demand deposits	-	373 537 710	-	373 537 710
Term deposits	-	-	686 877 897	686 877 897
Debt Securities Issued	**-**	**-**	**83 087 259**	**83 087 259**
Certificates of deposit	-	-	83 087 259	83 087 259
Other borrowings	**-**	**-**	**442 985 201**	**442 985 201**
Extrabudgetary borrowings	-	-	379 398 660	379 398 660
Borrowings from other lenders	-	-	63 586 541	63 586 541
Other financial liabilities	**-**	**-**	**6 016 708**	**6 016 708**

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

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

(in thousands UZS)

29 Capital management

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

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

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

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

	31 December 2019	31 December 2018
Fully paid shares	1 642 009 001	694 465 804
Retained earnings / (loss)	1 626 780	(13 250 881)
Intangible assets	(1 731 239)	(1 375 814)
Investments in capital of non-consolidated economic entities	(378 924)	(341 924)
Adjusted Tier 1 capital	**1 641 525 618**	**679 497 185**
Net income for the period	16 378 893	14 906 497
Adjusted total Risk-based capital	**1 657 904 511**	**694 403 682**
Risk weighted assets and off-balance assets	6 093 279 145	2 885 611 506
Operational risk	232 904 497	161 485 944
Market risk	53 909 018	8 205 753
Adjusted total Risk-weighted assets	**6 380 092 660**	**3 055 303 203**
Capital adequacy ratios		
Tier 1 capital	25,7%	22,2%
Total capital	26,0%	22,7%

30 Risk management

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

30.1 Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulties of the counterparty / issuer;
- breaches of the terms of the contract, such as late payment;
- the lender granting concessions to his counterparty / issuer due to economic reasons or contractual conditions related to the financial difficulties of such a counterparty / issuer and which the creditor would not have provided otherwise;

- the occurrence of the probability of bankruptcy or other financial reorganization;
- disappearance of an active market for a given financial asset as a result of financial difficulties of the issuer;
- purchase or creation of a financial asset at a large discount that reflects the credit losses incurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30.2 Market risk

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

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

30.3 Other price risk

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

(in thousands UZS)

30.4 Geographical risk

The following is an analysis of the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2019:

	Uzbekistan	OECD and FATF member countries	Other countries	Total
Financial assets				
Cash and cash equivalents	390 373 355	-	16 981 869	407 355 224
Mandatory reserve in CBU	43 446 340	-	-	43 446 340
Due from other banks	258 034 763	-	-	258 034 763
Loans and advances to customers	4 466 349 536	-	-	4 466 349 536
Investment financial assets	117 112 381	-	-	117 112 381
Other financial assets	8 024 514	-	-	8 024 514
Total financial assets	**5 283 340 889**	**-**	**16 981 869**	**5 300 322 758**
Financial liabilities				
Due to other banks	1 255 550 581	-	-	1 255 550 581
Customer deposits	1 378 972 456	-	-	1 378 972 456
Debt Securities Issued	106 171 952	-	-	106 171 952
Other borrowings	884 407 559	-	228 245 560	1 112 653 119
Other financial liabilities	24 786 797	-	-	24 786 797
Total financial liabilities	**3 649 889 345**	**-**	**228 245 560**	**3 878 134 905**
Net financial assets / (liabilities)	**1 633 451 544**	**-**	**(211 263 691)**	**1 422 187 853**
Credit commitments	**656 204 079**	**-**	**112 904 990**	**769 109 069**

The following is an analysis of the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2018:

	Uzbekistan	OECD and FATF member countries	Other Countries	Total
Financial assets				
Cash and cash equivalents	240 840 476	-	14 553 354	255 393 830
Mandatory reserve in CBU	26 845 096	-	-	26 845 096
Due from other banks	8 982 014	-	-	8 982 014
Loans and advances to customers	2 393 567 871	-	-	2 393 567 871
Investment financial assets	341 924	-	-	341 924
Other financial assets	2 732 620	-	-	2 732 620
Total financial assets	**2 673 310 001**	**-**	**14 553 354**	**2 687 863 355**
Financial liabilities				
Due to other banks	287 062 340	-	-	287 062 340
Customer deposits	1 060 415 607	-	-	1 060 415 607
Debt Securities Issued	83 087 259	-	-	83 087 259
Other borrowings	765 094 446	-	-	765 094 446
Other financial liabilities	6 016 708	-	-	6 016 708
Total financial liabilities	**2 201 676 360**	**-**	**-**	**2 201 676 360**
Net financial assets / (liabilities)	**471 633 641**	**-**	**14 553 354**	**486 186 995**
Credit commitments	**184 037 914**	**-**	**120 977 004**	**305 014 918**

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.

(in thousands UZS)

30.5 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
2019			
UZS	3 279 905 074	1 925 200 909	1 354 704 165
USD	1 894 042 965	1 538 175 807	355 867 158
EURO	121 080 018	414 675 381	(293 595 363)
Other	5 294 701	82 808	5 211 893
Total	**5 300 322 758**	**3 878 134 905**	**1 422 187 853**
2018			
UZS	2 304 816 760	1 804 446 897	500 369 863
USD	376 936 257	393 117 170	(16 180 913)
EURO	4 455 839	140 960	4 314 879
Other	1 654 499	45 654	1 608 845
Total	**2 687 863 355**	**2 197 750 681**	**490 112 674**

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

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 2019	31 December 2018
Strengthening of the USD by 10%	35 586 716	(1 618 091)
Weakening of the USD by 10%	(35 586 716)	1 618 091
Strengthening of the Euro by 10%	(29 359 536)	431 488
Weakening of the Euro by 10%	29 359 536	(431 488)

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

30.6 Риск ликвидности.

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

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

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

Uzbekistan. These standards include (standards are calculated on the basis of indicators in accordance with the accounting legislation of the Republic of Uzbekistan):

- The current liquidity ratio (not less than 0.30), which is calculated as the ratio of liquid assets to liabilities with a maturity on demand. As of December 31, 2019, this ratio was 0.64 (December 31, 2018: 0.72)

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

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

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

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

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

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

(in thousands UZS)

The analysis of liquidity risk and interest rate risk as at 31 December 2019 is presented in the following table:

	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Total
Financial assets						
Due from other banks	484 763	242 000 000	-	11 250 000	4 300 000	258 034 763
Loans and advances to customers	210 337 202	45 243 162	1 346 571 903	1 293 596 512	1 570 600 757	4 466 349 536
Investment financial assets	7 559 457	22 174 000	-	87 000 000	-	116 733 457
Total interest accrued financial assets	**218 381 422**	**309 417 162**	**1 346 571 903**	**1 391 846 512**	**1 574 900 757**	**4 841 117 756**
Cash and cash equivalents	407 355 224	-	-	-	-	407 355 224
Mandatory reserve in CBU	43 446 340	-	-	-	-	43 446 340
Investment financial assets	378 924	-	-	-	-	378 924
Other financial assets	8 024 514	-	-	-	-	8 024 514
Total financial assets	**677 586 424**	**309 417 162**	**1 346 571 903**	**1 391 846 512**	**1 574 900 757**	**5 300 322 758**
Financial liabilities						
Due to other banks	340 326 988	567 496 744	19 032 740	195 000 000	133 352 242	1 255 208 714
Customer deposits	57 354 501	106 798 342	348 802 810	154 750 743	99 014 291	766 720 687
Debt Securities Issued	21 371 952	33 300 000	16 500 000	35 000 000	-	106 171 952
Other borrowings	32 229 534	104 209 893	388 850 389	144 147 239	443 216 064	1 112 653 119
Total interest-bearing financial liabilities	**451 282 975**	**811 804 979**	**773 185 939**	**528 897 982**	**675 582 597**	**3 240 754 472**
Due to other banks	341 867	-	-	-	-	341 867
Customer deposits	612 251 769	-	-	-	-	612 251 769
Other financial liabilities	24 786 797	-	-	-	-	24 786 797
Total financial liabilities	**1 088 663 408**	**811 804 979**	**773 185 939**	**528 897 982**	**675 582 597**	**3 878 134 905**
The difference between financial assets and liabilities	(411 076 984)	(502 387 817)	573 385 964	862 948 530	899 318 160	1 422 187 853
The difference between interest accrued financial assets and interest-bearing financial liabilities	(232 901 553)	(502 387 817)	573 385 964	862 948 530	899 318 160	1 600 363 284
The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative	**(232 901 553)**	**(735 289 370)**	**(161 903 406)**	**701 045 124**	**1 600 363 284**	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	**-4,39%**	**-13,87%**	**-3,05%**	**13,23%**	**30,19%**	

(in thousands UZS)

The table below provides an analysis of financial liabilities by maturity, excluding discounts as at 31 December, 2018:

	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Total
Financial assets						
Due from other banks	-	-	-	-	8 624 589	8 624 589
Loans and advances to customers	92 529 565	199 070 324	902 753 867	705 581 078	493 633 037	2 393 567 871
Total interest accrued financial assets	**92 529 565**	**199 070 324**	**902 753 867**	**705 581 078**	**502 257 626**	**2 402 192 460**
Cash and cash equivalents	255 393 830	-	-	-	-	255 393 830
Mandatory reserve in CBU	26 845 096	-	-	-	-	26 845 096
Due from other banks	357 425	-	-	-	-	357 425
Investment financial assets	341 924	-	-	-	-	341 924
Other financial assets	2 732 620	-	-	-	-	2 732 620
Total financial assets	**378 200 460**	**199 070 324**	**902 753 867**	**705 581 078**	**502 257 626**	**2 687 863 355**
Financial liabilities						
Due to other banks	100 031 562	9 900 000	30 000 000	30 000 000	117 000 000	286 931 562
Customer deposits	119 653 024	47 831 073	169 674 805	277 803 208	71 915 787	686 877 897
Debt Securities Issued	2 687 259	11 400 000	13 100 000	55 900 000	-	83 087 259
Other borrowings	12 952 231	46 330 393	84 527 905	111 831 368	509 452 549	765 094 446
Total interest-bearing financial liabilities	**235 324 076**	**115 461 466**	**297 302 710**	**475 534 576**	**698 368 336**	**1 821 991 164**
Due to other banks	130 778	-	-	-	-	130 778
Customer deposits	373 537 710	-	-	-	-	373 537 710
Other financial liabilities	6 016 708	-	-	-	-	6 016 708
Total financial liabilities	**615 009 272**	**115 461 466**	**297 302 710**	**475 534 576**	**698 368 336**	**2 201 676 360**
The difference between financial assets and liabilities	(236 808 812)	83 608 858	605 451 157	230 046 502	(196 110 710)	486 186 995
The difference between interest accrued financial assets and interest-bearing financial liabilities	(142 794 511)	83 608 858	605 451 157	230 046 502	(196 110 710)	580 201 296
The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative	**(142 794 511)**	**(59 185 653)**	**546 265 504**	**776 312 006**	**580 201 296**	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	**-5,31%**	**-2,20%**	**20,32%**	**28,88%**	**21,59%**	

(in thousands UZS)

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

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

30.7 Interest rate risk

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

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

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

	2019 год		2018 год	
	UZS	USD	UZS	USD
Financial assets				
Due from other banks	2%-18%	3,5%	3%	-
Loans and advances to customers	0%-36%	4,5%-14,5%	0%-36%	4%-12%
Investment financial assets	15%	-	-	-
Financial liabilities				
Due to other banks	3%-20%	0%-8%	3%-16%	-
Customer deposits	0%-22%	0%-8%	0%-17%	0%-5%
Debt Securities Issued	8,5%-16%	-	8,5%-14%	-
Other borrowings	0%-16%	2,5%-6,8%	0%-14%	2%-3%

31 Segment information

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

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

(in thousands UZS)

31.1 Operation segments

The Bank operates in two main operating segments:

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

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

The table below provides information on the segment concentration of assets and liabilities as at 31 December 2019:

	Individuals	Legal entities	Unsplittable	Total
Financial assets				
Cash and cash equivalents	-	136 728 258	270 626 966	407 355 224
Mandatory reserve in CBU	-	-	43 446 340	43 446 340
Due from other banks	-	258 034 763	-	258 034 763
Loand and advances to customers	1 427 994 116	3 038 355 420	-	4 466 349 536
Investment financial assets	-	117 112 381	-	117 112 381
Other financial assets	8 012 471	12 043	-	8 024 514
Total financial assets	**1 436 006 587**	**3 550 242 865**	**314 073 306**	**5 300 322 758**
Financial liabilities				
Due to other banks	-	1 255 550 581	-	1 255 550 581
Customer deposits	373 844 063	1 005 128 393	-	1 378 972 456
Debt securities issued	-	106 171 952	-	106 171 952
Other borrowings	-	1 112 653 119	-	1 112 653 119
Other financial liabilities	2 364 994	22 421 803	-	24 786 797
Total financial liabilities	**376 209 057**	**3 501 925 848**	**-**	**3 878 134 905**
Net financial assets / (liabilities)	**1 059 797 530**	**48 317 017**	**314 073 306**	**1 422 187 853**
Credit commitments	**10 975 479**	**738 133 590**	**20 000 000**	**769 109 069**

(in thousands UZS)

The table below provides information about the segment concentration of income and expenses as at 31 December, 2019:

	Individuals	Legal entities	Unsplittable	Total
Interest income calculated at the effective interest rate	254 188 323	225 017 517	19 744 179	498 950 019
Other interest income	85 121 342	58 665 120	-	143 786 462
Interest expense calculated at effective interest rate	(26 971 857)	(166 281 596)	-	(193 253 453)
Other interest expenses	-	(88 185 569)	-	(88 185 569)
Net interest income	**312 337 808**	**29 215 472**	**19 744 179**	**361 297 459**
Provisions for credit losses on debt financial assets	(29 018 112)	(33 746 190)	-	(62 764 302)
Net income / (expense) from initial recognition of financial instruments and loan modifications	(112 079 940)	96 452 862	-	(15 627 078)
Net interest income after provision for credit losses	**171 239 756**	**91 922 144**	**19 744 179**	**282 906 079**
Commission income	8 848 773	66 701 999	-	75 550 772
Commission expense	-	-	(28 283 908)	(28 283 908)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency	-	-	(14 581 196)	(14 581 196)
Recovery / (creation) of a provision for credit losses on credit commitments	-	(6 678 408)	-	(6 678 408)
Provisions for other assets	-	-	(2 810 753)	(2 810 753)
Other operating income	-	-	7 291 870	7 291 870
Administrative and other operating expenses	(193 264 495)	-	(89 240 897)	(282 505 392)
Income before tax	**(13 175 966)**	**151 945 735**	**(107 880 705)**	**30 889 064**

The table below provides information on the segment concentration of assets and liabilities as at 31 December, 2018:

	Individuals	Legal entities	Unsplittable	Total
Financial assets				
Cash and cash equivalents	-	126 025 482	129 368 348	255 393 830
Mandatory reserve in CBU	-	-	26 845 096	26 845 096
Due from other banks	-	8 982 014	-	8 982 014
Loand and advances to customers	1 088 620 198	1 304 947 673	-	2 393 567 871
Investment financial assets	-	341 924	-	341 924
Other financial assets	2 732 620	-	-	2 732 620
Total financial assets	**1 091 352 818**	**1 440 297 093**	**156 213 444**	**2 687 863 355**
Financial liabilities				
Due to other banks	-	287 062 340	-	287 062 340
Customer deposits	236 403 335	824 012 272	-	1 060 415 607
Debt securities issued	-	83 087 259	-	83 087 259
Other borrowings	-	765 094 446	-	765 094 446
Other financial liabilities	5 317 040	699 668	-	6 016 708
Total financial liabilities	**241 720 375**	**1 959 955 985**	**-**	**2 201 676 360**
Net financial assets / (liabilities)	**849 632 443**	**(519 658 892)**	**156 213 444**	**486 186 995**
Credit commitments	**-**	**305 014 918**	**-**	**305 014 918**

(in thousands UZS)

The table below provides information on the segment concentration of income and expenses as at 31 December, 2018:

	Individuals	Legal entities	Unsplittable	Total
Interest income calculated at the effective interest rate	125 947 091	185 121 007	-	311 068 098
Other interest income	68 469 477	14 260 671	-	82 730 148
Interest expense calculated at effective interest rate	(21 820 071)	(85 665 965)	-	(107 486 036)
Other interest expenses	-	(43 771 193)	-	(43 771 193)
Net interest income	**172 596 497**	**69 944 520**	**-**	**242 541 017**
Provisions for credit losses on debt financial assets	(11 488 630)	(4 156 222)	-	(15 644 852)
Net income / (expense) from initial recognition of financial instruments and loan modifications	(82 972 709)	88 533 688	-	5 560 979
Net interest income after provision for credit losses	**78 135 158**	**154 321 986**	**-**	**232 457 144**
Commission income	2 200 220	51 871 101	-	54 071 321
Commission expense	-	-	(16 725 314)	(16 725 314)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency	-	-	(13 141 630)	(13 141 630)
Recovery / (creation) of a provision for credit losses on credit commitments	-	5 560 979	-	5 560 979
Provisions for other assets	-	-	(4 066 794)	(4 066 794)
Other operating income	-	-	7 331 046	7 331 046
Administrative and other operating expenses	(150 566 928)	-	(93 542 557)	(244 109 485)
Income before tax	**(70 231 550)**	**211 754 066**	**(120 145 249)**	**21 377 267**

32 Events after the reporting date

Since the beginning of 2020, an outbreak of coronavirus has spread throughout the world, which has affected the global economy.

The Bank considers the spread of coronavirus and increased volatility (instability) in the markets to be significant non-corrective events.

Due to the uncertainty and duration of the events, the Bank cannot accurately and reliably estimate the quantitative impact of these events on its financial position.

The impact on financial instruments at fair value and on the assessment of expected credit losses in accordance with IFRS 9 is expected. Currently, the Bank is closely monitoring the financial consequences arising from these events.