

JOINT STOCK  
COMMERCIAL BANK



Consolidated Financial Statements  
For the year ended 31 December 2021  
And Independent Auditor's Report

**JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARY**  
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**JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARY**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

Management of Joint Stock Commercial Bank "Turonbank" is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Commercial Bank "Turonbank" ("the Bank") and its subsidiary (collectively - "the Group") as at 31 December 2021 and the related consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

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

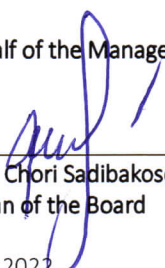
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the Management of the Group on 29 June 2022.

On behalf of the Management Board:

  
Mirzaev Chori Sadibakosovich  
Chairman of the Board

29 June 2022  
Tashkent, Uzbekistan



  
Almuradov Oybek Abdullayevich  
Chief Accountant

29 June 2022  
Tashkent, Uzbekistan

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Council of Joint Stock Commercial Bank "Turonbank"

### Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Turonbank" (hereinafter - "the Bank") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Erkin Ayupov, Qualified Auditor/Engagement Partner

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Why the matter was determined to be a key audit matter

How the matter was addressed in the audit

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*Collective assessment of the expected credit losses on loans and advances to customers*

As at 31 December 2021, gross loans and advances to customers represent UZS 6,110,121 million, net of allowance for expected credit losses ("ECL") of UZS 324,173 million assessed on a collective basis.

For loans assessed on a collective basis, there is a risk of errors in the underlying data used in assessment of the ECL, including errors in loan data, inaccurate or incomplete inputs and especially assumptions used in assessing probability of default (PD) and loss given default data (LGD).

During the year ended 31 December 2021, the Group's borrowers continued to experience the impact of the COVID-19 pandemic. Due to the significance and subjectivity of judgements used by management of the Group and the volume of loans assessed on collective basis, we identified the assessment of expected credit losses, particularly the assessment of the probability of default, significant increase in credit risk ("SICR") and a loss given default as a key audit matter.

Refer to Notes 3, 9 and 25 to the consolidated financial statements for the Group's accounting policy and disclosures of gross carrying amounts and related allowances balances.

We obtained an understanding of processes and control procedures related to the loan origination, credit risk management and ECL assessment for loans and advances to customers, assessed on a collective basis.

We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 Financial Instruments requirements.

We checked that the data inputs and key assumptions used in the models for assessing PDs and LGDs reflect historical information about incurred credit losses.

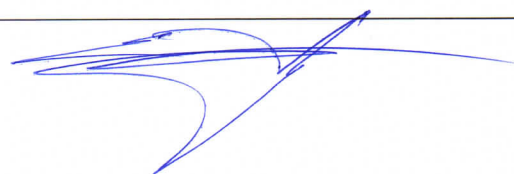
With the involvement of our credit risk advisory specialists, we tested the mathematical accuracy and computation of the ECL on loans to customers assessed on a collective basis by re-performing and calculating elements of the expected credit losses based on relevant source data. This included assessing the appropriateness of model design and formulas used, considering modelling techniques and recalculating PDs, LGDs and Exposure at default ("EAD").

On a sample basis, we tested the accuracy and completeness of statistics for recoveries of loans used in the ECL models and traced back this information to source data.

We evaluated the accuracy and completeness of the notes disclosed in the consolidated financial statements relating to the loans and advances to customers in accordance with IFRS 9 requirements.

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Erkin Ayupov, Qualified Auditor/Engagement Partner



## *Individual assessment of the expected credit losses on loans and advances to customers*

As at 31 December 2021, the Group's gross loans assessed for impairment on an individual basis amounted to UZS 2,332,517 million, net of allowance for expected credit losses ("ECL") of UZS 12,575 million.

The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Group.

In particular, there is a risk that exposures with significant increase in credit risk and credit-impaired exposures (movements between stage 1, stage 2 and stage 3 and vice versa) are not completely or accurately identified/classified as at the reporting date, as not all relevant qualitative and quantitative information was captured.

Additionally, the ECL on individually significant credit-impaired loans in stage 3 may be misstated due to errors related to the estimation of future cash receipts from the sale of collateral or use of inappropriate or unsupported information.

Due to the significance of the gross carrying amount of individually assessed loans and the complexity and subjectivity of management's judgements, we identified the individual assessment of ECL as a key audit matter.

Refer to Notes 3, 9 and 25 to the consolidated financial statements for the description of impairment indicators on individually significant loans and disclosure of gross carrying amounts and related allowances for loans.

We obtained an understanding of the loan origination and credit risk management processes.

We assessed the Group's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers.

For a sample of loans, we performed a detailed credit review and challenged the Group's analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3). In order to evaluate whether the loans have been appropriately classified to the respective stage, we analysed internal credit ratings (financial rating), credit risk factors and checked if relevant impairment events, such as delinquency of interest or principal, restructuring events and certain financial performance indicators had been identified on a timely manner.

On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stage 3, including reviewing the Group's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, such as the valuation of collateral held, cost and time to sell the collateral under various probability-weighted scenarios agreeing key assumptions to supporting documents.

We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

## *Liquidity and Going concern principle*

As disclosed in Note 3 and 16 to the consolidated financial statements, as at 31 December 2021, the Group was not compliant with certain financial covenants stipulated in the loan agreements with one financial institution with aggregate borrowings amounting to UZS 977,775 million. This, as a consequence, triggered cross default clauses stipulated in the loan agreements signed between the Group and two other financial institutions with the year-end aggregate outstanding balance of UZS 206,574 million. The breach of covenants and resultant cross defaults gave the respective financial institutions the right to demand repayment of their borrowings extended to the Group prior to their original maturity.

The Management has, therefore, classified the borrowings for the total amount of UZS 1,184,349 million as "Demand and less than 1 month" in the liquidity disclosure (Note 25).

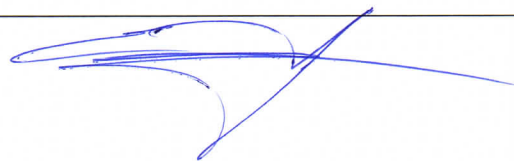
We reviewed the annual budget of the Group for 2022 as well as management's analysis of liquidity risks that it submits to the Central bank of Uzbekistan, and evaluated reasonableness of going concern assumption by challenging management's judgments and conclusions.

We focused on evaluating and challenging the reasonableness of the Group's assumptions in respect of its strategic role in governmental programs and the continuing financial support from the Government.

We read the Management's board meeting minutes.

As part of the review of the meetings minutes above, we analysed the sources of planned funding from the Government and international financial institutions and checked the status of negotiating and agreeing the terms of financing.

Erkin Ayupov, Qualified Auditor/Engagement Partner



In reaching the conclusion on its ability to continue as a going concern in the foreseeable future, the Group had assumed the continued provision of funds by lenders and support by the Government of the Republic of Uzbekistan, considered the effect of the breach of financial covenants, its strategic role as government arm in the economy of Uzbekistan and its ability to take mitigating actions if and when required.

The Group has concluded that the going concern basis remains appropriate and no material uncertainty exists according to actions taken and plans as described in Note 3.

Due to significant impact of the covenant breach on the liquidity of the Group and pervasiveness of the effect of using the going concern assumption on the consolidated financial statement, this area is determined as key audit matter.

We also assessed the Group's ongoing support from the Government and performed the following procedures:

- We reviewed the Group's participation in the strategically important state programs and checked supporting documentation on eligibility for Government's financing;
- We also reviewed the amounts of additional financing received under existing credit lines in 2022.

We reviewed loan agreements attributable to the Group's borrowings with regards to the risk of non-compliance with covenants. We checked the mathematical accuracy of covenant calculations according to terms and conditions stipulated in the loan agreements.

We checked the appropriateness and completeness of the disclosure made in the consolidated financial statements in respect of going concern.

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## Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

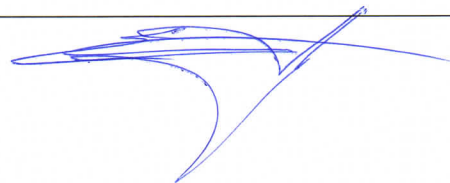
When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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Erkin Ayupov, Qualified Auditor/Engagement Partner



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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**


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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Erkin Ayupov, Qualified Auditor/Engagement Partner



# Deloitte.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



“Deloitte & Touche” Audit Organisation LLC

Erkin Ayupov

Auditing organisation LLC “Deloitte & Touche” is included in the Register of auditing organisations of the Ministry of Finance of the Republic of Uzbekistan from 8 June 2021

Qualified Auditor/Engagement Partner

Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

Auditor qualification certificate authorizing audit of banks, #6/8 dated 25 January 2021 issued by the Central bank of the Republic of Uzbekistan

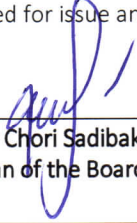
29 June 2022  
Tashkent, Uzbekistan

Director  
“Deloitte & Touche” Audit Organisation LLC

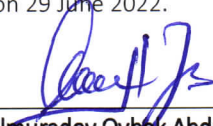
**JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**  
*(in millions of Uzbek Soums)*

	Notes	31 December 2021	31 December 2020
<b>ASSETS</b>			
Cash and cash equivalents	6,28	1,254,954	823,516
Due from other banks	7,28	424,885	319,346
Debt securities of the Government of the Republic of Uzbekistan at amortised cost	8,28	354,606	131,774
Loans and advances to customers	9,28	8,105,890	6,819,483
Financial assets at fair value through other comprehensive income	10	25,067	43,328
Deferred income tax asset	22	55,874	35,363
Premises, equipment and intangible assets	11	316,704	177,127
Right-of-use assets	11	14,361	13,752
Other assets	12,29	143,234	75,666
<b>TOTAL ASSETS</b>		<b>10,695,575</b>	<b>8,439,355</b>
<b>LIABILITIES</b>			
Due to other banks	13,29	937,614	789,958
Customer accounts	14,29	2,551,642	2,071,985
Debt securities in issue	15,29	13,414	2,203
Borrowings from government, state and international financial institutions	16,29	5,505,466	4,492,045
Lease liabilities		14,923	14,732
Current income tax liabilities		-	8,905
Other liabilities	17,29	29,346	21,113
<b>TOTAL LIABILITIES</b>		<b>9,052,405</b>	<b>7,400,941</b>
<b>EQUITY</b>			
Share capital	18	1,499,706	887,106
Share premium	18	219	219
Retained earnings		145,676	128,232
Revaluation reserve of financial assets at fair value through other comprehensive income		13,329	22,142
Other reserve	1(a)	(15,760)	-
Net assets attributable to the Bank's owners		<b>1,643,170</b>	<b>1,037,699</b>
Non-controlling interest	1(a)	-	715
<b>TOTAL EQUITY</b>		<b>1,643,170</b>	<b>1,038,414</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,695,575</b>	<b>8,439,355</b>

Approved for issue and signed on behalf of the Management Board on 29 June 2022.

  
 Mirzaev Chori Sadibakosovich  
 Chairman of the Board



  
 Almuradov Oybek Abdullayevich  
 Chief Accountant

The notes on pages 04-08 form an integral part of these consolidated financial statements

**JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

(in millions of Uzbek Soums, except for earnings per share which are in Uzbek Soums)

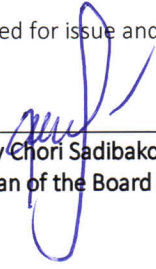
	Notes	2021	2020
Interest income	19,29	838,713	569,417
Interest expense	19,29	(490,913)	(294,515)
<b>NET INTEREST INCOME BEFORE CREDIT LOSSES</b>	<b>19</b>	<b>347,800</b>	<b>274,902</b>
Expected credit losses on loans and advances to customers	9,29	(150,210)	(121,727)
Gain on modification of financial assets		3,511	(15,352)
Initial recognition adjustment on interest bearing assets		-	(319)
<b>NET INTEREST INCOME</b>		<b>201,101</b>	<b>137,504</b>
Fee and commission income	20,29	122,488	77,996
Fee and commission expense	20,29	(28,169)	(15,067)
Foreign exchange translation gain		2,619	257
Net gain from trading in foreign currencies		18,043	11,876
Dividend income		791	1,707
Other operating income, net		10,512	1,509
Other impairment provision	25	(7,754)	(2,007)
Administrative and other operating expenses	21,29	(294,425)	(203,773)
<b>PROFIT BEFORE TAX</b>		<b>25,206</b>	<b>10,002</b>
Income tax benefit/(expense)	22	(3,197)	13
<b>PROFIT FOR THE YEAR</b>		<b>22,009</b>	<b>10,015</b>
<b>Attributable to:</b>			
- Owners of the Bank		22,009	10,167
- Non-controlling interest		-	(152)
<b>PROFIT FOR THE YEAR</b>		<b>22,009</b>	<b>10,015</b>
<b>Total basic and diluted earnings per ordinary share</b> (expressed in UZS per share)	23	36	19

**JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

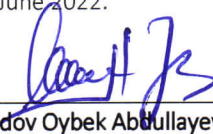
(in millions of Uzbek Soums)

	Notes	2021	2020
<b>PROFIT FOR THE YEAR</b>		<b>22,009</b>	<b>10,015</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value gain on financial assets at fair value through other comprehensive income		-	7,890
Tax effect		-	(1,578)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>6,312</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>22,009</b>	<b>16,327</b>
<b>Attributable to:</b>			
- Owners of the Bank		22,009	16,479
- Non-controlling interest		-	(152)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>22,009</b>	<b>16,327</b>

Approved for issue and signed on behalf of the Management Board on 29 June 2022.

  
Mirzaev Chori Sadibakosovich  
Chairman of the Board

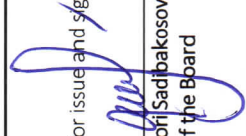


  
Almuradov Oybek Abduullayevich  
Chief Accountant

**JOINT STOCK COMMERCIAL BANK "TuronBank" AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021**

<i>In millions of Uzbekistan Soums</i>	Note	Share capital	Share premium	Retained earnings	Revaluation reserve of financial assets at fair value through other comprehensive income	Other reserve	Total	Non-controlling interest	Total equity
<b>31 December 2019</b>		<b>887,273</b>	<b>219</b>	<b>118,065</b>	<b>15,830</b>	<b>-</b>	<b>1,021,387</b>	<b>867</b>	<b>1,022,254</b>
Profit for the year		-	-	10,167	-	-	10,167	(152)	10,015
Total comprehensive income for 2020		-	-	10,167	6,312	-	16,479	(152)	16,327
Shares issued		-	-	-	-	-	-	-	-
Treasury shares		(167)	-	-	-	-	(167)	-	(167)
<b>31 December 2020</b>		<b>887,106</b>	<b>219</b>	<b>128,232</b>	<b>22,142</b>	<b>-</b>	<b>1,037,699</b>	<b>715</b>	<b>1,038,414</b>
Profit for the year		-	-	22,009	-	-	22,009	-	22,009
Total comprehensive income for 2021		-	-	22,009	-	-	22,009	-	22,009
Shares issued	18	612,600	-	-	-	-	612,600	-	612,600
Dividends declared	18	-	-	(13,378)	-	-	(13,378)	-	(13,378)
Transfer of investment revaluation reserve upon disposal of investments in equity instruments designated as at FVTOCI, net of tax		-	-	-	-	-	-	-	-
Adjustment arising from disposal of subsidiary and investments in equity instruments designated as at FVTOCI to the owner	1(a)	-	-	8,813	(8,813)	-	-	-	-
Adjustment arising from disposal of subsidiary and investments in equity instruments designated as at FVTOCI to the owner	1(a)	-	-	-	-	(15,760)	(15,760)	(715)	(16,475)
<b>31 December 2021</b>		<b>1,499,706</b>	<b>219</b>	<b>145,676</b>	<b>13,329</b>	<b>(15,760)</b>	<b>1,643,170</b>	<b>-</b>	<b>1,643,170</b>

Approved for issue and signed on behalf of the Management Board on 29 June 2022

  
 Mirzaev Chorji Sadibakosovich  
 Chairman of the Board



  
 Almuradov Oybek Abdullayevich  
 Chief Accountant

**JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
*(in millions of Uzbek Soums)*

	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Interest received		844,613	373,947
Interest paid		(475,951)	(272,249)
Fees and commissions received		126,697	78,104
Fees and commissions paid		(28,169)	(15,067)
Income received from trading in foreign currencies		18,043	11,876
Other operating income received		5,665	4,093
Staff costs paid		(174,711)	(118,601)
Administrative and other operating expenses paid		(78,287)	(65,989)
Income tax paid		(30,410)	(17,681)
<b>Cash flows from/(used in) operating activities before changes in operating assets and liabilities</b>		<b>207,490</b>	<b>(21,567)</b>
Net (increase)/ decrease in due from other banks		(100,130)	47,319
Net increase in loans and advances to customers		(1,316,968)	(2,123,303)
Net increase in other assets		(3,368)	(4,866)
Net increase in due to other banks		160,701	324,786
Net increase in customer accounts		457,750	362,805
Net decrease in other liabilities		(4,590)	(2,468)
<b>Net cash used in operating activities</b>		<b>(599,115)</b>	<b>(1,417,294)</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises, equipment and intangible assets		(229,336)	(114,789)
Proceeds from disposal of premises, equipment and intangible assets		544	735
Acquisition of financial assets at fair value through other comprehensive income		-	(3,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	2,895
Acquisition of debt securities of the Government of the Republic of Uzbekistan		(357,760)	(224,501)
Proceeds from redemption of debt securities of the Government of the Republic of Uzbekistan		131,774	95,500
Dividend income received		791	1,343
<b>Net cash used in investing activities</b>		<b>(453,987)</b>	<b>(241,817)</b>

The notes on pages 14-90 form an integral part of these consolidated financial statements

**JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
*(in millions of Uzbek Soums)*

Cash flows from financing activities	Notes	2021	2020
Issue of ordinary shares	18	342,914	-
Proceeds from borrowings from government, state and international financial institutions	18(b)	2,420,470	1,582,939
Repayment of borrowings from government, state and international financial institutions	18(b)	(1,297,116)	(147,073)
Proceeds from debt securities in issue	18(b)	20,535	1,800
Repayment of debt securities in issue	18(b)	(9,335)	(12,500)
Dividends paid	18(b)	(3,137)	(19)
Repayment of lease liabilities	18(b)	(6,342)	(1,946)
<b>Net cash from financing activities</b>		<b>1,467,989</b>	<b>1,423,201</b>
Effect of exchange rate changes on cash and cash equivalents		16,761	42,645
Effect of changes in expected credit losses		(210)	26
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>431,438</b>	<b>(193,239)</b>
Cash and cash equivalents at the beginning of the year	6,29	823,516	1,016,755
<b>Cash and cash equivalents at the end of the year</b>	<b>6,29</b>	<b>1,254,954</b>	<b>823,516</b>
<b>Non-cash transactions:</b>			
<i>Conversion of debt into shareholder capital</i>			
Share capital	18	269,686	-
Other borrowed funds	18	(233,322)	-
Due to other banks		(36,364)	-
<i>Repossessed collateral</i>		-	9,273

Approved for issue and signed on behalf of the Management Board on 29 June 2022.

Mirzaev Ghorri Sadibakosovich  
Chairman of the Board



Almuradov Oybek Abdullayevich  
Chief Accountant

**JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**1. Introduction**

The Bank is a Joint Stock Company limited by shares and was set up in accordance with regulations of the Republic of Uzbekistan ("Uzbekistan").

The Bank was incorporated in 1990 by the Ministry of Agriculture and Water Management and is domiciled in Uzbekistan. It is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under banking license No.8 issued by the Central bank of Uzbekistan ("the CBU") and renewed on 25 December 2021.

**Principal activity.** The Bank's principal activity is commercial banking, retail banking, operations with securities, foreign currencies and origination of loans and guarantees. The Bank accepts deposits from legal entities and individuals and makes loans and transfers payments. The Bank conducts its banking operations from its head office in Tashkent and 20 branches within Uzbekistan as of 31 December 2021 (31 December 2020: 20 branches).

The Bank participates in the state deposit insurance scheme, which was introduced by the Uzbek Law #360-II "Insurance of Individual Bank Deposit" on 5 April 2002. On 28 November 2008, the President of Uzbekistan issued the Decree Presidential Decree # 4057 stating that in case of the withdrawal of a license of a bank, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

**Registered address and place of business.** The Bank's registered address is 4a, Abay Street, Tashkent, 100000, Uzbekistan.

As at 31 December 2021, the number of Bank's employees was 1,487 (31 December 2020: 1,495).

**Shareholders.** As at 31 December 2021 and 2020, the interest of the shareholders in the Bank's share capital was:

	2021	2020
<b>Legal entities:</b>		
Fund for Reconstruction and Development of the Republic of Uzbekistan	89.31%	87.65%
The Ministry of Finance of the Republic of Uzbekistan	9.46%	10.27%
Legal entities	0.63%	1.06%
<b>Subtotal</b>	<b>99.40%</b>	<b>98.98%</b>
Individuals	0.60%	1.02%
<b>Total</b>	<b>100%</b>	<b>100%</b>

As at 31 December 2021, the total number of shareholders was 9,243, which included 2,360 legal entities and 6,883 individuals (31 December 2020: 9,244, which included 2,362 legal entities and 6,882 individuals).

**Subsidiaries.** As at 31 December 2021 and 2020, the Bank's subsidiaries were the following enterprises:

Name	Date of investment	Ownership 2021	Ownership 2020	Country	Industry
LLC Turon Sarmoya Rivoj	December 2021	100%	-	Uzbekistan	Asset management
LLC Feron Leasing	September 2009	-	68.03%	Uzbekistan	Leasing

***(a) Disposal of subsidiary and investments in equity instruments designated as at FVTOCI***

LLC Feron leasing was established in the form of a Limited Liability Company in accordance with the legislation of the Republic of Uzbekistan on 31 May 2007. The main activity LLC Feron leasing is lending of finance lease loans to retail borrowers.

According to the Decree of Cabinet of Ministers #266 dated 4 May 2021, LLC Feron Leasing and the ownership in JSC Uzelhozmaservice, JSC Universal Sugurta, LLC Dimax Metall Servis, JSC Boshtransloyiha, JSC Ohangarondon, JSC Uzagrosugurta, JSC Samarqanddonmahsulotlari, JSC Buxorogazsanoatqurilish, JSC Qashqadaryo parmalash ishlari, JSC Qashqadaryo texnologik transport, JSC Elsis-Savdo was transferred to the State Assets Management Agency of the Republic of Uzbekistan at the book value of UZS 12,986 million by decreasing the ownership of the Ministry of Finance in the Group's share capital. Management believes that the Group lost control over the subsidiary and transferred equity instruments during 2021. The share capital reorganisation procedure was not complete as at the date of issuance of these consolidated financial statements and is planned to be completed by third quarter 2022.

As a result of the assets transfer, a decrease in non-controlling interest (NCI) in the amount of UZS 715 million, a decrease in the carrying value of investments previously accounted at FVTOCI in the amount of UZS 18,257 million (Note 18), a decrease of a net cumulative revaluation reserve of UZS 8,813 million and a decrease in a deferred tax liability of UZS 2,203 million (Note 22) were recorded in the consolidated financial statements of the Group.

The consideration receivable was determined to be equal to the carrying amount of investment in subsidiary in the amount of UZS 5,600 million and the book value of investments in equity instruments in the amount of UZS 7,295 million and to be settled via decrease in the share capital of the Group.

Due to the fact that the re-registration of the share capital was not completed during 2021, the net effect from the disposal was recognised as other reserve in the consolidated statement of changes in equity of the Group in the amount of UZS 15,760 million.

***(b) Origination of LLC Turon Sarmoya Rivoj***

LLC Turon Sarmoya Rivoj was found on 22 December 2021 in accordance with the legislation of the Republic of Uzbekistan. The main activity of Turon Sarmoya Rivoj is asset management.

**2. Operating environment**

Uzbekistan economy displays characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the banking sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments. The largest Uzbek banks are state-controlled and act as an arm of Government to develop the country's economy. The Government distributes funds from the country's budget, which flow through the banks to various government agencies, and other state and privately owned entities.

Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government, together with other legal, regulatory and political developments, all of which are beyond the Bank's control. The Group's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations which greatly impact Uzbek financial markets and the economy overall.

During 2021, the CBU has not changed the refinancing rate, which was set at 14% since September 2020.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Many countries put in place measures to contain the spread of COVID-19 resulting in significant operational disruption for companies. COVID-19 had an effect on a wide range of economy sectors, including, but not limited to disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. In 2021, the Government of Uzbekistan continued to take measures aimed at preventing the spread of COVID-19 and its impact, mainly by encouraging the population to be vaccinated, which helped to smooth subsequent pandemic waves amid the appearance of new strains of the virus. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Uzbekistan economy.

In June 2021, S&P Global Ratings affirmed its long and short-term foreign and local currency ratings on Uzbekistan at 'BB-/B'. However, the outlook was raised to stable. The decision was made due to the slowdown in the growth of country's external debt, improved fiscal policy and reforms.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage is difficult to determine.

### **3. Summary of significant accounting policies**

**Going concern.** The consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

The Group's activities continue to be affected by the uncertainty and instability of the current economic environment. The financial position and the results of the Bank continue to be significantly impacted by the reforms of the government.

For the year ended 31 December 2021, the Group incurred a cash outflow from operating activities in the amount of UZS 635,479 million (31 December 2020: UZS 1,417,294 million). The cash outflow from operating activities is explained by on-lending the funds received from international financial institutions and the State to finance the government and investment projects which led to an increase in the loans and advances to customers by UZS 1,316,968 million or 19% (31 December 2020: 2,123,303 or 48%).

As at 31 December 2021, the Bank was in a breach of certain financial covenants stipulated in the tripartite Subsidiary loan agreements signed between the Republic of Uzbekistan, the Rural Restructuring Agency, Asian Development Bank and the Bank, as discussed in detail in Note 16. This, as a consequence, triggered cross default clauses stipulated in the loan agreements signed between the Group and two other financial institutions, VEB. RF and the Export Import Bank of Turkey. As a result, borrowings in the amount of UZS 1,184,349 million were classified as "Demand and less than 1 month" within the liquidity disclosure. Accordingly, the Group had a cumulative liquidity shortfall up to 1 year of UZS 371,169 million (31 December 2020: UZS 326,384 million), as discussed in detail in Note 16 and 25 of the consolidated financial statements. The Management is in communication with its creditors and working on action plan on compliance with covenants.

Management of the Group believes that the Group will be able to continue as a going concern, through the following:

- Continued ongoing support by the Government of the Republic of Uzbekistan ("the State"). The Group is a state owned bank with the Ministry of Finance and UFRD as key shareholders, jointly holding 98.77% interest in the share capital of the Bank as at 31 December 2021 (31 December 2020: 97.92%). The Group is a strategic financial institution of the Republic of Uzbekistan, responsible for the development of strategic industries. This continued support evidenced by increasing of share capital by Fund of Reconstruction and Development of the Republic of Uzbekistan;
- The Bank plays a vital role in strategic development of certain spheres of the Republic of Uzbekistan. As at 31 December 2021, borrowings from the Ministry of Finance of the Republic of Uzbekistan amounted to UZS 1,736,354 million (31 December 2020: 1,352,783 million) (Note 16) and customer accounts of State entities amounted to UZS 664,566 million (31 December 2020: 536,225 million) (Note 14), respectively. The Government will continue financing the Group on an ongoing basis. The maturity of funds received from shareholders and customer accounts of State entities can be renegotiated if that will be necessary;
- On 17 February 2022, the Bank has signed Agreement with Mortgage Refinancing Company of Uzbekistan for total amount of UZS 42,000 million;
- In addition, during January-May 2022 the Group has received additional financing under existing credit lines for a total amount of UZS 143,184 million, including financing from ADB for USD 2 million (UZS equivalent of 21,675 million), from the Export-Import Bank of China for USD 8.9 million (UZS equivalent of 96,455 million), from Fund for Reconstruction and Development of Uzbekistan for USD 1.3 million (UZS equivalent of 14,089 million), and from VEB.RF for EUR 897 thousand (UZS equivalent of 12,225 million).
- The Bank also has committed lines of credit in amount of approximately UZS 700,000 million as at 31 December 2021 that can be assessed to meet liquidity needs;
- Also, the management regularly assess the stability of its other non-government customer accounts funding base based on past performance and analysis subsequent to the reporting date. According its assessment and the past experience, these customer accounts provide a long-term and stable source of funding for the Group.

The management believes that, based on current forecasts and measures taken to manage liquidity, and also taking into account the economic situation in the country in connection with the COVID-19 pandemic and the strengthening of the national currency, the Group has enough funds to continue its activities in the foreseeable future.

**Basis of preparation.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The Group is required to maintain its records and prepare its consolidated financial statements for regulatory purposes in Uzbek Soums in accordance with Uzbekistan Accounting Legislation and related instructions ("UAL"). These consolidated financial statements are based on the Group's UAL books and records, adjusted and reclassified in order to comply with IFRS.

These consolidated financial statements are presented in millions of Uzbek Soums ("UZS"), unless otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**Functional currency.** Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Group is UZS. The presentational currency of the consolidated financial statements of the Group is also UZS. All values are rounded to the nearest million UZS, except when otherwise indicated.

**Consolidated financial statements.** Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.

For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made.

The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

**Accounting for the effects of hyperinflation.** The Republic of Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the statement of financial position date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2007. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date.

**Cash and cash equivalents.** Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include deposits with the CBU and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

**Due from other banks.** Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Due from the CBU include non-interest bearing mandatory reserve deposit held with the CBU against deposits from customers. This deposit is not available to finance the Group's day to day operations, and hence is not considered as part of cash and cash equivalents for the purposes of these consolidated financial statements. Amounts due from other banks are carried at amortised cost.

**Debt securities of the Government of the Republic of Uzbekistan.** Debt securities of the Government of the Republic of Uzbekistan are classified as debt securities at amortised cost under IFRS 9, since the Group holds them for long-term investment purposes, the "hold to collect" business model and the cash flow characteristics assessments.

**Financial instruments – key measurement terms.** Depending on their classification financial instruments are carried at fair value, or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. All investments in equity instruments and contracts on those instruments are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

*Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

*Amortised cost* is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

*The effective interest rate* is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

**Financial assets.** All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 Financial Instruments ("IFRS 9") are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Retention of an asset to obtain the cash flows stipulated by the contract. This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.

Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets. This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.

- Retention of an asset for other purposes. Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- loans and advances to customers classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

#### **Financial assets or financial liabilities at fair value through profit or loss**

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading, may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

**Financial assets at fair value through other comprehensive income.** The fair value of the financial assets at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. Management believes that this approach accurately reflects the fair value of these securities.

**Debt instruments at amortised cost or at fair value through other comprehensive income ("FVTOCI").** The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

**Loans and advances to customers.** Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans to customers granted by the Group are initially recognised at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Subsequently, loans are carried at amortised cost using the effective interest method. Loans to customers are carried net of any allowance for expected credit losses.

#### **Impairment of financial assets**

##### **Expected credit loss (ECL) measurement - definitions**

ECL is a probability-weighted measurement of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and should be determined by evaluating a range of possible outcomes.

An ECL measurement is based on four components used by the Group:

- Exposure at Default (EAD) - an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- Probability of Default (PD) - an estimate of the likelihood of default to occur over a given time period.
- Loss Given Default (LGD) - an estimate of a loss arising on default. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from any collateral. It usually expressed as a percentage of EAD.
- Discount Rate - a tool to discount an expected loss from the present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Calculation of financial assets impairment was made taking into account the following factors:

- In order to calculate the expected credit losses, the Bank performs loan assessment on an individual basis and on a group basis depending on general credit risk features. Expected credit losses represent estimates of expected credit losses weighted at probability of a default and calculated as present value of all expected losses in amounts due. Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- Assets classified at fair value through profit or loss are not subject to impairment under IFRS 9.

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The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

For collective assessment of credit losses, loans to customers are segmented by criteria for determining the transition between Stages 1, 2 and 3. The presence of at least one criterion is sufficiently lead to the change of transaction classifications, reflecting the increase in credit risk.

Stage 1: Loans without significant increase in credit risk (SICR)

- All loans at initial recognition are classified into Stage 1 and remain in Stage 1 until the identification of factors that indicate a significant increase in credit risk, except for acquired or created loan-impaired loans.

Stage 2: Loans with significant increase in credit risk (SICR)

- Loans in which the maximum number of days overdue on principal or interest ranges from 31 days to 90 days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Loans that were credit-impaired (Stage 3) as at the end of the previous quarter due to one or more transition criteria of Stage 3, and which as at the end of the current quarter have signs of Stage 1 or 2;
- In the absence of historical information about the number of overdue days for accrued interest, loans for which there is an amount of overdue interest at the end of the current quarter;
- Loans for which there is an amount of overdue interest at the end of the previous quarter, and the amount of overdue interest at the end of the current quarter has decreased or is equal to the amount of overdue interest at the end of the current quarter;
- Loans for which reserves were created for more than 10% to 50% of the principal outstanding referring to the reporting date of the loan portfolio, in accordance with the Regulation on the classification procedure of the CBU.
- Loans that have been restructured and loans which 25% of principal have been repaid from the date of restructuring.

Stage 3: Financial asset is in default

- Loans for which the maximum number of overdue days on principal or interest is more than 90 days;
- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU;
- Loans that have been restructured since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision), (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Bank and when restructuring occurs at the decision of higher authorities);
- Loans for which there is a court decision or a trial is in progress (loans for which there are court decision dates in the loan portfolio);
- The presence of debt on off-balance sheet accounts due to the principal debt and accrued interest in accordance with the Regulation on the Classification Procedure of the CBU and the Regulation on Non-Accrual of Interest of the CBU;
- Loans for which the contract has expired, but the borrower has not fully repaid the debt according to the payment schedule;
- Loans for which there is a positive difference between the accrued amount of overdue interest at the end of the reporting quarter and at the end of the previous quarter.
- Acquired or created credit impaired financial asset (POCI);
- Loans for which reserves have been created for 50% or more of principal amount posted on the reporting date of the loan portfolio, in accordance with the Regulation on the classification procedure of the CBU.

An asset is estimated on an individual basis if the total debt of the borrower at the reporting date exceeds the materiality level and is in stage 3. The level of materiality is determined as 0.5% of arithmetic average of Bank's total equity minus revaluation reserve per National accounting standards for the last two years. If the materiality of the Bank for determining an individually significant asset increases by more than 2 times in the calculation for the next period (fiscal year), then the materiality level for this next period (fiscal year) shall not exceed the Bank's materiality level for the previous period (fiscal year) more than 2 times, and it will be equal to the level of materiality multiplied by 2. The level of materiality is analysed at least once a year to assess its adequacy and applicability, and based on the results of this analysis, the level of materiality may be revised.

Based on the results of the assessment at each reporting date, questionnaire for each individually significant borrower with the necessary explanations and comments is filled out to identify signs of a significant increase in credit risk and credit impairment. The questionnaire is completed on the basis of the loan portfolio and the information contained in the monitoring reports, and other information in the credit folder.

After determining whether there is an evidence of a significant increase in credit risk, as well as impairment, depending on the results of such analysis, the Bank classifies the asset to one of the following stages:

Stage 1: "Loans with low credit risk"

- All loans at initial recognition are classified into Stage 1 and remain in Stage 1 if no significant increase in the level of credit risk has been identified or until the factors indicating an increase in credit risk have been identified, except for loans acquired or created credit impaired;

Stage 2: "Loans with increased credit risk"

- Breach of contract, such as a delay of payment from 31 to 90 calendar days;
- In case when Bank has information about overdue debts in other credit institutions (if information is available for the Bank) on the principal debt and / or the accrued interests from 31 to 90 calendar days;
- Loans, in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Actual or expected significant change in the operating results of the borrower. Examples include decrease in revenue, increase in operational risk, inefficiency of working capital, problems related to management, or changes of scope in commercial activity or changes in the organizational structure (for example, termination of a business segment), which lead to a significant change in a borrower's ability to meet its debt obligations. The criterion is based on reduce of financial condition of the borrower by one class. The class of the financial condition of the borrower - score is based on calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales profitability);
- Actual or expected (based on reasonable and supported information) decrease of the borrower's external credit rating by 2 or more notches;
- Reduction of financial support from the state, the parent organization or another affiliated organization;
- A significant deterioration in the quality or condition of the collateral according to the data of the last monitoring report, which is expected to reduce the economic incentive for the borrower to make the planned payments stipulated by the contract or otherwise affect the probability of default (if the information is available). When the security is a guarantee of third parties, significant financial difficulties of the guarantor;
- Existing or forecasted negative changes in commercial, financial or economic conditions (actual or expected increase in interest rates or actual or expected increase in unemployment) or actual or expected negative change in regulatory, economic or technological conditions of the borrower's activity (for example, decrease in demand of product due to changes in technology);
- Borrower who has no evidence of impairment or evidence of a significant increase in credit risk at the reporting date, but who has been classified as credit impaired (in Stage 3) based on the calculation of previous reporting of expected credit loss.
- Expected breach of contract that could lead to the exemptions for covenants or amendments to covenants, to temporary exemption from interest payments, increase in interest rates, establishment of requirements for additional collateral, guarantees or other changes to the contractual base of the instrument;

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- Reasonable and supported information about one or several of the following factors;
  - the presence of uncertainty in respect of going concern in the auditor's report of the financial statements of the borrower;
  - involvement in legal proceedings of the borrower (co-borrower), which may worsen its financial condition;
  - violation of covenants one or more times within three months prior to the reporting date;

Stage 3: Credit-impaired loans

- Breach of contract terms, such as default or delayed payment of 90 calendar days or more;
- If the Bank has information on cross-default, overdue payments for 90 calendar days or more on loans with a maturity of more than one year to other creditors;
- Loans in the "unsatisfactory", "doubtful" and "bad" categories according to the Regulation on the Classification Procedure of the CBU;
- The presence of borrower's significant financial difficulties. The criterion is based on reduce of financial condition of the borrower by two or more classes. The borrower's class of the financial condition is based on calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales margin);
- Loans that were restructured from the time of initial recognition (loans with the status "restructured" in the loan portfolio, including loans that were repaid less than 25% of the principal debt since the date of the last restructuring or the last revision) (except for the cases of loan restructuring, when the financial condition of the borrower is stable and allows the borrower to pay off the debt to the Bank and when the revision and restructuring occurs at the discretion of higher authorities);
- Lack of communication with the borrower, as well as the lack of information to determine the financial condition of the borrower (co-borrower) for the last 12 months;
- Reduction of the borrower's external credit rating to CC and lower, in accordance to the rating agencies like Standard&Poor's, Moody's Investors Service и Fitch;
- Writing off part and / or the entire amount of debt on the principal debt and / or accrued interests;
- Ceasing of accrual interest on a loan due to the deterioration of borrower's financial condition (non-accrual);
- Availability of information about the death of the borrower (co-borrower) of an individual;
- Purchase or creation of a financial instrument with a big discount that reflects the credit losses incurred;
- Borrower's appeal to the court with a statement of recognition of its bankruptcy or filing a claim by a third party to declare the borrower bankrupt in accordance with the legislation of the Republic of Uzbekistan and loans under court decision or court proceedings are underway (loans for which there are court decision dates in the loan portfolio);
- Recall of a license or other property titles for implementation of business activities;
- the disappearance of an active market for this financial asset.

The amount of expected credit losses for loans that are classified in Stage 1 and in Stage 2 is determined on a collective basis. For certain loans that are determined to be individually significant and are classified as Stage 1, the allowance of expected credit losses is calculated individually using the rating outlook (positive, stable, negative) assigned by international rating agencies and based on the probability of default ("PD") and loss given default ("LGD") according to the Default Study data from international rating agencies (S&P, Fitch, Moody's).

For each individually significant borrower in Stage 3, one of the following repayment strategies is determined:

- "Restructuring" strategy: restructuring the loan, revising credit conditions and developing an action plan that can allow the borrower to repay the loan;
- Strategy "Realization of collateral": liquidation of a loan by selling collateral.

The choice of the most appropriate strategy is determined based on the individual situation of the borrower, its availability and consent to cooperation, the availability of opportunities to restore activity, production or the possibility of eliminating the causes that caused losses and the inability to service the debt, the availability of funds from other business lines of the borrower, value, condition of pledges regarding debt and other factors.

**Initial recognition of financial instruments.** All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

**Derecognition of financial assets.** The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

**Modification and derecognition of financial assets.**

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

If these do not clearly indicate a substantial modification, then:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification.

The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

***Modification and derecognition of financial liabilities***

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

***Premises and equipment.*** Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Uzbekistan Soum at 31 December 2006 for assets acquired prior to 1 January 2007, less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

If impaired, premises and equipment are written down to the higher of their value in use or fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income.

***Depreciation.*** Land and construction in progress are not depreciated. Depreciation of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Buildings and premises	33
Office and computer equipment	5-10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

**Intangible assets.** The Group's intangible assets have finite useful lives and primarily comprise capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of five years.

**The Group as a lessee.** The Group applies a single recognition and measurement approach for all leases, except for short-term leases (lease term of 12 months or less) and leases of low-value assets (such as electronic terminals and other). The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Judgements related to the application of IFRS 16

Although, for majority of its lease agreements there is an option to extend short term lease agreements at maturity with new terms with the consent of both parties, the Management of the Group considers that these agreements fall under IFRS16 exemption available for short-term leases due to the fact that agreements are not enforceable after the initial lease term due to insignificant economic penalties to be incurred by both parties in case the lease is not extended. As such, the Group applies the exemption for short-term leases consistently on transition and subsequently.

Under IFRS 16, right-of-use assets were assessed for impairment in accordance with IAS 36 Impairment of Assets.

The right-of-use assets and lease disclosed in Note 11 to these consolidated financial statements.

**Finance lease receivables.** Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

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The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

**Due to other banks.** Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

**Customer accounts.** Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

**Debt securities in issue.** Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Group. Debt securities are stated at amortised cost.

**Borrowings from government, state and international financial institutions.** The Bank obtains long term financing from government, state and international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets and which may be lower than rates at which the Bank could source the funds from local lenders. As a result of this financing, the Bank is able to advance funds at advantageous rates to specific customers which are determined by the government and active usually in agricultural sector.

When a liability is extinguished for no consideration, the fair value of the liability extinguished should be recognised as capital contribution in the statement of changes in equity.

**Income taxes.** Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

**Uncertain tax positions.** The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

**Trade payable and other liabilities.** Trade payables and other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

**Share capital.** Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

**Dividends.** Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Group are the basis for profit distribution and other appropriations. Uzbek legislation identifies retained earnings as the basis for profit distribution. Transactions with shareholders in their capacity as shareholders are recorded within equity.

**Income and expense recognition.** Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When collection of loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion.

For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

**Foreign currency translation.** The functional currency of the Group, which is the currency of the primary economic environment in which the Group operates and the Group's presentation currency is the national currency of the Republic of Uzbekistan, Uzbek Soum ("UZS").

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Monetary assets and liabilities are translated into Group's functional currency at the official exchange rate of the CBU at the end of respective reporting period.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Group's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2021 and 2020, the principal rate of exchange used for translating foreign currency balances was:

	<b>31 December 2021</b>	<b>31 December 2020</b>
UZS/ 1 USD	10,837.66	10,476.92
UZS/ 1 EUR	12,224.88	12,786.03
UZS/ 1 CHF	11,790.32	11,786.39

**Offsetting.** Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Earnings per share.** Preference shares are not redeemable, and are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of participating shares outstanding during the reporting year.

**Staff costs and related contributions.** Wages, salaries, contributions to the to the Republic of Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

**Segment reporting.** Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

#### **4. Critical accounting estimates and judgements in applying accounting policies**

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amount of income and expenses during the reporting year. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

**Business model assessment.** Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**Significant increase of credit risk.** As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable information.

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default ("PD").

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

**Probability of default.** PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default.

The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

**Loss Given Default.** LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch, Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated, sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

**Exposure at Default.** EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

**Models and assumptions used.** The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**Measurement of allowances for expected credit losses ("ECL").** Almost all sectors of the economy of Uzbekistan, both in terms of individuals and legal entities, have been adversely affected by the unprecedented economic and social disruption resulting from COVID-19 which has led to significant government interventions and support. This has caused an increased level of uncertainty and volatility in the economic activity of Uzbekistan during years 2021 and 2020.

The allowances for ECL of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in Uzbekistan and what effect such changes might have on the adequacy of the allowances for ECL of financial assets in future years.

During the year ended 31 December 2021, the Group's borrowers continued to experience the impact of the COVID-19 pandemic. Management of the Group conducted extensive rehabilitation works on new applications during 2021 and the number of restructurings decreased significantly. As at 31 December 2021, total outstanding balance of forbearing loans is equalled to UZS 1,709,139 million or approximately 20% of the gross loan portfolio which comprise 94% (UZS 1,608,962 million) of corporate loans, including finance lease receivables and 6% (UZS 100,177 million) of loans to individuals (31 December 2020: 6,219,280 million or approximately 89% of the gross loan portfolio which comprise 89% (UZS 5,523,718 million) of corporate loans, including finance lease receivables, 10% (UZS 651,441 million) of loans to individuals, 1% (UZS 44,130 million) of the loans individual entrepreneurs).

Any further extensions requested by borrowers and permitted by the CBU were regarded by the Group as a trigger for loan impairment and was considered by the Group as a condition of possible revision of the loan impairment stage, taking into account all criteria established by the Bank's methodology.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2021 and 31 December 2020 is UZS 336,748 million and UZS 194,155 million, respectively.

The Management is closely monitoring the servicing of the loan portfolio and updating the ECL measurement as more information becomes available to support an update, incorporating alternative economic scenarios. Changes in judgements and assumptions could result in a material adjustment to those estimates in the next reporting periods.

**Deferred income tax asset recognition.** The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

**Valuation of financial instruments.** The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

**Tax legislation.** Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 22.

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**5. Application of new and revised International Financial Reporting Standards (IFRSs)**

**New and amended IFRS Standards that are effective for the current year.** The following amendments and interpretations are effective for the Group effective 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments to IFRS 16	<i>Interest Rate Benchmark Reform (Phase 2)</i> <i>Covid-19-Related Rent Concessions</i>
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The above standards and interpretations were reviewed by the Group's management, but did not have a significant effect on the consolidated financial statements of the Group.

**New and revised IFRS Standards in issue but not yet effective.** At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

<b>New or revised standard or interpretation</b>	<b>Applicable to annual reporting periods beginning on or after</b>
<i>IFRS 17 "Insurance contracts"</i>	1 January 2023
<i>Amendments to IFRS 17 "Insurance contracts"</i>	1 January 2023
<i>Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles).</i>	1 January 2023
<i>Amendments to IAS 8 – "Definition of Accounting Estimates"</i>	1 January 2023
<i>Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"</i>	1 January 2023
<i>Annual Improvements to IFRS Standards 2018-2020:</i>	
<i>Amendments to IFRS 3 – "Reference to the Conceptual Framework"</i>	1 January 2022
<i>Amendments to IAS 16 Property, Plant and Equipment – Revenue Before Intended Use</i>	1 January 2022
<i>Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – "Onerous contracts - Cost of Fulfilling a Contract"</i>	1 January 2022
<i>Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction</i>	1 January 2023
<i>Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB

The management does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

**6. Cash and cash equivalents**

<i>In millions of Uzbekistan Soums</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Cash on hand	463,475	378,215
Cash balances with the CBU (other than mandatory reserve deposits)	359,696	259,080
Correspondent accounts and overnight placements with other banks	332,013	176,241
Placements with other banks with original maturities of less than three months	100,000	10,000
Less: allowance for expected credit losses	(230)	(20)
<b>Total cash and cash equivalents</b>	<b>1,254,954</b>	<b>823,516</b>

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The analysis of credit quality and credit ratings of cash and cash as at 31 December 2021 is as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Cash balances with the CBU (other than mandatory reserve deposits)</b>	<b>Correspondent accounts and overnight placements with other banks</b>	<b>Placements with other banks with original maturities of less than three months</b>	<b>Total</b>
Central bank of Uzbekistan	359,696	-	-	<b>359,696</b>
- AA- (S&P)	-	3	-	<b>3</b>
- A- (Fitch)	-	66,106	-	<b>66,106</b>
- B1 (Moody's)	-	107,740	70,000	<b>177,740</b>
- BB- (S&P)	-	8,869	-	<b>8,869</b>
- BB- (Fitch)	-	-	-	-
- BBB (Fitch)	-	102,742	-	<b>102,742</b>
- B (S&P)	-	2,144	-	<b>2,144</b>
- B (Fitch)	-	-	30,000	<b>30,000</b>
- Baa3 (Moody's)	-	44,409	-	<b>44,409</b>
<b>Total cash and cash equivalents, excluding cash on hand, gross</b>	<b>359,696</b>	<b>332,013</b>	<b>100,000</b>	<b>791,709</b>
Less: allowance for expected credit losses	(6)	(142)	(82)	<b>(230)</b>
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>359,690</b>	<b>331,871</b>	<b>99,918</b>	<b>791,479</b>

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The analysis of credit quality and credit ratings of cash and cash as at 31 December 2020 is as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Cash balances with the CBU (other than mandatory reserve deposits)</b>	<b>Correspondent accounts and overnight placements with other banks</b>	<b>Placements with other banks with original maturities of less than three months</b>	<b>Total</b>
- Central bank of Uzbekistan	259,080	-	-	259,080
- Aa3 (Moody's)	-	33,993	-	33,993
- AA- (S&P)	-	1,884	-	1,884
- A- (Fitch)	-	22,078	-	22,078
- BBB (Fitch)	-	20,081	-	20,081
- Baa3 (Moody's)	-	1,179	-	1,179
- BB+ (S&P)	-	356	-	356
- Ba1 (Moody's)	-	3	-	3
- BB- (Fitch)	-	66,345	-	66,345
- BB- (S&P)	-	6,904	-	6,904
- B1 (Moody's)	-	11,523	-	11,523
- B2 (Moody's)	-	-	10,000	10,000
- B (S&P)	-	11,077	-	11,077
- B (Fitch)	-	818	-	818
<b>Total cash and cash equivalents, excluding cash on hand, gross</b>	<b>259,080</b>	<b>176,241</b>	<b>10,000</b>	<b>445,321</b>
Less: allowance for expected credit losses	(9)	(10)	(1)	(20)
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>259,071</b>	<b>176,231</b>	<b>9,999</b>	<b>445,301</b>

The analysis of credit quality of cash and cash equivalents is as follows:

<i>In millions of Uzbekistan Soums</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Stage 1	791,709	445,321
<b>Total cash and cash equivalents, gross</b>	<b>791,709</b>	<b>445,321</b>
Less: allowance for expected credit losses	(230)	(20)
<b>Total cash and cash equivalents</b>	<b>791,479</b>	<b>445,301</b>

All cash and cash equivalents balances are neither past due nor impaired.

For the balances with the CBU, the quality categories are determined based on the sovereign rating BB-/Ba3 (as at 31 December 2020: B+/B1) set by international rating agencies.

Geographical and interest rate analysis of cash and cash equivalents are disclosed in Note 25. Information on related party balances is disclosed in Note 25.

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7. Due from other banks

<i>In millions of Uzbekistan Soums</i>	31 December 2021	31 December 2020
Placements with other banks with original maturities of more than three months	401,044	266,488
Mandatory minimum reserve deposit with CBU	24,834	18,889
Restricted cash	1,590	36,209
Less: allowance for expected credit losses	(2,583)	(2,240)
<b>Total due from other banks</b>	<b>424,885</b>	<b>319,346</b>

The mandatory minimum reserve deposit with CBU represents non-interest bearing deposits held in accordance with CBU instructions. The Group does not have the right to use these deposits for the purposes of funding its own activities. For related accounting policy refer to Note 3.

Restricted cash represents VISA and MasterCard guarantee deposit accounts with local banks. The Group does not have the right to use these funds for the purpose of funding its own activities.

Amounts due from other banks are not collateralised.

Analysis by credit quality of amounts due from other banks outstanding as at 31 December 2021 is as follows:

<i>In millions of Uzbekistan Soums</i>	Placements with other banks with original maturities of more than three months	Mandatory minimum reserve deposit with CBU	Restricted cash	Total
- Central bank of Uzbekistan	-	24,834	-	24,834
- BB- (Fitch)	79,783	-	1,028	80,811
- B1 (Moody's)	321,261	-	10	321,271
- B (S&P)	-	-	552	552
<b>Total due from other banks, gross</b>	<b>401,044</b>	<b>24,834</b>	<b>1,590</b>	<b>427,468</b>
Less: allowance for expected credit losses	(2,560)	(22)	(1)	(2,583)
<b>Total due from other banks</b>	<b>398,484</b>	<b>24,812</b>	<b>1,589</b>	<b>424,885</b>

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Analysis by credit quality of amounts due from other banks outstanding as at 31 December 2020 is as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Mandatory minimum reserve deposit with CBU</b>	<b>Placements with other banks with original maturities of more than three months</b>	<b>Restricted cash</b>	<b>Total</b>
- Central bank of Uzbekistan	18,889	-	-	18,889
- Baa3 (Moody's)	-	-	4,505	4,505
- BB- (Fitch)	-	101,276	-	101,276
- BB- (S&P)	-	57,810	1,021	58,831
- B1 (Moody's)	-	84,913	10	84,923
- B (S&P)	-	19,880	30,673	50,553
- B2 (Moody's)	-	2,609	-	2,609
<b>Total due from other banks, gross</b>	<b>18,889</b>	<b>266,488</b>	<b>36,209</b>	<b>321,586</b>
Less: allowance for expected credit losses	(12)	(2,223)	(5)	(2,240)
<b>Total due from other banks</b>	<b>18,877</b>	<b>264,265</b>	<b>36,204</b>	<b>319,346</b>

For the balances with the CBU, the quality categories are determined based on the sovereign rating BB-/Ba3 (as at 31 December 2020: B+/B1) set by international rating agencies.

The analysis of credit quality and credit ratings of due from other banks is presented in the table below:

<i>In millions of Uzbekistan Soums</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Stage 1	427,468	321,586
<b>Total due from banks, gross</b>	<b>427,468</b>	<b>321,586</b>
Less: allowance for expected credit losses	(2,583)	(2,240)
<b>Total due from banks</b>	<b>424,885</b>	<b>319,346</b>

Geographical and interest rate analysis of due from other banks are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

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**8. Debt securities of the Government of the Republic of Uzbekistan at amortised cost**

<i>In millions of Uzbekistan Soums</i>	%	Maturity	31 December 2021	31 December 2020
Bonds of the Central bank of the Republic of Uzbekistan	12%- 14%	August 2021- April 2022	349,487	48,872
Government bonds of the Ministry of Finance of the Republic of Uzbekistan	12%	March 2021- March 2022	5,500	83,646
Less - Allowance for expected credit losses			(381)	(744)
<b>Total debt securities</b>			<b>354,606</b>	<b>131,774</b>

Bonds of the Central bank of the Republic of Uzbekistan are short-term securities denominated in Uzbekistan Soums, issued at a discount to face value of UZS 1,000 million and with maturities of 31 to 153 days.

Government bonds of the Ministry of Finance of the Republic of Uzbekistan are securities denominated in Uzbekistan Soums issued at a discount to face value of UZS 1,000 million and with maturity of 364 days.

None of debt securities of the Government of the Republic of Uzbekistan at amortised cost were pledged as collateral against borrowings of Group.

**9. Loans and advances to customers**

<i>In millions of Uzbekistan Soums</i>	31 December 2021	31 December 2020
Corporate loans, including finance lease receivables	7,190,632	6,131,630
Loans to individuals	1,175,767	833,117
Loans to individual entrepreneurs	76,239	48,891
<b>Total loans and advances to customers, gross</b>	<b>8,442,638</b>	<b>7,013,638</b>
Less – Allowance for expected credit losses	(336,748)	(194,155)
<b>Total loans and advances to customers</b>	<b>8,105,890</b>	<b>6,819,483</b>

As at 31 December 2021, corporate loans include finance lease receivables of UZS 8,849 million (31 December 2020 UZS 13,556 million). Net investment in finance lease is collateralised by the equipment leased. The Group is not permitted to sell or pledge the collateral in the absence of default by the lessee.

As at 31 December 2021, the Group had 10 largest borrowers with the total aggregate amount of UZS 2,683,291 million (2020: UZS 2,161,268 million) or 32% of the gross loan portfolio (2020: 31%).

	31 December 2021	31 December 2020
Stage 1 (12-month ECL)	7,031,570	5,307,958
Stage 2 (Lifetime ECL)	807,191	1,209,083
Stage 3 (Lifetime ECL)	603,877	496,597
<b>Total loans and advances to customers, gross</b>	<b>8,442,638</b>	<b>7,013,638</b>
Less – Allowance for expected credit losses	(336,748)	(194,155)
<b>Total loans and advances to customers</b>	<b>8,105,890</b>	<b>6,819,483</b>

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The table below summarizes the gross carrying amounts of loans and advances to customers analysed by type of collateral obtained by the Group as at 31 December 2021:

<i>In millions of Uzbekistan Soums</i>	<b>Corporate loans, including finance lease receivables</b>	<b>Loans to individuals - consumer loans</b>	<b>Loans to individuals - entrepreneurs</b>	<b>Total</b>
Loans collateralised by:				
- real estate	4,174,418	432,784	29,075	4,636,277
- insurance	308,256	249,978	38,564	596,798
- vehicles	229,456	168,293	7,300	405,049
- equipment and inventory	123,133	-	-	123,133
- other assets	50,488	-	-	50,488
- cash deposits	3,842	9	-	3,851
Loans guaranteed by other parties*	2,278,552	324,699	1,300	2,604,551
Unsecured loans	22,487	4	-	22,491
<b>Total loans and advances to customers, gross</b>	<b>7,190,632</b>	<b>1,175,767</b>	<b>76,239</b>	<b>8,442,638</b>
Less – Allowance for expected credit losses	(308,650)	(22,475)	(5,623)	(336,748)
<b>Total loans and advances to customers</b>	<b>6,881,982</b>	<b>1,153,292</b>	<b>70,616</b>	<b>8,105,890</b>

\*Loans guaranteed by other parties include amount of loans issued under guarantee of the Guarantee Fund.

Information about collateral at 31 December 2020 is as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Corporate loans, including finance lease receivables</b>	<b>Loans to individuals - consumer loans</b>	<b>Loans to individuals - entrepreneurs</b>	<b>Total</b>
Loans collateralised by:				
- real estate	3,687,149	184,383	36,813	3,908,345
- equipment and inventory	481,289	-	-	481,289
- vehicles	266,509	2,974	2,650	272,133
- insurance	96,323	121,821	9,334	227,478
- other assets	40,490	-	-	40,490
- cash deposits	1,124	15	-	1,139
Loans guaranteed by other parties	1,542,104	517,150	94	2,059,348
Unsecured loans	16,642	6,774	-	23,416
<b>Total loans and advances to customers, gross</b>	<b>6,131,630</b>	<b>833,117</b>	<b>48,891</b>	<b>7,013,638</b>
Less – Allowance for expected credit losses	(185,988)	(6,680)	(1,487)	(194,155)
<b>Total loans and advances to customers</b>	<b>5,945,642</b>	<b>826,437</b>	<b>47,404</b>	<b>6,819,483</b>

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The table below summarizes carrying value of loans and advances to customers analysed by economic sector concentrations:

<i>In millions of Uzbekistan Soums</i>	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<b>amount</b>	<b>%</b>	<b>amount</b>	<b>%</b>
Construction	2,154,732	26	1,885,791	27
Manufacturing	1,727,313	20	1,601,026	23
Trade and services	1,647,919	20	1,188,629	16
Agriculture	1,472,641	17	1,275,580	18
Mortgage, consumer and other loans to individuals	1,175,767	14	833,117	12
Transport and communication	188,027	2	180,604	3
Individual Entrepreneurs	76,239	1	48,891	1
<b>Total loans and advances to customers, gross</b>	<b>8,442,638</b>	<b>100</b>	<b>7,013,638</b>	<b>100</b>

The tables below analyse information about the significant changes in the gross carrying amount of loans and advances to customers as at 31 December 2021:

	<b>Loans and advances to customers</b>			
	<b>Stage 1 12-month ECL</b>	<b>Stage 2 Lifetime ECL</b>	<b>Stage 3 Lifetime ECL</b>	<b>Total</b>
<b>Gross carrying amount as at 1 January 2021</b>	<b>5,307,958</b>	<b>1,209,083</b>	<b>496,597</b>	<b>7,013,638</b>
<b>Changes in the gross carrying amount</b>				
- Transfer from stage 1	(656,540)	656,540	-	-
- Transfer from stage 2	791,546	(1,209,786)	418,240	-
- Transfer from stage 3	-	223,958	(223,958)	-
- Changes due to modifications that did not result in derecognition	(408,243)	122,764	35,919	(249,560)
New assets issued or acquired	2,454,286	-	-	2,454,286
Financial assets that have been derecognised	(563,429)	(212,042)	(134,456)	(909,927)
Foreign exchange differences and other movements	105,992	16,674	11,535	134,201
<b>Gross carrying amount as at 31 December 2021</b>	<b>7,031,570</b>	<b>807,191</b>	<b>603,877</b>	<b>8,442,638</b>
<b>Loss allowance as at 31 December 2021</b>	<b>(102,046)</b>	<b>(105,654)</b>	<b>(129,048)</b>	<b>(336,748)</b>

\*The line "Changes due to modifications that did not result in derecognition" represents changes in the gross carrying amount of financial assets measured at amortised cost due to modifications that did not result in derecognition, while amounts shown in the line matured or derecognised assets represent financial assets that have been repaid.

The transfer from stage 3 to stage 1 in loans and advances to customers for the year, which comprises 4 periods within a year, initially were transferred to stage 2 and then to stage 1.

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As at 31 December 2020:

	Loans and advances to customers			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Gross carrying amount as at 1 January 2020</b>	<b>3,877,569</b>	<b>411,411</b>	<b>93,539</b>	<b>4,382,519</b>
<b>Changes in the gross carrying amount</b>				
- Transfer from stage 1	(1,390,745)	1,390,745	-	-
- Transfer from stage 2	215,528	(650,031)	434,503	-
- Transfer from stage 3	-	17,421	(17,421)	-
- Changes due to modifications that did not result in derecognition	195,878	(36,678)	(30,944)	128,256
New assets issued or acquired	2,442,173	-	-	2,442,173
Financial assets that have been derecognised	(362,929)	(27,341)	(9,026)	(399,296)
Foreign exchange differences and other movements	330,484	103,556	25,946	459,986
<b>Gross carrying amount as at 31 December 2020</b>	<b>5,307,958</b>	<b>1,209,083</b>	<b>496,597</b>	<b>7,013,638</b>
<b>Loss allowance as at 31 December 2020</b>	<b>(32,032)</b>	<b>(61,668)</b>	<b>(100,455)</b>	<b>(194,155)</b>

\*The line "matured or derecognised assets" represent financial assets that have been repaid. The transfer from stage 3 to stage 1 in loans and advances to customers for the year, which comprises 4 periods within a year, initially were transferred to stage 2 and then to stage 1.

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The tables below analyse information about the significant changes in the expected credit loss of loans and advances to customers as at 31 December 2021:

	Loans and advances to customers			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Loss allowance for ECL as at 1 January 2021</b>	<b>32,032</b>	<b>61,668</b>	<b>100,455</b>	<b>194,155</b>
<b>Changes in the loss allowance</b>				
- Transfer from stage 1	(5,896)	5,896	-	-
- Transfer from stage 2	48,789	(63,872)	15,083	-
- Transfer from stage 3	-	34,042	(34,042)	-
Increases due to change in credit risk	-	45,636	60,696	106,332
Decreases due to change in credit risk	(31,382)	(5,438)	-	(36,820)
-New assets issued or acquired	63,003	-	-	63,003
Financial assets that have been derecognised	(3,614)	(10,674)	(30,403)	(44,691)
Changes in models/risk parameters	31,989	18,688	11,709	62,386
Foreign exchange differences and other movements	(32,875)	19,708	5,550	(7,617)
<b>Loss allowance for ECL as at 31 December 2021</b>	<b>102,046</b>	<b>105,654</b>	<b>129,048</b>	<b>336,748</b>

As at 31 December 2020:

	Loans and advances to customers			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Loss allowance for ECL as at 1 January 2020</b>	<b>14,244</b>	<b>11,671</b>	<b>42,252</b>	<b>68,167</b>
<b>Changes in the loss allowance</b>				
- Transfer from stage 1	(5,716)	5,716	-	-
- Transfer from stage 2	8,955	(11,607)	2,652	-
- Transfer from stage 3	-	4,148	(4,148)	-
Increases due to change in credit risk	-	37,410	47,249	84,659
Decreases due to change in credit risk	(6,134)	(398)	-	(6,532)
-New assets issued or acquired	35,205	-	-	35,205
Financial assets that have been derecognised	(1,621)	(705)	(2,964)	(5,290)
Changes in models/risk parameters	5,531	5,551	2,603	13,685
Foreign exchange differences and other movements	(18,432)	9,882	12,811	4,261
<b>Loss allowance for ECL as at 31 December 2020</b>	<b>32,032</b>	<b>61,668</b>	<b>100,455</b>	<b>194,155</b>

The information on transfers above reflects the migration of financial assets measured at amortised cost from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date.

This information does not reflect the intermediate stage that the financial assets measured at amortised cost could be assigned to throughout the reporting period.

Analysis by credit quality of loans outstanding as at 31 December 2021 is as follows.

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<i>In millions of Uzbekistan Soums</i>	Corporate loans, including finance lease receivables	Loans to individuals - consumer loans	Loans to individuals - entrepreneurs	Total
Not past due loans	4,296,964	1,048,927	62,199	5,408,090
Past due loans:				
- less than 30 days overdue	181,255	35,257	6,246	222,758
- 31 to 90 days overdue	273,452	62,430	6,116	341,998
- 91 to 180 days overdue	55,652	15,464	155	71,271
- 181 to 360 days overdue	48,508	12,687	1,497	62,692
- over 360 days overdue	2,284	1,002	26	3,312
<b>Total past due loans</b>	<b>561,151</b>	<b>126,840</b>	<b>14,040</b>	<b>702,031</b>
<b>Total loans that are collectively assessed for impairment</b>	<b>4,858,115</b>	<b>1,175,767</b>	<b>76,239</b>	<b>6,110,121</b>
Not past due loans	2,169,607	-	-	2,169,607
Past due loans:				
- less than 30 days overdue	28,008	-	-	28,008
- 91 to 180 days overdue	73,888	-	-	73,888
- 181 to 360 days overdue	33,718	-	-	33,718
- over 360 days overdue	27,296	-	-	27,296
<b>Total past due loans</b>	<b>162,910</b>	<b>-</b>	<b>-</b>	<b>162,910</b>
<b>Total loans that are individually assessed for impairment</b>	<b>2,332,517</b>	<b>-</b>	<b>-</b>	<b>2,332,517</b>
<b>Total loans and advances to customers</b>	<b>7,190,632</b>	<b>1,175,767</b>	<b>76,239</b>	<b>8,442,638</b>
- Impairment provisions assessed on a collective basis	(296,075)	(22,475)	(5,623)	(324,173)
- Impairment provisions for individually impaired loans	(12,575)	-	-	(12,575)
<b>Less allowance for expected credit losses</b>	<b>(308,650)</b>	<b>(22,475)</b>	<b>(5,623)</b>	<b>(336,748)</b>
<b>Total loans and advances to customers</b>	<b>6,881,982</b>	<b>1,153,292</b>	<b>70,616</b>	<b>8,105,890</b>

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Analysis by credit quality of loans outstanding as at 31 December 2020 is as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Corporate loans, including finance lease receivables</b>	<b>Loans to individuals - consumer loans</b>	<b>Loans to individuals - entrepreneurs</b>	<b>Total</b>
Not past due loans	4,350,813	785,784	47,295	<b>5,183,892</b>
Past due loans:				
- less than 30 days overdue	32,990	20,670	803	<b>54,463</b>
- 31 to 90 days overdue	26,709	21,775	769	<b>49,253</b>
- 91 to 180 days overdue	352	2,495	24	<b>2,871</b>
- 181 to 360 days overdue	7,984	2,019	-	<b>10,003</b>
- over 360 days overdue	11,984	375	-	<b>12,359</b>
<b>Total past due loans</b>	<b>80,019</b>	<b>47,334</b>	<b>1,596</b>	<b>128,949</b>
<b>Total loans that are collectively assessed for impairment</b>	<b>4,430,832</b>	<b>833,118</b>	<b>48,891</b>	<b>5,312,841</b>
Not past due loans	1,579,456	-	-	1,579,456
Past due loans:				
- 91 to 180 days overdue	6,833	-	-	6,833
- 181 to 360 days overdue	70,357	-	-	70,357
- over 360 days overdue	44,151	-	-	44,151
<b>Total past due loans</b>	<b>121,341</b>	<b>-</b>	<b>-</b>	<b>121,341</b>
<b>Total loans that are individually assessed for impairment</b>	<b>1,700,797</b>	<b>-</b>	<b>-</b>	<b>1,700,797</b>
<b>Total loans and advances to customers</b>	<b>6,131,629</b>	<b>833,118</b>	<b>48,891</b>	<b>7,013,638</b>
- Impairment provisions assessed on a collective basis	(146,607)	(6,680)	(1,487)	<b>(154,774)</b>
- Impairment provisions for individually impaired loans	(39,381)	-	-	<b>(39,381)</b>
<b>Less allowance for expected credit losses</b>	<b>(185,988)</b>	<b>(6,680)</b>	<b>(1,487)</b>	<b>(194,155)</b>
<b>Total loans and advances to customers</b>	<b>5,945,641</b>	<b>826,438</b>	<b>47,404</b>	<b>6,819,483</b>

Interest rate analysis of loans and advances to customers and related party balances are disclosed in Note 25 and Note 29 respectively.

10. Financial assets at fair value through other comprehensive income

As at 31 December 2021 and 2020, the financial assets at fair value through other comprehensive income are presented as follows:

Name	Nature of business	Country of registration	31 December 2021	31 December 2020
JSC UzKDB	Financial services	Uzbekistan	21,892	21,892
JSC Mortgage Refinancing Company of Uzbekistan	Financial services	Uzbekistan	3,000	3,000
JSC Okhangarondon	Production	Uzbekistan	-	4,984
LLC Dimax Metall Servis	Trade and services	Uzbekistan	-	3,391
JSC Samarkanddonmahsulotlari	Production	Uzbekistan	-	3,720
JSC Universal Sugurta	Insurance	Uzbekistan	-	2,114
JSC Boshtransloyiha	Construction	Uzbekistan	-	1,508
JSIC Uzagrosugurta	Insurance	Uzbekistan	-	1,200
JSC Uzelhozmarshservice	Leasing	Uzbekistan	-	733
JSC Qashqadaryo Texnologik Transport	Trade and services	Uzbekistan	-	538
JSC Buhorogazpromstroy	Construction	Uzbekistan	-	69
Other	Other	Uzbekistan	175	179
<b>Total financial assets at fair value through other comprehensive income</b>			<b>25,067</b>	<b>43,328</b>

The fair value of financial assets at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value using the average rate of return on investments. Management believes that dividend discount approach accurately reflects the fair value of these securities.

As described in Note 1(a), investments into JSC Okhangarondon, LLC Dimax Metall Servis, JSC Samarkanddonmahsulotlari, JSC Universal Sugurta, JSC Boshtransloyiha, JSIC Uzagrosugurta, JSC Uzelhozmarshservice, JSC Qashqadaryo Texnologik Transport, and JSC Buhorogazpromstroy were disposed in the amount of UZS 18,257 million. The cumulative reserve that relates to that investments was transferred to retained earnings in the amount UZS 8,813 million, net of income tax effect of UZS 2,203 million.

As at 31 December 2021, revaluation reserve of financial assets at fair value through other comprehensive income amounted to UZS 17,201 million less tax effect of UZS 3,440 million (31 December 2020: UZS 27,678 million less tax effect of UZS 5,536 million).

As at 31 December 2021 and 2020, none of the equity investment were pledged as collateral against borrowings of Group.

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**11. Premises, equipment and intangible assets**

<i>In millions of Uzbekistan Soums</i>	<b>Buildings and premises</b>	<b>Office and computer Equipment</b>	<b>Construc- tion in progress</b>	<b>Total premises and equipment</b>	<b>Computer Software licenses</b>	<b>Right-of -use assets</b>	<b>Total</b>
Cost at 31 December 2020	58,489	96,496	8,655	163,640	1,384	-	165,024
Depreciation/amortisation charge	(12,900)	(34,370)	-	(47,270)	(749)	-	(48,019)
<b>Carrying amount at 31 December 2019</b>	<b>45,589</b>	<b>62,126</b>	<b>8,655</b>	<b>116,370</b>	<b>635</b>	<b>-</b>	<b>117,005</b>
Additions	966	63,941	18,195	83,102	1,003	16,678	100,783
Disposals	-	(687)	(3,390)	(4,077)	-	-	(4,077)
Net transfers	6,221	463	(9,474)	(2,790)	2,790	-	-
Depreciation/amortisation charge (Note 21)	(1,801)	(17,637)	-	(19,438)	(468)	(2,926)	(22,832)
<b>Carrying amount at 31 December 2020</b>	<b>50,975</b>	<b>108,206</b>	<b>13,986</b>	<b>173,167</b>	<b>3,960</b>	<b>13,752</b>	<b>190,879</b>
Cost at 31 December 2020	65,676	160,213	13,986	239,875	5,177	16,678	261,730
Accumulated depreciation/ amortisation	(14,701)	(52,007)	-	(66,708)	(1,217)	(2,926)	(70,851)
<b>Carrying amount at 31 December 2020</b>	<b>50,975</b>	<b>108,206</b>	<b>13,986</b>	<b>173,167</b>	<b>3,960</b>	<b>13,752</b>	<b>190,879</b>
Additions	67,541	64,402	17,198	149,141	23,080	1,686	173,907
Disposals	(72)	(470)	-	(542)	(2)	-	(544)
Net transfers	4,387	588	(33,491)	(28,516)	28,516	-	-
Depreciation/amortisation charge (Note 21)	(3,606)	(27,603)	-	(31,209)	(891)	(1,077)	(33,177)
<b>Carrying amount at 31 December 2021</b>	<b>119,225</b>	<b>145,123</b>	<b>(2,307)</b>	<b>262,041</b>	<b>54,663</b>	<b>14,361</b>	<b>331,065</b>
Cost at 31 December 2021	137,532	224,733	(2,307)	359,958	56,771	18,364	435,093
Accumulated depreciation/ amortisation	(18,307)	(79,610)	-	(97,917)	(2,108)	(4,003)	(104,028)
<b>Carrying amount at 31 December 2021</b>	<b>119,225</b>	<b>145,123</b>	<b>(2,307)</b>	<b>262,041</b>	<b>54,663</b>	<b>14,361</b>	<b>331,065</b>

As at 31 December 2021 and 2020, property and equipment included fully depreciated assets of UZS 24,114 million and UZS 27,916 million, respectively.

Assets in the warehouse are included in the office and computer equipment.

The Bank leases several assets mainly buildings for minibanks. The average lease term of these minibanks determined as 5 years.

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**12. Other assets**

<i>In millions of Uzbekistan Soums</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Other financial assets</b>		
Commission income receivable	617	320
Dividends receivable	543	598
Receivables from international money transfer companies	27	5,900
Receivable from JSCB Asia Invest Bank	-	1,271
Less: allowance for expected credit losses	(617)	(320)
<b>Total other financial assets</b>	<b>570</b>	<b>7,769</b>
Prepayments for property and equipment	89,513	8,223
Repossessed collateral	25,998	9,273
Prepaid tax other than income tax	7,091	1,050
Prepayments for services	5,475	40,093
Settlements with employees	3,367	1,923
Inventory	1,287	1,148
Other	9,933	6,187
<b>Total other non-financial assets</b>	<b>142,664</b>	<b>67,897</b>
<b>Total other assets</b>	<b>143,234</b>	<b>75,666</b>

Prepayments for property and equipment as at 31 December 2021 include prepayments in the amount of UZS 35,483 million made to GOLD STEP INVEST LLC for reconstruction of the Bank's building and prepayments in the amount of UZS 38,758 million made by Turon Sarmoya Rivoj to Discovery Invest for construction works. Residual amount of prepayments for property and equipment as at 31 December 2021 consists of prepayments made to Colvir Software Solutions Ltd for delivery of IBM server and prepayments for construction of new branches and other property and equipment.

At the end of May 2020, the Bank entered into contracts with Colvir Software solutions Ltd. and Colvir Central Asia LLC for a total amount of EUR 4,367,483 and UZS 4,987 million, respectively, for the implementation of automated banking system "Colvir Banking System", license and related server equipment. During June 2020, the Bank made a prepayment in the amount of UZS 37,814 million for abovementioned contracts. Due to the lockdown, work on this contracts began in September 2020 and as at 31 December 2020 was in progress. The works have been completed as at 31 December 2021.

As at 31 December 2020, receivables from money transfer companies consists mainly of receivables from Western Union, which was reimbursed after 10 January 2021.

Analysis by credit quality of other financial assets is as follows:

<i>In millions of Uzbekistan Soums</i>	<b>2021</b>	<b>2020</b>
Stage 1	570	6,498
Stage 3	617	1,591
<b>Total other financial assets, gross</b>	<b>1,187</b>	<b>8,089</b>
Less: Allowance for expected credit losses	(617)	(320)
<b>Total other financial assets</b>	<b>570</b>	<b>7,769</b>

The expected credit loss movement of financial assets is presented in Note 25.

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**13. Due to other banks**

<i>In millions of Uzbekistan Soums</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Term deposits of banks and other financial institutions	928,511	724,346
Due to Gazprombank JSC on Customer LC	8,670	9,452
Correspondent accounts and overnight placements of other banks	433	558
Due to SberBank on Customer LC	-	23,831
Repurchase agreements with the CBU	-	20,033
Due to Halyk Savings Bank of Kazakhstan JSC Customer LC	-	7,598
Due to Asia Invest Bank on Customer LC	-	4,140
<b>Total due to other banks</b>	<b>937,614</b>	<b>789,958</b>

Term deposits of banks and other financial institutions as at 31 December 2021 comprised of:

- Deposit attracted from JSCB "O`zsanoatqurilishbank" in the amount of USD 20 million (UZS 216,753 million), at the rate of 7.3% per annum, with the maturity on 5 December 2022;
- Deposit attracted from the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan in the amount of USD 20 million (UZS 216,753 million), at the rate of 6.5% per annum, with maturity on 21 August 2025;
- Deposits attracted from JSC "KDB Bank Uzbekistan" in the amount of USD 8 million (UZS 87,588 million), at the rate of 5.0% per annum, with maturities on 10 February 2022 and 12 April 2022;
- Deposit attracted from JSC "Tenge Bank" in the USD 5.5 million (UZS 59,607 million), at the rate of 5.0% per annum, with maturity 17 March 2022;
- Deposit attracted from JSCB "Asaka" in the amount of USD 5 million (UZS 54,188 million), at the rate of 5.0% per annum, with maturity on 28 January 2022;
- Deposit attracted from JSC "Ziraat Bank" in the USD 5 million (UZS 54,188 million), at the rate of 4.75% per annum, with maturity 23 February 2022;
- Deposit attracted from JSCB "Qishloq Qurilish Bank" in the USD 5 million (UZS 54,188 million), at the rate of 5.0% per annum, with maturity 11 May 2022;
- Deposits attracted from JSCB "Asia-Invest Bank" for total amount of USD 4.95 million (UZS 53,594 million), at rates between 5.25%-6.0% per annum, with maturities between 28 March 2022 and 7 November 2023;
- Deposits attracted from JSC "Eron Saderatbank" in the USD 4.1 million (UZS 44,442 million), at the rates of 4.5% and 5.0% per annum, with maturities on 22 April 2022 and 28 June 2022;
- Deposit attracted from JSC "Hamkorbank" in the USD 4 million (UZS 43,351 million), at the rate of 5.5% per annum, with maturity 25 January 2022;
- Deposits attracted from JSC "Savdogar bank" in the USD 3.5 million (UZS 37,939 million), at the rate of 5.0% per annum, with maturities between 14 February 2022 and 17 December 2022;
- Interest calculated on the attracted deposits in the amount of UZS 5,919 million.

Correspondent accounts and overnight placements of the banks as at 31 December 2021 included amount of correspondent accounts of other banks at JSC "Orient Finans Bank" (31 December 2020: obligations to other banks on payments of plastic cards of individuals through the Common Republican Processing Center)

Geographical, currency, maturity and interest rate analysis of due to other banks are disclosed in Note 25.

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14. Customer accounts

<i>In millions of Uzbekistan Soums</i>	31 December 2021	31 December 2020
<b>State and public organisations</b>		
- current/settlement accounts	406,278	343,538
- term deposits	258,288	192,687
<b>Other legal entities</b>		
- current/settlement accounts	575,595	513,241
- term deposits	146,013	220,946
<b>Individuals</b>		
- current/settlement accounts	233,609	167,745
- term deposits	931,859	633,828
<b>Total customer accounts</b>	<b>2,551,642</b>	<b>2,071,985</b>

As at 31 December 2021 and 2020, customer accounts amounting to UZS 2,040 million and UZS 23,108 million, respectively, were used as collateral for letters of credit issued by the Group disclosed in Note 28 and customer accounts amounting to UZS 2,113 million and UZS 1,139 million, respectively, were used as collateral for loans and advances to customers issued by the Group (Note 9).

Below table summarizes industry concentration of customer accounts:

<i>In millions of Uzbekistan Soums</i>	31 December 2021		31 December 2020	
	Amount	%	Amount	%
Individuals	1,165,468	46	801,573	38
State and public organisations	664,566	26	536,225	26
Construction	250,049	10	229,220	11
Manufacturing	144,481	5	173,611	8
Services	133,719	5	165,624	8
Trade	94,885	4	120,601	6
Agriculture	39,275	2	13,024	1
Transport and communication	37,548	1	21,351	1
Other	21,651	1	10,756	1
<b>Total customer accounts</b>	<b>2,551,642</b>	<b>100</b>	<b>2,071,985</b>	<b>100</b>

As at 31 December 2021, the Group had one (31 December 2020: two) customers with a total balance of UZS 502, 221 million (31 December 2020: UZS 150,885 million), which individually exceeded 10% of the Group's equity.

Geographical and interest rate analysis of customer accounts are disclosed in Note 25.

15. Debt securities in issue

<i>In millions of Uzbekistan Soums</i>	31 December 2021	31 December 2020
Certificates of deposit	13,414	2,203
<b>Total debt securities in issue</b>	<b>13,414</b>	<b>2,203</b>

As at 31 December 2021 and 2020 certificates of deposit are denominated in Uzbekistan Soums and have interest rates between 15%-18% with maturities from 1 year up to 3 years. Certificates of deposit are uncollateralised.

Interest rate and maturity analyses of debt securities in issue are disclosed in Note 25. Information on related party balances is disclosed in Note 29.

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16. Borrowings from government, state and international financial institution

<i>In millions of Uzbekistan Soums</i>	31 December 2021	31 December 2020
The Export Import Bank of China	1,759,459	1,407,744
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	1,736,354	1,352,783
Asian Development Bank	977,775	938,215
The Export-Import Bank of China via The National Bank for Foreign Economic Affairs of the Republic of Uzbekistan	278,269	321,219
VEB.RF	167,992	-
International Development Association ("IDA") via Ministry of Finance	153,319	151,019
JSC Mortgage Refinancing Company of Uzbekistan	79,561	30,161
AKA AUSFUHRKREDIT-GESELLSCHAFT MBH	66,628	54,108
Ministry of Investment and Foreign Trade	47,725	-
The Export Import Bank of Turkey	38,582	-
Borrowings from Council of Farmers, Dehkan Farms and Landowners	27,794	-
JSCB O'zsanoatqurilishbank	22,271	19,488
Borrowings from Karakul Association	22,137	-
JSCB Agrobank	21,454	75,858
JSCMB Ipoteka-bank	20,790	726
The National Bank for Foreign Economic Affairs of Republic of Uzbekistan	20,025	3,806
JSC Bank "Asaka"	15,359	1,803
Fund for Reconstruction and Development of Uzbekistan	12,909	108,207
JSC Aloqabank	12,460	2,659
JSCB Mikrokreditbank	10,000	-
Ceskoslovenska obchodni banka, a.s.	9,428	14,792
The State Committee of the Republic of Uzbekistan for assistance to privatized enterprises and development of competition	302	3,700
Borrowings from Central Bank of Uzbekistan ("CBU")	-	2,705
Other	4,873	3,052
<b>Borrowings from government, state and international financial institutions</b>	<b>5,505,466</b>	<b>4,492,045</b>

*Borrowings from the Export Import Bank of China*

As at 31 December 2021 and 2020, borrowings from The Export Import Bank of China include borrowings within the framework of various projects such as "Modernization of UE Cascade of Nizhne-Bozsu HPPs, UE Cascade of Tashkent HPP and UE Cascade Shakhrikhan HPPs", "Modernization of a Small Hydroelectric Power Plant under the Tuyabuguz Reservoir, Cascade of a Small Hydroelectric Power Plant on the Great Fergana Canal, Kamchik Hydropower Plant on the Akhangaran River and the Cascade of Zarchchob HPPs on the Tupalang River", "Construction of the "Kamolot" hydroelectric station on the Chirchik-Bozsu tract and modernization of the "Kaskad Kadirinsky" hydroelectric power station", "Modernization of the Chirchik HPP (HPP-10), Modernization of the Tashkent HPP (HPP-1), Modernization of the Samarkand HPP (HPP-2B)", and "Construction of the Shaudar hydroelectric power station on the Dargom canal, Construction of a hydroelectric power station at picket 135 + 50 of the Dargom canal". As at 31 December 2021 and 2020, the outstanding amounts were as following:

<i>Origination date</i>	<i>Maturity date</i>	<i>Nominal interest rate, %</i>	<i>Currency</i>	<i>31-12-21</i>	<i>31-12-20</i>
09-11-18	21-01-38	2%	USD	687,393	602,254
22-04-18	21-01-38	2%	USD	639,818	572,647
10-11-18	21-01-38	2%	USD	249,018	232,843
03-02-21	21-07-39	2%	USD	99,935	-
29-01-21	21-07-39	2%	USD	83,295	-
				<b>1,759,459</b>	<b>1,407,744</b>

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*Borrowings from the Ministry of Finance of the Republic of Uzbekistan*

As at 31 December 2021 and 2020, borrowings from the Ministry of Finance of the Republic of Uzbekistan include:

<b>Origination date</b>	<b>Maturity date</b>	<b>Nominal interest rate, %</b>	<b>Currency</b>	<b>31-12-21</b>	<b>31-12-20</b>
15-06-20	15-06-35	14.00%	UZS	307,245	313,567
		6m LIBOR + IBRD variable			
30-06-18	15-09-42	spread + 1%	USD	272,933	263,754
15-06-20	15-06-35	5.00%	USD	230,199	205,252
31-10-19	15-10-43	14.00%	UZS	186,372	157,251
15-01-16	15-03-34	3.00%	USD	152,023	158,859
15-02-21	15-02-24	14.00%	UZS	100,000	-
19-03-19	19-03-34	0.00%	UZS	92,215	92,215
		6m LIBOR + IBRD variable			
31-10-19	15-10-43	spread + 1%	USD	69,763	49,572
28-06-18	13-07-33	0.00%	UZS	50,169	50,169
04-06-21	03-06-24	14.00%	UZS	50,000	-
28-07-21	28-07-24	14.00%	UZS	50,000	-
28-08-20	24-08-40	13.00%	UZS	30,639	10,236
06-09-19	15-09-34	14.00%	UZS	28,785	3,047
30-12-21	30-12-41	13.00%	UZS	27,699	-
23-12-21	15-12-29	14.00%	UZS	11,736	-
06-09-19	15-09-34	3.50%	USD	10,621	7,858
07-10-21	06-10-41	13.00%	UZS	10,313	-
16-11-21	01-07-22	0.00%	UZS	10,000	-
26-11-20	25-11-40	13.00%	UZS	9,881	10,236
25-06-20	24-06-40	13.00%	UZS	9,845	10,236
12-03-20	31-12-35	15.00%	UZS	9,245	10,162
29-10-20	25-10-35	3.00%	UZS	8,362	8,362
19-10-21	31-08-22	10.00%	UZS	3,886	-
15-01-16	15-03-34	4.50%	UZS	1,101	1,186
24-12-21	11-09-35	10.00%	UZS	1,096	-
		6m LIBOR + IBRD variable			
01-12-21	15-12-29	spread + 1%	USD	816	-
27-06-14	22-06-34	4.50%	UZS	758	821
01-11-21	30-10-35	10.00%	UZS	652	-
				<b>1,736,354</b>	<b>1,352,783</b>

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*Borrowings from Asian Development Bank ("ADB")*

As at 31 December 2021 and 2020, borrowings from Asian Development Bank ("ADB") include the following borrowings received within agreements concluded between the Ministry of Finance of the Republic of Uzbekistan, the Rural Restructuring Agency and the Bank within the framework of the project "Development of Value Chain in the fruit and vegetable growing Sector":

<b>Origination date</b>	<b>Maturity date</b>	<b>Nominal interest rate, %</b>	<b>Currency</b>	<b>31-12-21</b>	<b>31-12-20</b>
12-12-18	15-12-37	3%	USD	715,219	736,179
10-02-20	15-06-30	14%	UZS	163,675	97,844
05-04-17	15-11-36	3%	USD	95,630	98,970
10-02-20	15-06-30	3%	USD	3,251	5,222
				<b>977,775</b>	<b>938,215</b>

*Borrowings from the Export-Import Bank of China via the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan*

According to the refinancing agreement No. PF/R-2019/3 dated 15 February 2019, concluded between the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan and the Bank, based on loan agreement between the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan and the Export-Import Bank of China, in the framework of the projects aimed to finance projects aimed at the purchase of equipment and technologies from People's Republic of China. The Bank was granted USD 30,000,000 for a period of 5 years, including a 24-month grace period, at a rate of 4% per annum, where the 3% is the interest of the Export-Import Bank of China.

*Borrowings from VEB RF*

As at 31 December 2021 and 2020, borrowings from VEB RF include the following borrowings received within agreements concluded between VEB.RF and the Bank within the framework of the project "Modernization of the Tupolangskaya HPP in the Sarriassy district of the Surkhandaryn region" and project "Construction of a small hydroelectric power plant at Piket 102+00 of the Dargom canal and SHPP YuFK-3 on the South Fergana Canal":

<b>Origination date</b>	<b>Maturity date</b>	<b>Nominal interest rate, %</b>	<b>Currency</b>	<b>31-12-21</b>	<b>31-12-20</b>
28-06-21	28-06-31	2%	EUR	145,215	-
09-07-21	08-07-31	2%	EUR	22,777	-
				<b>167,992</b>	<b>-</b>

*Borrowings from International Development Association ("IDA")*

<b>Origination date</b>	<b>Maturity date</b>	<b>Nominal interest rate, %</b>	<b>Currency</b>	<b>31-12-21</b>	<b>31-12-20</b>
19-02-18	15-05-37	4%	USD	125,417	121,207
24-06-14	15-03-32	4%	USD	19,208	20,318
19-08-09	15-03-29	Libor 6m	USD	5,477	5,958
24-06-14	15-03-32	6%	UZS	2,443	2,663
19-08-09	15-03-29	11%	UZS	774	873
				<b>153,319</b>	<b>151,019</b>

*Borrowings from JSC Mortgage Refinancing Company of Uzbekistan*

<b>Origination date</b>	<b>Maturity date</b>	<b>Nominal interest rate, %</b>	<b>Currency</b>	<b>31-12-21</b>	<b>31-12-20</b>
19-11-21	11-02-39	13%	UZS	35,876	-
24-12-20	07-06-38	13%	UZS	30,689	30,161
26-08-21	16-02-39	13%	UZS	12,996	-
				<b>79,561</b>	<b>30,161</b>

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*Borrowings from AKA AUSFUHRKREDIT-GESELLSCHAFT MBH*

<b>Origination date</b>	<b>Maturity date</b>	<b>Nominal interest rate, %</b>	<b>Currency</b>	<b>31-12-21</b>	<b>31-12-20</b>
14-02-20	01-04-26	2%	EUR	66,628	54,108
				<b>66,628</b>	<b>54,108</b>

*Borrowings from the Ministry of Investment and Foreign Trade*

<b>Origination date</b>	<b>Maturity date</b>	<b>Nominal interest rate, %</b>	<b>Currency</b>	<b>31-12-21</b>	<b>31-12-20</b>
30-03-21	14-09-22	2%	USD	46,109	-
25-11-21	25-11-28	10%	UZS	1,616	-
				<b>47,725</b>	<b>-</b>

*Borrowings from the Export Import Bank of Turkey*

<b>Origination date</b>	<b>Maturity date</b>	<b>Nominal interest rate, %</b>	<b>Currency</b>	<b>31-12-21</b>	<b>31-12-20</b>
19-10-21	18-08-26	1.5%	USD	38,582	-
				<b>38,582</b>	<b>-</b>

**Recognition at fair value**

Management of the Group believes that there are no other financial instruments similar to the other borrowed funds received from these institutions and due to specific terms and conditions of lending, these products represent a separate market. As a result, borrowings from government, state and international financial institutions were received in an orderly transaction and as such have been recorded at fair value at the recognition date.

**Compliance with covenants**

Some of the above borrowing agreements stipulate financial covenants, specifically agreements with Asian Development Bank, VEB RF, the Export Import Bank of Turkey, and the State Committee of the Republic of Uzbekistan for assistance to privatized enterprises and development of competition. These covenants include expense to income ratios, non-performing loans ("NPL") to total loan portfolio ratios and various other financial performance ratios.

As at December 2021, the Bank was not in compliance with two covenants under loan agreements with Asian Development Bank:

- Ratio of expenses to income;
- Ratio of net profit to average assets.

The above breaches, as a consequence, triggered cross default clauses stipulated in the loan agreements signed between the Group and two other financial institutions, VEB RF and the Export Import Bank of Turkey, with the year-end aggregate outstanding balance of UZS 206,574 million. The breach of covenants and resultant cross defaults gave the respective financial institutions the right to demand repayment of their borrowings extended to the Group prior to their original maturity.

As at 31 December 2021, no waivers were received. The Group is in the process of communications with the financial institutions on granting the waivers. As a result, borrowings in the amount of UZS 1,184,349 million were classified as "Demand and less than 1 month" within the liquidity disclosure in Note 25.

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**17. Other Liabilities**

<i>In millions of Uzbekistan Soums</i>	<b>31 December 2021</b>	<b>31 December 2020</b>
Security deposit on money transfer	4,172	3,667
Accounts payable to suppliers	2,506	3,602
Payable to employees	1,611	886
Settlements on international money transfers	1,305	2,969
Dividends payable to shareholders	845	604
Payables to State Guarantee Fund	388	388
<b>Total other financial liabilities</b>	<b>10,827</b>	<b>12,116</b>
Deferred income on origination of guarantees and letters of credit	7,920	3,414
Taxes payable other than income tax	4,587	43
Expected credit losses for Bank's guaranties (Note 25)	3,785	3,785
Subscription deposits for shares	10	39
Other	2,217	1,716
<b>Total other non-financial liabilities</b>	<b>18,519</b>	<b>8,997</b>
<b>Total other liabilities</b>	<b>29,346</b>	<b>21,113</b>

**18. Share capital**

<i>In millions of Uzbekistan Soums except for numbers of shares</i>	<b>Number of outstanding shares (in thousand)</b>	<b>Ordinary shares</b>	<b>Preference shares</b>	<b>Share premium</b>	<b>Total</b>
<b>As at 31 December 2019</b>	<b>520,356</b>	<b>878,622</b>	<b>8,651</b>	<b>219</b>	<b>887,492</b>
Treasury shares	(98)	(167)	-	-	(167)
<b>As at 31 December 2020</b>	<b>520,258</b>	<b>878,455</b>	<b>8,651</b>	<b>219</b>	<b>887,325</b>
New shares issued	360,353	612,600	-	-	612,600
<b>As at 31 December 2021</b>	<b>880,611</b>	<b>1,491,055</b>	<b>8,651</b>	<b>219</b>	<b>1,499,925</b>

During 2021, the Group has authorised and issued ordinary shares in the total of UZS 612,600 million. There were 3 emissions: UZS 50,815 million, UZS 100,000 million and UZS 461,785 million. All shares have a par value of UZS 1,700. Of the total number of ordinary shares issued, UZS 342,914 million were paid in cash and UZS 269,686 million were paid through conversion and partial derecognition of a loan from the Fund for Reconstruction and Development of Uzbekistan.

The nominal registered amount of the Group's issued share capital corresponds to the amount reported in these consolidated financial statements as at 31 December 2021, as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Nominal registered amount</b>	<b>Effect of hyperinflation</b>	<b>Inflation adjusted amount</b>
Share Capital	1,497,039	2,667	1,499,706

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In 2021, the Group declared and paid dividends of UZS 3,378 million and UZS 3,137 million on preference shares (31 December 2020: UZS 19 million).

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 29 March 2021 "On approval of the Strategy for management and reform of state-owned enterprises in 2021-2025", funds distributed by state-owned enterprises for sponsorship and other non-discriminatory assistance in accordance with the documents of the President and the Cabinet of Ministers of the Republic of Uzbekistan are recognised as dividends on the Government's share and withheld upon payment to the shareholder (Government).

In accordance with resolution of Administration of the President of the Republic of Uzbekistan dated 2 August 2021 #02-RA2-4946 and approval of Supervisory Board #K-66 dated 8 November 2021 and #K30-1 dated 10 May 2021, the Group provided a charity in the amount of UZS 10,000 million. Resolution of the Cabinet of Ministers No. 166, the withholding in the payment of dividends on the state share was deemed expedient and the sponsorship was allowed, thus, the Group recognised them as a distribution of dividends on ordinary shares for 2020 and 2019 in the consolidated statement of changes in equity during the year ended 31 December 2021.

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*Reconciliation of movements of liabilities to cash flows arising from financing activities*

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Non-cash changes									
	31 December 2020	Financing cash inflow/(outflow)	Interest paid	Effect of exchange rate changes	Dividends declared	Interest accrued	Conversion into shares Note 18	Other non-cash changes	31 December 2021	
Debt securities in issue	2,203	11,200	(1,028)	-	-	1,039	-	-	13,414	
Borrowings from government, state and international financial institutions	4,492,045	1,123,354	(196,114)	117,224	-	202,279	(233,322)	-	5,505,466	
Dividends payable to shareholders	604	(3,137)	-	-	3,378	-	-	-	845	
Lease liabilities	14,732	(6,342)	-	-	-	1,921	-	4,612	14,923	
										Non-cash changes
	31 December 2019	IFRS 16 Transition adjustment	Financing cash inflow/(outflow)	Interest paid	Effect of exchange rate changes	Dividends declared	Interest accrued	Conversion into shares	Other non-cash changes	31 December 2020
Debt securities in issue	12,928	-	(10,700)	-	-	-	(25)	-	2,203	
Borrowings from government, state and international financial institutions	2,750,831	-	1,435,866	-	287,787	-	17,561	-	4,492,045	
Dividends payable to shareholders	623	-	(19)	-	-	-	-	-	604	
Lease liabilities	-	16,678	(1,946)	-	-	-	-	-	14,732	

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19. Net interest income

<i>In millions of Uzbekistan Soums</i>	2021	2020
<b>Interest income</b>		
Loans and advances to customers	767,465	517,898
Due from other banks	38,678	27,663
Debt securities of the Government of the Republic of Uzbekistan	32,543	23,153
Cash and cash equivalents	27	703
<b>Total interest income</b>	<b>838,713</b>	<b>569,417</b>
<b>Interest expenses</b>		
Borrowings from government, state and international financial institutions	(202,279)	(130,479)
Term deposits of individuals	(118,990)	(62,990)
Term deposits of state and public organisations	(80,148)	(41,773)
Term placements of other banks	(59,739)	(33,532)
Term deposits of legal entities	(26,797)	(22,105)
Lease liabilities	(1,921)	(2,273)
Debt securities in issue	(1,039)	(1,363)
<b>Total interest expense</b>	<b>(490,913)</b>	<b>(294,515)</b>
<b>Net interest income before credit losses</b>	<b>347,800</b>	<b>274,902</b>

20. Fee commission income and expense

<i>In millions of Uzbekistan Soums</i>	2021	2020
<b>Fee and commission income from:</b>		
- Settlement transactions	44,639	31,186
- International money transfers	22,466	11,245
- Letters of credit	19,314	7,568
- Foreign currency conversion services	17,541	9,423
- Cash operations	12,162	17,414
- Other	6,366	1,160
<b>Total fee and commission income</b>	<b>122,488</b>	<b>77,996</b>
<b>Fee and commission expense</b>		
- Settlement transactions	(17,565)	(1,857)
- Cash collection services	(4,372)	(5,477)
- Letters of credit	(1,974)	(3,224)
- Foreign currency conversion services	(336)	(2,794)
- Other	(3,922)	(1,715)
<b>Total fee and commission expense</b>	<b>(28,169)</b>	<b>(15,067)</b>

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21. Administrative and other operating expenses

<i>In millions of Uzbekistan Soums</i>	2021	2020
Staff costs	173,992	118,333
Depreciation and amortization of premises, equipment and intangible assets	32,100	19,906
Security services	26,754	14,340
Charity	11,311	4,320
Rent and maintenance	10,879	6,567
Membership fees	6,624	2,852
Stationery and supplies	6,086	6,159
Business trip and travel expenses	4,430	2,058
Taxes other than income tax	3,475	3,296
Fuel and utilities	3,419	2,629
Professional services	3,173	5,005
Advertising and publicity	2,963	4,863
Communication charges	2,864	2,087
Representation expenses	1,567	1,542
Insurance	1,403	337
Depreciation expense on right-of-use assets	1,077	2,926
Periodicals, books, newspapers	454	399
Fine and penalties	53	54
Litigation expenses	25	65
Other operating expenses	1,776	6,035
<b>Total administrative and other operating expenses</b>	<b>294,425</b>	<b>203,773</b>

22. Income taxes

(a) Components of income tax expense / (benefit):

Income tax expense comprises the following:

<i>In millions of Uzbekistan Soums</i>	2021	2020
Current tax charge	21,505	28,626
Deferred tax (benefit)	(18,308)	(28,639)
<b>Income tax (expense)/benefit for the year</b>	<b>3,197</b>	<b>(13)</b>
Deferred tax debit/(credit) through OCI	2,203	(1,578)
<b>Income tax expense/(benefit) for the year through profit or loss and OCI</b>	<b>5,400</b>	<b>(1,591)</b>

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**(b) Reconciliation between tax expense and profit or loss multiplied by applicable tax rate**

Reconciliation between the expected and the actual taxation charge is provided below.

<i>In millions of Uzbekistan Soums</i>	<b>2021</b>	<b>2020</b>
<b>Profit before tax</b>	<b>25,206</b>	<b>10,002</b>
<b>Theoretical tax charge at the applicable statutory rate - 20% (2020: 20%)</b>	<b>5,041</b>	<b>2,000</b>
- Non deductible expenses	5,518	4,299
- Tax exempt income	(158)	(4,971)
- Tax incentives	(1,360)	(284)
- Other	(5,844)	(1,057)
<b>Income tax expense/(benefit) for the year</b>	<b>3,197</b>	<b>(13)</b>

**(c) Deferred taxes analysed by type of temporary difference**

"Tax rate differences" comprises of tax effects from reduction of standard income tax rate to encourage the banks to increase the share of long-term loans to customers in the total loan portfolio.

On 1 January 2020 preferential income tax rates for branches with long-term investment financing in the structure of the loan portfolio which considered taxable ranges from 14% till 20% for each branch as a separate tax payer, has expired and in accordance with the new tax legislation, the bank pays income tax on a consolidated basis as a single tax payer at a single rate of 20%.

Differences between IFRS and Uzbekistan statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for their tax bases. The tax effect of the movements on these temporary differences is detailed below, and is recorded at the rate of 20% (2020: 20%).

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<i>In millions of Uzbekistan Soums</i>	31 December 2021	(Charged)/ credited to profit or loss	(Charged)/ credited to OCI	31 December 2020	(Charged)/ credited to profit or loss	(Charged)/ credited to OCI	31 December 2019
<b>Tax effect of deductible/(taxable) temporary differences</b>							
Cash and cash equivalents	46	42	-	4	10	-	(6)
Due from other banks	750	302	-	448	(101)	-	549
Debt securities of the Government of the Republic of Uzbekistan	76	(73)	-	149	149	-	-
Loans and advances to customers	54,336	16,820	-	37,516	24,587	-	12,929
Investment in associates	-	(339)	-	339	1,840	-	(1,501)
Financial assets at fair value through other comprehensive income	(3,546)	-	2,203	(5,749)	-	(1,578)	(4,171)
Premises, equipment and intangible assets	(4,230)	(1,793)	-	(2,437)	(1,486)	-	(951)
Other assets	1,794	772	-	1,022	(88)	-	1,110
Borrowings from government, state and international financial institutions	(188)	89	-	(277)	261	-	(538)
Other liabilities	6,836	2,488	-	4,348	3,467	-	881
<b>Net deferred tax asset</b>	<b>55,874</b>	<b>18,308</b>	<b>2,203</b>	<b>35,363</b>	<b>28,639</b>	<b>(1,578)</b>	<b>8,302</b>
Recognised deferred tax asset	63,838	17,809	2,203	43,826	28,357	-	15,469
Recognised deferred tax liability	(7,964)	499	-	(8,463)	282	(1,578)	(7,167)
<b>Net deferred tax asset</b>	<b>55,874</b>	<b>18,308</b>	<b>2,203</b>	<b>35,363</b>	<b>28,639</b>	<b>(1,578)</b>	<b>8,302</b>

### 23. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year, net of treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

Profit for the year attributable to ordinary and preference shareholders is calculated as follows:

<i>In millions of Uzbekistan Soums</i>	2021	2020
Profit for the year attributable to preference shareholders	180	173
Profit for the year attributable to ordinary shareholders	21,829	9,994
<b>Profit for the year attributable to the owners</b>	<b>22,009</b>	<b>10,167</b>
Weighted average number of preference shares in issue	5	5
Weighted average number of ordinary shares in issue	606	520
<b>Basic and diluted EPS per preference share in UZS</b>	<b>36</b>	<b>35</b>
<b>Basic and diluted EPS per ordinary share in UZS</b>	<b>36</b>	<b>19</b>

### 24. Segment analysis

The Group's operations are a single reportable segment. The Bank provides mainly banking services in the Republic of Uzbekistan.

The Bank identifies the segment in accordance with the criteria set in IFRS 8 "Operating Segments" and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker ("CODM") has been determined as the Group's Chairman of the Management Board. The CODM reviews the Bank's internal reporting in order to assess performance and allocate resources. The Management has determined a single operating segment being banking services based on these internal reports.

### 25. Risk management policy

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

**Credit risk.** The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 28.

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The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

Counterparty limits are established by the use of the Group's internal credit rating system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

*Group's internal ratings scale:*

Standard	1	Timely repayment of "standard" loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When assessing the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Substandard	2	As a whole, the financial position of a borrower is stable, but some unfavorable circumstances or tendencies are present, which, if not disposed of, raise some doubts about the borrower's ability to repay on time. "Standard" loans with insufficient information in the credit file or missing information on collateral could be also classified as "Substandard" loans.
Unsatisfactory	3	"Unsatisfactory" loans have obvious shortcomings, which make doubtful the repayment of the loan under the terms, envisaged by the initial agreement. For loans classified as "Unsatisfactory", the primary source of repayment is not sufficient and the Group has to seek additional loan repayment sources, such as the sale of collateral.
Doubtful	4	"Doubtful" are loans which, in addition to having the characteristics of "Unsatisfactory" loans, have additional shortcomings, which make it doubtful that the loan will be repaid in full under the existing circumstances. The probability of incurring loss in respect of such loans is high.
Loss	5	Loans classified as "loss" are considered uncollectible and have such a little value that their continuance as assets of the Group is not worth. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that the Group should cease recognising such loans and make every effort to liquidate such debts through selling of collateral or collection of the outstanding loan.

The definitions for each category are considered as general guidelines and not hard and fast rules. Often, a credit will seem to fit various categories. The management must exercise professional judgment, experience and borrower's management integrity (willingness to repay debts) to classify a borrower into a proper and reasonable category.

It is the Group's policy to maintain accurate and consistent credit ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal credit ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable credit ratings for individual loans are assessed and updated regularly.

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*Credit quality of loans and advances to customers*

	2021			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
<b>Loans to customers at amortised cost</b>				
- Category 1	7,031,570	-	-	7,031,570
- Category 2	-	807,191	-	807,191
- Category 3	-	-	355,281	355,281
- Category 4	-	-	91,378	91,378
- Category 5	-	-	157,218	157,218
<b>Total loans to customers as at 31 December 2021</b>	<b>7,031,570</b>	<b>807,191</b>	<b>603,877</b>	<b>8,442,638</b>
Loss allowance as at 31 December 2021	(102,046)	(105,654)	(129,048)	(336,748)
<b>Total loans to customers as at 31 December 2021, net</b>	<b>6,929,524</b>	<b>701,537</b>	<b>474,829</b>	<b>8,105,890</b>
	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Loans to customers at amortised cost</b>				
- Category 1	5,307,958	-	-	5,307,958
- Category 2	-	1,209,083	-	1,209,083
- Category 3	-	-	394,984	394,984
- Category 4	-	-	97,572	97,572
- Category 5	-	-	4,041	4,041
<b>Total loans to customers as at 31 December 2020</b>	<b>5,307,958</b>	<b>1,209,083</b>	<b>496,597</b>	<b>7,013,638</b>
Loss allowance as at 31 December 2020	(32,032)	(61,668)	(100,455)	(194,155)
<b>Total loans to customers as at 31 December 2020, net</b>	<b>5,275,926</b>	<b>1,147,415</b>	<b>396,142</b>	<b>6,819,483</b>

*Risk limits control and mitigation policies*

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved annually by the Group Council.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

- (a) *Collateral.* The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

- real estate;
- vehicles;
- insurance;
- equipment and inventory;
- cash deposit;
- other assets.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

*(b) Limits.* Notwithstanding of the amount of the loans the Group credit committee approves all borrowers.

*(c) Concentration of risks of financial assets with credit risk exposure.*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group's management focuses on concentration risk:

- Total amount of loan and advances to customers to one sector of economy except for trade sector shall not exceed Group's tier 1 capital;
- The maximum risk to single borrower or group of affiliated borrowers shall not exceed 25 percent of the Group's tier 1 capital;
- The maximum risk for unsecured credits shall not exceed 5 percent of Group's tier 1 capital;
- Total amount of all large credits cannot exceed Group's tier 1 capital by more than 8 times; and
- Total loan amount to related party shall not exceed Group's tier 1 capital.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment.

The Group reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers appropriate to provide ageing and other information about credit risk.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in making conditional obligations as it does for on- statement of financial position financial instruments through established credit approvals, risk control limits and monitoring procedures.

#### **Credit quality of financial assets**

The tables below present information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance during the year ended 31 December 2021 and 2020:

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In millions of Uzbekistan Soums	Cash and cash equivalents (Note 6)		Due from other banks (Note 7)		Debt securities of the Government of the Republic of Uzbekistan (Note 8)		Other assets (Note 12)			Contingencies (Note 28)			
	Stage 1	Stage 1	Stage 1	Stage 1	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	12-month ECL	12-month ECL	12-month ECL	12-month ECL	12-month ECL	Lifetime ECL	Lifetime ECL	12-month ECL	Lifetime ECL	Lifetime ECL	12-month ECL	12-month ECL	12-month ECL
<b>Gross carrying amount as at</b>													
<b>1 January 2021</b>	445,321	321,586	132,518	6498	1,591	143,702	204,750	1,602					
<b>Changes in gross carrying amount</b>													
- Changes in EAD*	(414,855)	9,012	-	(55)	(7)	5,393	(17,458)	-					
New assets issued	101,046,083	1,281,354	354,987		589	353,113	56,763	-					
Financial assets that have been derecognised	(100,268,309)	(1,182,008)	(132,518)	(5,873)	(1,556)	(61,135)	(160,548)	-					
Foreign exchange differences and other movements	(16,761)	(5,059)	-	-	-	-	-	-					
<b>Gross carrying amount as at</b>													
<b>31 December 2021</b>	791,479	424,885	354,987	570	617	441,073	83,507	1,602					
<b>Loss allowance as at</b>													
<b>31 December 2021</b>	(230)	(2,583)	(381)	-	(617)	(770)	(2,799)	(216)					

\* The line "Changes in EAD" represents changes in the gross carrying amounts of financial assets measured at amortised cost issued in prior periods which have not been fully repaid during 2021.

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In millions of Uzbekistan Soums	Cash and cash equivalents (Note 6)		Due from other banks (Note 7)		Debt securities of the Government of the Republic of Uzbekistan (Note 8)		Other assets (Note 12)			Contingencies (Note 28)		
	Stage 1	Stage 1	Stage 1	Stage 1	Stage 1	Stage 1	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	
	12-month ECL	12-month ECL	12-month ECL	12-month ECL	12-month ECL	12-month ECL	Lifetime ECL	Lifetime ECL	12-month ECL	12-month ECL	12-month ECL	
<b>Gross carrying amount as at 1 January 2020</b>	792,452	352,390	-	-	-	238	2,833	154	299,933	-	-	
<b>Changes in gross carrying amount</b>												
- Transfer from 1 stage	-	-	-	-	-	-	-	-	(195,030)	195,030	-	
- Transfer from 2 stage	-	-	-	-	-	-	(1,159)	1,159	-	-	-	
- Changes in EAD*	(320,551)	(70,941)	-	-	-	6,260	-	2	120,447	9,708	-	
New assets issued	43,218	77,292	-	-	132,518	-	-	228	106,685	-	1,602	
Financial assets that have been derecognised	(80,440)	(38,702)	-	-	-	-	(1,674)	(66)	(188,342)	-	-	
Foreign exchange differences and other movements	10,642	1,547	-	-	-	-	-	114	9	12	-	
<b>Gross carrying amount as at 31 December 2020</b>	<b>445,321</b>	<b>321,586</b>	<b>132,518</b>	<b>6,498</b>	<b>143,702</b>	<b>204,750</b>	<b>1,591</b>	<b>1,602</b>	<b>2,799</b>	<b>(770)</b>	<b>(216)</b>	
<b>Loss allowance as at 31 December 2020</b>	<b>(20)</b>	<b>(2,240)</b>	<b>(744)</b>	<b>-</b>	<b>(320)</b>	<b>(2,799)</b>	<b>(770)</b>	<b>(216)</b>	<b>-</b>	<b>-</b>	<b>-</b>	

\* The line "Changes in EAD" represents changes in the gross carrying amounts of financial assets measured at amortised cost issued in prior periods which have not been fully repaid during 2020.

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The tables below present information about the significant changes in the loss allowance on financial and non-financial assets during the year ended 31 December 2021 and 2020:

<i>In millions of Uzbekistan Soums</i>	Cash and cash equivalents (Note 6)		Due from other banks (Note 7)		Debt securities of the Government of the Republic of Uzbekistan (Note 8)		Other assets (Note 12)		Contingencies (Note 28)	
	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL
<b>Loss allowance for ECL as at 1 January 2021</b>	20	2,240	744	320	770	2,799	216			
<b>Changes in the loss allowance</b>										
- Changes in EAD*	55	(859)	-	(7)	-	-	-	-	-	-
New assets issued	154	790	381	7,618	-	-	-	-	-	-
Financial assets that have been derecognised	(3)	369	(744)	-	-	-	-	-	-	-
Financial assets written-off	-	-	-	(7,314)	-	-	-	-	-	-
Foreign exchange differences and other movements	4	43	-	-	-	-	-	-	-	-
<b>Loss allowance for ECL as at 31 December 2021</b>	<b>230</b>	<b>2,583</b>	<b>381</b>	<b>617</b>	<b>770</b>	<b>2,799</b>	<b>216</b>			

\*"Changes in EAD" are attributable to changes in parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages, as well as transfers of ECL on new financial assets measured at amortised cost originated during the reporting period from Stage 1 to other stages. The information on transfers above reflects the migration of financial assets measured at amortised cost from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the financial assets measured at amortised cost could be assigned to throughout the reporting period.

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	Cash and cash equivalents (Note 6)		Due from other banks (Note 7)		Debt securities of the Government of the Republic of Uzbekistan (Note 8)		Other assets (Note 12)		Contingencies (Note 28)	
	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 2 12-month ECL	Stage 3 12-month ECL	Stage 3 12-month ECL
<i>In millions of Uzbekistan Soums</i>										
<b>Loss allowance for ECL as at 1 January 2020</b>	44	2,742	-	-	11	146	1,604	-	-	-
<b>Changes in the loss allowance</b>										
- transfers from stage 1	-	-	-	-	-	-	(441)	441	-	-
- Changes in EAD*	(24)	(890)	-	-	-	5	(3)	2,002	-	-
New assets issued	2	485	744	-	-	228	551	-	-	216
Financial assets that have been derecognised	(4)	(273)	-	-	(11)	(59)	(962)	-	-	-
Foreign exchange differences and other movements	2	176	-	-	-	-	21	356	-	-
<b>Loss allowance for ECL as at 31 December 2020</b>	<b>20</b>	<b>2,240</b>	<b>744</b>	<b>-</b>	<b>-</b>	<b>320</b>	<b>770</b>	<b>2,799</b>	<b>216</b>	<b>216</b>

\*"Changes in EAD" are attributable to changes in parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages, as well as transfers of ECL on new financial assets measured at amortised cost originated during the reporting period from Stage 1 to other stages. The information on transfers above reflects the migration of financial assets measured at amortised cost from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the financial assets measured at amortised cost could be assigned to throughout the reporting period.

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Analysis of the Group's credit risk exposure per class of financial asset and "stage" without taking into account the effects of any collateral or other enhancement is provided in the following table.

<i>In millions of Uzbekistan Soums</i>	31 December 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Loans to corporate customers that are individually assessed for impairment</b>	<b>1,980,607</b>	-	<b>351,910</b>	<b>2,332,517</b>
- rated from BB- to BB+	1,980,607	-	-	1,980,607
- not rated	-	-	351,910	351,910
Loans to customers that are collectively assessed for impairment	5,050,963	807,191	251,967	6,110,121
<b>Total loans and advances to customers, gross</b>	<b>7,031,570</b>	<b>807,191</b>	<b>603,877</b>	<b>8,442,638</b>
Less – Allowance for expected credit losses	(102,046)	(105,654)	(129,048)	(336,748)
<b>Total loans and advances to customers, net</b>	<b>6,929,524</b>	<b>701,537</b>	<b>474,829</b>	<b>8,105,890</b>

<i>In millions of Uzbekistan Soums</i>	31 December 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Loans to corporate customers that are individually assessed for impairment</b>	<b>1,445,104</b>	-	<b>255,693</b>	<b>1,700,797</b>
- rated from BB- to BB+	1,445,104	-	-	1,445,104
- not rated	-	-	255,693	255,693
Loans to customers that are collectively assessed for impairment	3,862,854	1,209,083	240,904	5,312,841
<b>Total loans and advances to customers, gross</b>	<b>5,307,958</b>	<b>1,209,083</b>	<b>496,597</b>	<b>7,013,638</b>
Less – Allowance for expected credit losses	(32,032)	(61,668)	(100,455)	(194,155)
<b>Total loans and advances to customers, net</b>	<b>5,275,926</b>	<b>1,147,415</b>	<b>396,142</b>	<b>6,819,483</b>

**Maximum credit exposure**

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitments.

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The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	31 December 2021 net exposure after offset and collateral
Cash and cash equivalents	1,254,954	(463,475)	791,479	-	791,479
Due from other banks	424,885	-	424,885	-	424,885
Debt securities of the Government of the Republic of Uzbekistan	354,606	-	354,606	-	354,606
Loans and advances to customers	8,105,890	(3,851)	8,102,039	(8,079,548)	22,491
Financial assets at fair value through other comprehensive income	25,067	-	25,067	-	25,067
Other financial assets	570	-	570	-	570
<i>Off-balance sheet items:</i>					
Letters of credits and guarantees issued	535,275	(2,040)	533,235	(533,235)	-

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	31 December 2020 net exposure after offset and collateral
Cash and cash equivalents	823,516	(378,215)	445,301	-	445,301
Due from other banks	319,346	-	319,346	-	319,346
Debt securities of the Government of the Republic of Uzbekistan	131,774	-	131,774	-	131,774
Loans and advances to customers	6,819,483	(1,139)	6,818,344	(6,794,928)	23,416
Financial assets at fair value through other comprehensive income	43,328	-	43,328	-	43,328
Other financial assets	7,769	-	7,769	-	7,769
<i>Off-balance sheet items:</i>					
Letters of credits and guarantees issued	414,546	(23,108)	391,438	(391,438)	-

**Market risk.** The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

**Currency risk.** The Group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Council sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group measures its currency risk by:

- Net position on each currency should not exceed 10% of Group's total equity;
- Total net position on all currencies should not exceed 15 % of Group's total equity.

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The table below summarises the Group's exposure to foreign currency exchange rate risk at the reporting date as at 31 December 2021:

<i>In millions of Uzbekistan Soums</i>	<b>UZS</b>	<b>US Dollars</b>	<b>Euros</b>	<b>Other</b>	<b>Total</b>
<b>MONETARY ASSETS</b>					
Cash and cash equivalents	563,763	653,676	16,893	20,622	1,254,954
Due from other banks	292,349	132,515	-	21	424,885
Debt securities of the Government of the Republic of Uzbekistan	354,606	-	-	-	354,606
Loans and advances to customers	3,374,299	4,486,786	244,805	-	8,105,890
Other financial assets	543	27	-	-	570
<b>TOTAL MONETARY ASSETS</b>	<b>4,585,560</b>	<b>5,273,004</b>	<b>261,698</b>	<b>20,643</b>	<b>10,140,905</b>
<b>MONETARY LIABILITIES</b>					
Due to other banks	-	937,614	-	-	937,614
Customer accounts	1,950,573	596,940	3,290	839	2,551,642
Debt securities in issue	13,414	-	-	-	13,414
Borrowings from government, state and international financial institutions	1,420,561	3,840,856	244,049	-	5,505,466
Lease liabilities	14,923	-	-	-	14,923
Other financial liabilities	5,352	5,475	-	-	10,827
<b>TOTAL MONETARY LIABILITIES</b>	<b>3,404,823</b>	<b>5,380,885</b>	<b>247,339</b>	<b>839</b>	<b>9,033,886</b>
<b>NET BALANCE SHEET POSITION</b>	<b>1,180,737</b>	<b>(107,881)</b>	<b>14,359</b>	<b>19,804</b>	

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The table below summarises the Group's exposure to foreign currency exchange rate risk at the reporting date as at 31 December 2020:

<i>In millions of Uzbekistan Soums</i>	<b>UZS</b>	<b>US Dollars</b>	<b>Euros</b>	<b>Other</b>	<b>Total</b>
<b>MONETARY ASSETS</b>					
Cash and cash equivalents	365,837	424,230	16,456	16,993	823,516
Due from other banks	143,656	175,670	-	20	319,346
Debt securities of the Government of the Republic of Uzbekistan	131,774	-	-	-	131,774
Loans and advances to customers	2,618,365	4,061,120	139,998	-	6,819,483
Other financial assets	597	7,139	33	-	7,769
<b>TOTAL MONETARY ASSETS</b>	<b>3,260,229</b>	<b>4,668,159</b>	<b>156,487</b>	<b>17,013</b>	<b>8,101,888</b>
<b>MONETARY LIABILITIES</b>					
Due to other banks	20,915	692,349	76,694	-	789,958
Customer accounts	1,496,139	564,858	6,639	4,349	2,071,985
Debt securities in issue	2,203	-	-	-	2,203
Borrowings from government, state and international financial institutions	935,936	3,487,209	68,900	-	4,492,045
Lease liabilities	14,732	-	-	-	14,732
Other financial liabilities	5,480	6,616	20	-	12,116
<b>TOTAL MONETARY LIABILITIES</b>	<b>2,475,405</b>	<b>4,751,032</b>	<b>152,253</b>	<b>4,349</b>	<b>7,383,039</b>
<b>NET BALANCE SHEET POSITION</b>	<b>784,824</b>	<b>(82,873)</b>	<b>4,234</b>	<b>12,664</b>	

Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The Group also measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses the effect of 30% appreciation/depreciation of that currency against Uzbekistan Soums to the profit or loss of the Group (31 December 2020: 15%).

The following table presents sensitivities of profit or loss and equity to maximum observed changes in exchange rates during the respective years for respective currencies applied at the reporting date relative to the functional currency of the Group, with all other variables held constant:

<i>In millions of Uzbekistan Soums</i>	<b>2021</b>	<b>2020</b>
	<b>Impact on profit or loss, after tax for gain result</b>	<b>Impact on profit or loss, after tax for gain result</b>
US Dollars strengthening by 30% (2020: 15%)	(32,364)	(12,431)
US Dollars weakening by 30% (2020: 15%)	25,892	9,945
Euro strengthening by 30% (2020: 15%)	3,446	508
Euro weakening by 30% (2020: 15%)	(4,308)	(635)
Other currencies strengthening by 30% (2020: 15%)	4,753	1,520
Other currencies weakening by 30% (2020: 15%)	(5,941)	(1,900)

The exposure calculated only for monetary balances denominated in currencies other than the functional currency of the Group. Impact on equity would be the same as impact on statement of comprehensive income.

**Limitations of sensitivity analysis.** The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations.

As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity. Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

**Interest rate risk.** The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group has no significant interest rate risk, since major assets and liabilities are at fixed interest rates.

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The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

<i>In % p.a.</i>	2021				2020			
	UZS	USD	EUR	Other	UZS	USD	EUR	Other
<b>Assets</b>								
Cash and cash equivalents	0-17				0-15	-	-	-
		0-4 month				0-6 month		
Due from other banks	0-17	Libor	-	-	0-15	Libor + 4	-	-
Debt securities of the Government of the Republic of Uzbekistan	12-14	-	-	-	13-16	-	-	-
Loans and advances to customers	0-36	1.3-12	3-8	-	0-36	2.2-14	3-8	-
<b>Liabilities</b>								
Due to other banks	0.0	0-7	0.0	-	3-15	5-7.3	4.2	-
Customer accounts								
Individuals								
- current/demand accounts					-	-	-	-
- term deposits	5-30	3-7	-	-	8-23	4.5-6.5	-	-
Legal entities								
- current/demand accounts					-	-	-	-
- term deposits	8-21	4.5-6.5	-	-	2-30	3-7	-	-
Debt securities issued	15-18	-	-	-	16-18	-	-	-
Borrowings from government, state and financial organisations								
- borrowings from the Ministry of Finance of Uzbekistan	0-15	-	-	-	0-15	6 month Libor+IBRD variable spread+1-5	-	-
- term borrowings from international financial institutions	4.5-14	1.47-5	1.4-1.7	-	4-14	2-12	Euribor+ 1.4	-
- term borrowings from non-budgetary funds and local commercial banks	3-10	Libor 2-3	1.85	-	3-13	Libor+2-3	-	-
- Borrowing from CBU	-	-	-	-	3-5	-	-	-
Lease liabilities	13	-	-	-	17	-	-	-

**Other price risk.** The Group is exposed to prepayment risk through providing loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity at the end of current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers. Transactions in equity products are monitored and authorised by the Treasury Department by monitoring dividend income per equity instrument.

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**Geographical risk concentrations.** The geographical concentration of the Group's financial assets and liabilities at 31 December 2021 is set out below:

<i>In millions of Uzbekistan Soums</i>	<b>Uzbekistan</b>	<b>OECD</b>	<b>Non OECD</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	1,040,810	66,073	148,071	1,254,954
Due from other banks	424,864	-	21	424,885
Debt securities of the Government of the Republic of Uzbekistan	354,606	-	-	354,606
Loans and advances to customers	8,105,890	-	-	8,105,890
Financial assets at fair value through other comprehensive income	25,067	-	-	25,067
Other financial assets	543	-	27	570
<b>Total financial assets</b>	<b>9,951,780</b>	<b>66,073</b>	<b>148,119</b>	<b>10,165,972</b>
<b>Liabilities</b>				
Due to other banks	875,350	-	62,264	937,614
Customer accounts	2,551,642	-	-	2,551,642
Debt securities in issue	13,414	-	-	13,414
Borrowings from government, state and international financial organisations	1,061,953	3,260,363	1,183,150	5,505,466
Lease liabilities	14,923	-	-	14,923
Other financial liabilities	10,827	-	-	10,827
Credit related commitments	727,179	-	-	727,179
<b>Total financial liabilities, including off balance sheet positions</b>	<b>5,255,288</b>	<b>3,260,363</b>	<b>1,245,414</b>	<b>9,761,065</b>
<b>Net balance sheet position as at 31 December 2021</b>	<b>4,696,492</b>	<b>(3,194,290)</b>	<b>(1,097,295)</b>	

All financial assets and liabilities from OECD countries comprise banking institutions of Germany and United States of America; non-OECD countries comprise banking institutions of Russia and China.

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The geographical concentration of the Group's financial assets and liabilities at 31 December 2020 is set out below:

<i>In millions of Uzbekistan Soums</i>	<b>Uzbekistan</b>	<b>OECD</b>	<b>Non OECD</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	740,114	22,077	61,325	823,516
Due from other banks	314,825	-	4,521	319,346
Debt securities of the Government of the Republic of Uzbekistan	131,774	-	-	131,774
Loans and advances to customers	6,819,483	-	-	6,819,483
Financial assets at fair value through other comprehensive income	43,328	-	-	43,328
Other financial assets	598	-	7,171	7,769
<b>Total financial assets</b>	<b>8,050,122</b>	<b>22,077</b>	<b>73,017</b>	<b>8,145,216</b>
<b>Liabilities</b>				
Due to other banks	744,844	-	45,114	789,958
Customer accounts	2,071,985	-	-	2,071,985
Debt securities in issue	2,203	-	-	2,203
Borrowings from government, state and international financial organisations	441,560	1,370,180	2,680,305	4,492,045
Current income tax liabilities	8,905	-	-	8,905
Lease liabilities	14,732	-	-	14,732
Other financial liabilities	12,116	-	-	12,116
Credit related commitments	578,020	-	-	578,020
<b>Total financial liabilities, including off balance sheet positions</b>	<b>3,874,365</b>	<b>1,370,180</b>	<b>2,725,419</b>	<b>7,969,964</b>
<b>Net balance sheet position as at 31 December 2020</b>	<b>4,175,757</b>	<b>(1,348,103)</b>	<b>(2,652,402)</b>	

**Liquidity risk.** Liquidity risk is the risk that an entity will encounter difficulty meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Group.

The Group seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and invest the funds in diversified portfolios and inter-bank placements of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring statement of financial position liquidity ratios against regulatory requirements. The Group calculates liquidity ratio on a daily basis in accordance with the requirement of the CBU. These ratios are calculated using figures based on Uzbek National Accounting Standards.

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The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The table below shows liabilities as at 31 December 2021 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. These undiscounted cash flows differ from the amount included in the statement of financial position because the statement of financial position amount is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the reporting date.

The maturity analysis of financial liabilities as at 31 December 2021 is as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>Liabilities</b>						
Due to other banks	9,428	275,011	110,210	552,034	<b>946,683</b>	<b>937,614</b>
Customer accounts	1,272,095	73,869	240,018	1,290,699	<b>2,876,681</b>	<b>2,551,642</b>
Debt securities in issue	182	2,043	12,837	452	<b>15,514</b>	<b>13,414</b>
Borrowings from government, state and international financial organisations	1,327,337	187,445	298,334	5,424,982	<b>7,238,098</b>	<b>5,505,466</b>
Lease liabilities	392	1,961	2,347	13,059	<b>17,759</b>	<b>14,923</b>
Other financial liabilities	10,827	-	-	-	<b>10,827</b>	<b>10,827</b>
Credit related commitments	10,778	139,594	62,657	519,975	<b>733,004</b>	<b>727,179</b>
<b>Total potential future payments for financial obligations</b>	<b>2,631,039</b>	<b>679,923</b>	<b>726,403</b>	<b>7,801,201</b>	<b>11,838,566</b>	<b>9,761,065</b>

The maturity analysis of financial liabilities as at 31 December 2020 is as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 12 months</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>Liabilities</b>						
Due to other banks	33,407	339,029	4,140	512,307	<b>888,883</b>	<b>789,958</b>
Customer accounts	975,431	162,544	209,618	915,385	<b>2,262,978</b>	<b>2,071,985</b>
Debt securities in issue	31	1,918	122	452	<b>2,523</b>	<b>2,203</b>
Borrowings from government, state and international financial organisations	991,522	78,678	155,950	4,327,643	<b>5,553,793</b>	<b>4,492,045</b>
Lease liabilities	415	2,068	2,474	15,093	<b>20,050</b>	<b>14,732</b>
Other financial liabilities	12,116	-	-	-	<b>12,116</b>	<b>12,116</b>
Credit related commitments	47,066	232,787	99,464	198,703	<b>578,020</b>	<b>578,020</b>
<b>Total potential future payments for financial obligations</b>	<b>2,059,988</b>	<b>817,024</b>	<b>471,768</b>	<b>5,969,583</b>	<b>9,318,363</b>	<b>7,961,059</b>

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Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Uzbekistan Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest. The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the

Group monitors remaining contractual maturities, which are summarised as follows as at 31 December 2021:

<i>In millions of Uzbekistan Soums</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	-	99,918	-	-	99,918
Due from other banks	-	-	109,721	287,730	397,451
Debt securities of the Government of the Republic of Uzbekistan	161,608	192,998	-	-	354,606
Loans and advances to customers	198,597	655,107	784,490	6,467,696	8,105,890
<b>Total interest bearing assets</b>	<b>360,205</b>	<b>948,023</b>	<b>894,211</b>	<b>6,755,426</b>	<b>8,957,865</b>
Cash and cash equivalents	1,155,036	-	-	-	1,155,036
Due from other banks	1,034	-	-	26,400	27,434
Financial assets at fair value through other comprehensive income	25,067	-	-	-	25,067
Other financial assets	570	-	-	-	570
<b>Total non-interest bearing assets</b>	<b>1,181,707</b>	<b>-</b>	<b>-</b>	<b>26,400</b>	<b>1,208,107</b>
<b>Total financial assets</b>	<b>1,541,912</b>	<b>948,023</b>	<b>894,211</b>	<b>6,781,826</b>	<b>10,165,972</b>
<b>Liabilities</b>					
Due to other banks	-	272,025	383,320	265,522	920,867
Customer accounts	112,833	62,671	211,495	1,024,339	1,411,338
Debt securities in issue	-	1,201	11,813	400	13,414
Borrowings from government, state and international financial organisations	1,262,828	87,072	178,604	3,795,462	5,323,966
<b>Total interest bearing liabilities</b>	<b>1,375,661</b>	<b>422,969</b>	<b>785,232</b>	<b>5,085,723</b>	<b>7,669,585</b>
Due to other banks	8,077	-	8,670	-	16,747
Customer accounts	1,138,264	2,040	-	-	1,140,304
Lease liabilities	298	1,492	1,785	11,348	14,923
Other financial liabilities	10,827	-	-	-	10,827
<b>Total non-interest bearing liabilities</b>	<b>1,157,466</b>	<b>3,532</b>	<b>10,455</b>	<b>11,348</b>	<b>1,182,801</b>
<b>Total financial liabilities</b>	<b>2,533,127</b>	<b>426,501</b>	<b>795,687</b>	<b>5,097,071</b>	<b>8,852,386</b>
<b>Net liquidity gap</b>	<b>(991,215)</b>	<b>521,522</b>	<b>98,524</b>	<b>1,684,755</b>	<b>1,313,586</b>
<b>Cumulative liquidity gap at 31 December 2021</b>	<b>(991,215)</b>	<b>(469,693)</b>	<b>(371,169)</b>	<b>1,313,586</b>	

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Although the Group does not have the right to use the mandatory deposits held in Central bank of Uzbekistan for the purposes of funding its operating activities, the management classifies them as demand deposits in the liquidity gap analysis on the basis that their nature is inherently to fund sudden withdrawal of customer accounts.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of the fact that a substantial portion of customer accounts is on demand and less than 1 months, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

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The analysis by remaining contractual maturities are summarised as follows at 31 December 2020:

<i>In millions of Uzbekistan Soums</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>Over 1 year</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	-	10,000	-	-	10,000
Due from other banks	-	-	49,685	243,139	292,824
Debt securities of the Government of the Republic of Uzbekistan	40,826	19,452	71,496	-	131,774
Loans and advances to customers	91,048	675,900	642,639	5,409,896	6,819,483
<b>Total interest bearing assets</b>	<b>131,874</b>	<b>705,352</b>	<b>763,820</b>	<b>5,653,035</b>	<b>7,254,081</b>
Cash and cash equivalents	813,516	-	-	-	813,516
Due from other banks	22,011	-	4,501	10	26,522
Financial assets at fair value through other comprehensive income	43,328	-	-	-	43,328
Other financial assets	7,769	-	-	-	7,769
<b>Total non-interest bearing assets</b>	<b>886,624</b>	<b>-</b>	<b>4,501</b>	<b>10</b>	<b>891,135</b>
<b>Total financial assets</b>	<b>1,018,498</b>	<b>705,352</b>	<b>768,321</b>	<b>5,653,045</b>	<b>8,145,216</b>
<b>Liabilities</b>					
Due to other banks	20,000	301,522	-	419,577	741,099
Customer accounts	35,144	152,979	209,347	659,890	1,057,360
Debt securities in issue	-	1,803	-	400	2,203
Borrowings from government, state and international financial organisations	978,459	32,091	101,871	3,379,624	4,492,045
<b>Total interest bearing liabilities</b>	<b>1,033,603</b>	<b>488,395</b>	<b>311,218</b>	<b>4,459,491</b>	<b>6,292,707</b>
Due to other banks	9,703	35,016	4,140	-	48,859
Customer accounts	914,866	6,081	-	93,678	1,014,625
Lease liabilities	287	1,426	1,704	11,315	14,732
Other financial liabilities	12,116	-	-	-	12,116
<b>Total non-interest bearing liabilities</b>	<b>936,972</b>	<b>42,523</b>	<b>5,844</b>	<b>104,993</b>	<b>1,090,332</b>
<b>Total financial liabilities</b>	<b>1,970,575</b>	<b>530,918</b>	<b>317,062</b>	<b>4,564,484</b>	<b>7,383,039</b>
<b>Net liquidity gap</b>	<b>(952,077)</b>	<b>174,434</b>	<b>451,259</b>	<b>1,088,561</b>	<b>762,177</b>
<b>Cumulative liquidity gap at 31 December 2020</b>	<b>(952,077)</b>	<b>(777,643)</b>	<b>(326,384)</b>	<b>762,177</b>	

The Group receives short term deposit from other state owned banks with a payback period of less than one year and deposit from customers. These funds are used to finance state initiated programs, which are part of the common

aim of all of the banks involved. Therefore, although the maturity of the finance provided by the Group is longer than that of the finance received to fund the projects, the resulting liquidity mismatch is mitigated.

Thus, the management believes that the significant maturity mismatch between assets and liabilities with maturity up to 12 months does not represent a significant risk to the Group's liquidity, as a very low proportion of due to other banks, demand deposits and short-term deposits is expected to be withdrawn based on the Group's past years' and current year experience, which is consistent with the general banking practices in the banking sector of Uzbekistan.

## **26. Fair value of financial instruments**

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

The fair values of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used). Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related profit or loss reported on the consolidated statement of profit or loss, could be material.

Except as detailed in the following table, the management considers that the carrying values of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) at 31 December 2021 and 2020:

Financial Assets/ Liabilities as at 31 December 2021	Carrying value	Fair value	Fair value hierarchy	Valuation model(s) and key input(s)	Significant unobser- vable input(s)	Relationship of unobservable inputs to fair value
Loans and advances to customers	8,105,890	7,594,354	Level 3	Discounted cash flows are estimated based on average interest rates	N/A	The greater discount- the smaller fair value
Due from other banks	424,885	423,828	Level 3	Discounted cash flows are estimated based on non- observable inputs	Percentage discount	The greater discount- the smaller fair value
Due to other banks	937,614	929,916	Level 3	Discounted cash flows are estimated based on non- observable inputs	Percentage discount	The greater discount- the smaller fair value
Customer accounts Borrowings from government, state and international financial organisations	2,551,642	2,352,757	Level 2	Discounted cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Percentage discount	The greater discount- the smaller fair value
	5,505,466	4,362,819	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value

As at 31 December 2021 and 2020, the Group determined fair value for some of its financial assets and liabilities using the discounted cash flow model by applying CBU statistical bulletin, which became open to public starting 2019. Such financial instruments were categorised as Level 2.

For those financial instruments where interest rates were not directly available in the CBU statistical bulletin, the Group determined the fair value of financial instruments using the discounted cash flow model based on the rates of the deals concluded towards the end of the reporting period. Due to the absence of an active market or observable inputs for instruments with characteristics similar to the Bank's financial instruments, the Management considered the latest rates as the most appropriate input from all available data for calculation of the fair value of financial assets and financial liabilities. Therefore, these long-term financial instruments that are not measured at fair value on a recurring basis but where fair value disclosures are required, are categorised within Level 3.

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Financial Assets/ Liabilities as at 31 December 2020	Carrying value	Fair value	Fair value hierarchy	Valuation model(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans and advances to customers	6,819,483	7,314,085	Level 3	Discounted cash flows are estimated based on average interest rates	N/A	The greater discount- the smaller fair value
Due from other banks	319,346	290,653	Level 3	Discounted cash flows are estimated based on non- observable inputs	Percentage discount	The greater discount- the smaller fair value
Due to other banks	789,958	772,547	Level 3	Discounted cash flows are estimated based on non- observable inputs	Percentage discount	The greater discount- the smaller fair value
Customer accounts	2,071,985	1,940,483	Level 2	Discounted cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Percentage discount	The greater discount- the smaller fair value
Borrowings from government, state and international financial organisations	4,492,045	4,476,481	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value

**27. Management of capital**

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the CBU, and (ii) to safeguard the Group's ability to continue as a going concern. Compliance with capital adequacy ratios set by the CBU is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman and Chief Accountant.

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Under the current capital requirements set by the CBU, banks have to maintain ratios of:

- Ratio of Group's main tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 8 percent (2020: 8 percent);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10.0 percent (2020: 10.0 percent);
- Ratio of total regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13.0 percent (2020: 13.0 percent); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6 percent (2020: 6 percent).

The following table analyses the Group's regulatory capital resources for capital adequacy purposes in accordance with the requirements set by the CBU:

<i>In millions of Uzbekistan Soums</i>	<b>2021 (unaudited)</b>	<b>2020 (unaudited)</b>
<b>Tier 1 capital</b>		
Ordinary share capital	1,488,594	875,994
Capital reserves	208,219	75,481
Retained earnings (previous years)	479	51,059
Less: Investments to non-consolidated entities	(85,497)	(33,279)
<b>Total main tier 1 capital</b>	<b>1,611,795</b>	<b>969,255</b>
Preference shares	8,445	8,445
Share premium	219	219
<b>Additional capital</b>	<b>8,664</b>	<b>8,664</b>
<b>Total tier 1 capital</b>	<b>1,620,459</b>	<b>977,919</b>
<b>Tier 2 capital</b>		
Current year net profit	101,563	115,169
Impairment provision on standard assets, in the amount of not more than 1.25% of the total amount of risk-weighted assets	76,827	49,647
Other	13,881	15,366
<b>Total tier 2 capital</b>	<b>192,271</b>	<b>180,182</b>
<b>Total regulatory capital</b>	<b>1,812,730</b>	<b>1,158,101</b>
<b>Risk weighted assets</b>	<b>10,131,410</b>	<b>7,774,516</b>
<b>Assets for leverage ratio</b>	<b>11,825,072</b>	<b>9,635,926</b>
<b>Capital adequacy ratios:</b>		
<i>Main tier 1 capital adequacy ratio</i>	15.9%	12.5%
<i>Tier 1 capital adequacy ratio</i>	16.0%	12.6%
<i>Total regulatory capital adequacy ratio</i>	17.9%	14.9%
<i>Leverage ratio</i>	13.7%	10.1%

## 28. Contingencies and commitments

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these consolidated financial statements.

**Tax legislation.** Uzbek tax, currency and customs legislation is subject to varying interpretations, and changes, occur frequently. Management's interpretation of the legislation may be challenged by the regional and federal authorities. Recent events within the Uzbekistan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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**Compliance with covenants.** The Group is subject to certain covenants. As disclosed in Note 16, the Group was not in compliance with certain financial covenants related to its borrowings. In addition, the Group is subject to certain covenants related to undrawn lines of credit.

As at 31 December 2021 and 2020, the Group was not compliant with financial covenant on Ratio of NPL to the aggregate of all loans and advances to customers stipulated in the line of Trade Financing Agreement #UZS/0201 between the Bank and International Islamic Trade Finance Corporation (ITFC).

**Credit related commitments.** The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In millions of Uzbekistan Soums</i>	<b>2021</b>	<b>2020</b>
Guarantees issued	526,182	350,054
Undrawn credit lines	193,944	186,582
Letters of credits, post-financing with commencement after reporting period end	10,838	45,169
Letters of credits, non post-financing	2,040	23,108
<b>Total gross credit related commitments</b>	<b>733,004</b>	<b>604,913</b>
Less - Cash held as security against letters of credit	(2,040)	(23,108)
Less – Provision for expected credit losses	(3,785)	(3,785)
<b>Total credit related commitments</b>	<b>727,179</b>	<b>578,020</b>

Total amount of guarantees issued and undrawn credit lines do not necessary represent future cash requirements as these financial instruments may expire or terminate without being funded.

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**29. Related party transactions**

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

- "Shareholders" are shareholders with a shareholding in excess of 1%;
- "Investees" are associate of the Group;
- "Other related parties" – government related organisations and companies.

At 31 December 2021, the outstanding balances with related parties were as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Other government related parties</b>	<b>Shareholders</b>	<b>Key management personnel</b>	<b>Total</b>	<b>Total as per financial statements caption</b>
Cash and cash equivalents	467,041	-	-	467,041	1,254,954
Due from other banks	390,746	-	-	390,746	424,885
Debt securities of the Government of the Republic of Uzbekistan	349,487	5,500	-	354,987	354,606
Loans and advances to customers	2,255,237	-	-	2,255,237	8,105,890
Financial assets at fair value through other comprehensive income	3,175	-	-	3,175	25,067
Other assets	951	-	-	951	143,234
Due to other banks	651,155	-	-	651,155	937,614
Customer accounts	660,380	2,527	163	663,070	2,551,642
Debt securities in issue	13,014	-	-	13,014	13,414
Borrowings from government, state and international financial institutions	578,148	1,749,263	-	2,327,411	5,505,466
Other liabilities	10	845	-	855	29,346

The income and expense items with related parties for 2021 were as follows:

<i>In millions of Uzbekistan Soums</i>	<b>Other government related parties</b>	<b>Shareholders</b>	<b>Key management personnel</b>	<b>Total</b>	<b>Total as per financial statements caption</b>
Interest income	58,093	510	-	58,603	838,713
Interest expense	167,269	13,861	-	181,130	(490,913)
Dividend income	791	-	-	791	791
Expected credit losses on loans and advances to customers	(7,564)	-	-	(7,564)	(150,210)
Administrative and other operating expenses	38,350	-	5,224	43,574	(294,425)

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At 31 December 2020, the outstanding balances with related parties were as follows:

<i>In millions of Uzbekistan Soums</i>	Other government related parties	Shareholders	Key management personnel	Total	Total as per financial statements caption
Cash and cash equivalents	339,829	-	-	339,829	823,516
Due from other banks	264,608	-	-	264,608	319,346
Debt securities of the Government of the Republic of Uzbekistan	48,492	83,282	-	131,774	131,774
Loans and advances to customers	1,644,497	-	155	1,644,652	6,819,483
Financial assets at fair value through other comprehensive income	14,481	-	-	14,481	43,328
Other assets	600	-	-	600	75,666
Due to other banks	568,688	-	-	568,688	789,958
Customer accounts	535,529	1,113	417	537,059	2,071,985
Debt securities in issue	1,803	-	-	1,803	2,203
Borrowings from government, state and international financial institutions	462,945	1,460,990	-	1,923,935	4,492,045
Other liabilities	50	604	-	654	21,113

The income and expense items with related parties for 2020 were as follows:

<i>In millions of Uzbekistan Soums</i>	Other government related parties	Shareholders	Key management personnel	Total	Total as per financial statements caption
Interest income	61,969	10,882	-	72,851	569,417
Interest expense	35,266	820	-	36,086	(294,515)
Fee and commission income	4,125	-	-	4,125	77,996
Fee and commission expense	8,022	-	-	8,022	(15,067)
Dividend income	1,463	-	-	1,463	1,707
Expected credit losses on loans and advances to customers	3,397	-	-	3,397	(121,727)
Administrative and other operating expenses	13,336	832	2,504	16,672	(203,773)

Short-term benefits fall due wholly within twelve months after the end of the period in which management rendered the related services.

Key management compensation is presented below:

<i>In millions of Uzbekistan Soums</i>	2021	2020
<b>Short-term benefits:</b>		
- Salaries and other short term benefits	4,592	2,362
- Social Security costs	632	142

**30. Events after the end of the reporting period**

In February 2022, the economic and political situation in Ukraine and the Russian Federation led to increased volatility in the Russian financial market. The uncertainty of the development of events is increased. The United States, the European Union, the United Kingdom and a number of other countries have imposed a number of new sanctions against Russia.

In March 2022, the exchange rate of Uzbekistan Soum depreciated against USD amid the external geopolitical situation. To reduce the negative impact of external factors on the economy of Uzbekistan, on 17 March 2022 the CBU raised the refinancing rate from 14% to 17% per annum. Moreover, interventions were performed in the foreign exchange market in order to prevent sharp fluctuations in the exchange rate of the Uzbekistan Soum against foreign currencies. On 10 June 2022 the CBU has lowered the refinancing rate to 16%.

As 31 December 2021 the Group had no exposure to Ukraine and had limited exposure to the Russian Federation. The management of the Group monitors the current developments in the economic and political environment and takes the measures it deems necessary to maintain the sustainability and development of the Group's business in the near future.

However, uncertainty remains related to the future developments of geopolitical risks and their impact on the economy of Republic of Uzbekistan.