JSC “Xalq Bank”

Consolidated financial statements and independent auditor’s report

For the year ended 31 December 2021

Contents

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 December 2021

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Commercial "Xalq Bank" and its subsidiaries (together referred to as "the Group") as at 31 December 2021 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, 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 consolidated 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 statement of 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 policies 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 on 15 September 2022.

On behalf of the Management:

Shuhrat Atabaev
Chairman of the Management Board

15 September 2022

Tashkent, Uzbekistan

Kiyomiddin Shernazarov
Chief Accountant

15 September 2022

Building a better working world

FE Audit company
Ernst & Young LLC
Inconel Business Center, 3rd floor
Mustaqillik Prospect, 75
Tashkent, 100000
Republic of Uzbekistan
Tel: +998 (78) 140 6482
Fax: +998 (78) 140 6483
www.ey.com/uz

MChJ "Ernst & Young" XK
Auditorlik Tashkiloti
O'zbekiston Respublikasi,
100000, Toshkent shahar,
Mustaqillik shox ko'chasi, 75
Inkonel Biznes Markazi,
3-qavat
Tel: +998 (78) 140 6482
Faks: +998 (78) 140 6483

ИП ООО «Ernst & Young»
Аудиторская Организация
Республика Узбекистан
100000, Ташкент
Пр-т Мустакиллик, 75
Бизнес-центр «Инконель»,
3 этаж
Тел.: +998 (78) 140 6482
Факс: +998 (78) 140 6483

Independent auditor's report

To the Shareholders and Supervisory Board of Joint-Stock Commercial "Xalq Bank"

Opinion

We have audited the consolidated financial statements of Joint-Stock Commercial "Xalq Bank" and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Building a better
working world

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 16 July 2021.

Responsibilities of management and the Supervisory Board for the consolidated financial statements

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

EY
Building a better working world

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board 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.

The partner in charge of the audit resulting in this independent auditor's report is Anvar Azamov.

Tashkent, Uzbekistan

15 September 2022

Foreign Enterprise Audit Company "Ernst & Young" LLC

Foreign Enterprise Audit Company "Ernst & Young" LLC
Certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan Under #11 dated 22 July 2019

A. Azamov

Anvarkhon Azamov
Qualified auditor
Auditor qualification certificate authorizing audit of banks #11/4 dated 11 May 2017 issued by the Central Bank of the Republic of Uzbekistan

Head of Uzbekistan practice
Foreign Enterprise Audit Company "Ernst & Young" LLC

Consolidated statement of financial position

as at 31 December 2021

(millions of Uzbek soums)

	Notes	*As at 31 December* 2021	*As at 31 December* 2020 (Restated)*	*As at 1 January* 2020 (Restated)*
Assets				
Cash and cash equivalents	6	2,272,546	2,798,912	1,597,590
Amounts due from credit institutions	7	1,740,379	2,790,212	2,406,676
Loans to customers	8	16,793,134	17,024,855	11,509,149
Investment securities	9	3,153,336	414,518	89,694
Current income tax assets		-	-	1,191
Property and equipment and intangible assets	10	931,614	731,272	562,627
Insurance assets		3,319	1,733	2,701
Deferred income tax assets	11	781,966	445,549	222,013
Other assets	13	138,587	153,019	171,279
Total assets		**25,814,881**	**24,360,070**	**16,562,920**
Liabilities				
Amounts due to credit institutions	14	946,199	1,535,367	780,556
Amounts due to customers	15	12,325,878	10,999,302	8,308,311
Debt securities issued		49,427	70,127	70,177
Other borrowed funds	16	7,501,526	8,253,471	3,414,399
Current income tax liabilities		-	7,104	-
Subordinated loans	17	249,925	249,925	248,477
Insurance liabilities		66,124	54,933	49,514
Other liabilities	13	110,712	144,689	244,338
		21,249,791	**21,314,918**	**13,115,772**
Equity				
Share capital	18	7,433,380	4,230,912	4,230,912
Accumulated deficit		(2,868,290)	(1,185,760)	(783,764)
Total equity		**4,565,090**	**3,045,152**	**3,447,148**
Total equity and liabilities		**25,814,881**	**24,360,070**	**16,562,920**

* Certain amounts shown here do not correspond to the consolidated financial statements for the years ended 31 December 2020 and 2019, as they reflect correction of certain errors and voluntary change in accounting policies, as detailed in Note 5.

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

Shuhrat Atabayev — Chairman of the Management Board

Kiyomiddin Shernazarov — Chief Accountant

15 September 2022

Consolidated statement of comprehensive income
for the year ended 31 December 2021

(millions of Uzbek Soums)

	Notes	*2021*	*2020 (Restated)**
Interest income	20	3,450,482	2,917,232
Interest expense	20	(2,067,378)	(1,424,058)
Net interest income		**1,383,104**	**1,493,174**
Credit loss expense	12	(2,448,147)	(1,583,730)
Initial recognition adjustment on interest bearing assets	8	(18,967)	(52,921)
Net interest expense after credit loss expense and initial recognition of financial instruments		**(1,084,010)**	**(143,477)**
Fee and commission income	21	1,025,834	807,847
Fee and commission expense	21	(360,349)	(257,868)
Net gains/(losses) from foreign currencies:			
- dealing		46,641	21,857
- translation differences		5,649	(57,175)
Dividend income		1,683	1,465
Other income	22	103,649	95,672
Other impairment and provisions		(5,933)	(3,562)
Income from insurance activities		5,034	15,629
Expenses incurred from insurance activities		(22,059)	(20,169)
Personnel and other operating expenses	23	(1,311,536)	(1,071,205)
Net non-interest expense		**(511,387)**	**(467,509)**
Loss before income tax expense		**(1,595,397)**	**(610,986)**
Income tax benefit	11	317,942	208,990
Loss for the year		**(1,277,455)**	**(401,996)**
Other comprehensive income/(loss)		-	-
Total comprehensive loss for the year		**(1,277,455)**	**(401,996)**

* Certain amounts shown here do not correspond to the consolidated financial statements for the years ended 31 December 2020, as they reflect correction of certain errors and voluntary change in accounting policies, as detailed in Note 5.

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

Shuhrat Atabayev — Chairman of the Management Board

Kiyomiddin Shernazarov — Chief Accountant

15 September 2022

Consolidated statement of changes in equity
for the year ended 31 December 2021

(millions of Uzbek Soums)

	Notes	*Share capital*	*Accumulated deficit*	*Other reserves*	*Total equity*
Balance at 1 January 2020		**4,234,434**	**(63,449)**	**155**	**4,171,140**
Adjustment on correction of error	5	(3,522)	(720,315)	**(155)**	**(723,992)**
As at 1 January 2020 (restated)*		**4,230,912**	**(783,764)**	**-**	**3,447,148**
Loss for the year (restated)*		-	(401,996)	-	**(401,996)**
Balance at 31 December 2020 (restated)*		**4,230,912**	**(1,185,760)**	**-**	**3,045,152**
Loss for the year		-	(1,277,455)	-	**(1,249,121)**
Issuance of share capital	18	2,797,393	-	-	**2,797,393**
Capitalization of dividends	18	405,075	(405,075)	-	**-**
Balance at 31 December 2021		**7,433,380**	**(2,868,290)**	**-**	**4,565,090**

* Certain amounts shown here do not correspond to the consolidated financial statements for the years ended 31 December 2020 and 2019, as they reflect correction of certain errors and voluntary change in accounting policies, as detailed in Note 5.

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

Shuhrat Atabayev — Chairman of the Management Board

Kiyomiddin Shernazarov — Chief Accountant

15 September 2022

Consolidated statement of cash flows

for the year ended 31 December 2021

(millions of Uzbek Soums)

	Notes	*2021*	*2020 Restated**
Cash flows from operating activities			
Loss before income tax		**(1,595,397)**	**(610,986)**
Adjustments for:			
Provision for impairment losses on interest bearing assets	12	2,448,147	1,583,730
Other impairment and provisions	13	5,933	3,562
Initial recognition adjustment on interest bearing assets	8	18,967	52,921
Net unrealized loss on foreign exchange operations		72,404	40,734
Depreciation and amortization	10	115,669	83,481
Change in interest income accrual		(240,018)	(899,326)
Change in interest expenses accrual		(141,803)	78,171
Cash flows from operating activities before changes in operating assets and liabilities		**683,902**	**332,287**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		1,053,401	(373,943)
Loans to customers		(1,902,652)	(5,748,175)
Insurance assets		(1,586)	968
Other assets		6,425	6,492
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(602,895)	750,036
Amounts due to customers		1,400,835	2,495,156
Insurance liabilities		11,191	5,419
Other liabilities		40,079	(98,275)
Net cash flows from (used in) operating activities before income tax		**688,700**	**(2,629,035)**
Income tax paid		(25,579)	(6,251)
Net cash flows from (used in) operating activities		**663,121**	**(2,635,286)**

* Certain amounts shown here do not correspond to the consolidated financial statements for the years ended 31 December 2020, as they reflect correction of certain errors, as detailed in Note 5.

Consolidated statement of cash flows
for the year ended 31 December 2021
(millions of Uzbek Soums)

	Notes	2021	2020 Restated*
Cash flows from investing activities			
Purchase of investment securities		(5,419,060)	(871,488)
Proceeds from redemption of investment securities		2,670,808	548,019
Purchase of property and equipment		(320,597)	(271,796)
Proceeds from sale of property and equipment		4,586	19,670
Net cash used in investing activities		**(3,064,263)**	**(575,595)**
Cash flows from financing activities			
Proceeds from issue of share capital	18	2,716,532	-
Proceeds from issue of debt securities	29	340,000	5,053,550
Redemption of debt securities issued	29	(360,700)	(5,053,600)
Proceeds from other borrowed funds	29	4,058,501	5,573,828
Repayment of other borrowed funds	29	(4,858,207)	(1,152,773)
Net cash from financing activities		**1,896,126**	**4,421,005**
Effect of changes in foreign exchange rates on cash and cash equivalents		(2,134)	(4,516)
Effect of expected credit losses on cash and cash equivalents	12	(19,216)	(4,286)
Net (decrease)/increase in cash and cash equivalents		**(526,366)**	**1,201,322**
Cash and cash equivalents, beginning		2,798,912	1,597,590
Cash and cash equivalents, ending	6	**2,272,546**	**2,798,912**
Interest received		3,246,175	2,016,127
Interest paid		2,209,181	1,345,887
Non-cash dividend capitalization	18	80,862	-

* Certain amounts shown here do not correspond to the consolidated financial statements for the years ended 31 December 2020 and 2019, as they reflect correction of certain errors, as detailed in Note 5.

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

Shuhrat Atabayev — Chairman of the Management Board

Kiyomiddin Shernazarov — Chief Accountant

15 September 2022

(millions of Uzbek Soums)

1. Principal activities

The Joint Stock Commercial Xalq Bank (the "Bank") is the parent company in the Group which includes two subsidiaries, Xalq sugurta LLC and Uzpaynet JV LLC. State Commercial Xalq Bank was formed by the Decree of the Government of the Republic of Uzbekistan dated October 4, 1995. Based on the Decree of the President of the Republic of Uzbekistan No. PD-4720 dated April 24, 2015 "On measures to introduce modern methods of corporate governance in joint-stock companies", the name of the Bank was renamed to "Xalq bank".

The Bank is the only bank in Uzbekistan that has the right to receive, accumulate and manage the funds of the accumulative pension fund (APF) of individuals in accordance with the Law of the Republic of Uzbekistan No. 702-II "On the accumulative pension fund" dated December 2, 2004.

The Bank provides services to the Government of the Republic of Uzbekistan, accepts deposits from the public and extends credit, transfers payments in the Republic of Uzbekistan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Its main office is in Tashkent and it has 196 branches in the Republic of Uzbekistan. The Bank's registered legal address is Katartol street 46, Chilanzar district, Tashkent.

The Bank participates in the state deposit insurance program. The State Deposit Insurance Fund guarantees repayment of 100% of deposits of individuals in case of business failure and revocation of the Central Bank of the Republic of Uzbekistan (the "CBU") banking license.

The Bank has the right to conduct lottery programs in accordance with license №1 issued by the Ministry of Finance of the Republic of Uzbekistan dated 28 June 2019.

As of 31 December, the following shareholders owned the issued shares of the Bank:

Shareholder	*2021, %*	*2020, %*
The Fund for Reconstruction and Development of the Republic of Uzbekistan	77.58	70.10
The Ministry of Finance of the Republic of Uzbekistan	22.42	29.90
Total	**100**	**100**

The ultimate shareholder and controlling party of the Bank is the Government of the Republic of Uzbekistan.

These consolidated financial statements were authorized for issue by the Management Board of the Group on 15 September 2022.

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These 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 maintains its accounting records in accordance with the respective laws of the Republic of Uzbekistan. These consolidated financial statements have been prepared from statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassification of certain assets and liabilities, income and expenses to appropriate financial statement caption.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, investment securities have been measured at fair value.

These consolidated financial statements are presented in millions of Uzbek Soums ("UZS"), except per share amounts and unless otherwise indicated.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 26.

(millions of Uzbek Soums)

3. Summary of accounting policies

Changes in accounting policies

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform Phase 2)

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

Exposure, or rights, to variable returns from its involvement with the investee;

The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

The contractual arrangement(s) with the other vote holders of the investee;

Rights arising from other contractual arrangements;

The Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Fair value measurement

The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets such as investment property, at fair value at each balance sheet date.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability; or

In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

Amortised cost;

FVOCI;

FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investments securities at amortised cost

The Group only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors 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 those risks are managed;

How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognised at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2021.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBU, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Obligatory reserves with the Central Banks

Obligatory reserves with the Central Banks represent the amount of mandatory reserves deposited with the Central Banks of the Republic of Uzbekistan, which are not available to finance the Group's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows and are presented within amount due from credit institutions in the consolidated statement of financial position.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortization process.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Leases

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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 (including in-substance 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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Operating – Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Finance – Group as a lessor

The Group recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

The normal course of business;

The event of default; and

The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

Change in currency of the loan;

Change in counterparty;

If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate (EIR), the Group records a modification gain or loss, presented within interest revenue calculated using EIR in the consolidated statement of profit or loss, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 3-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Uzbekistan.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and premises	25-30
Furniture and fixtures	2-5
Vehicles	4
Motor vehicles	4

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets

Intangible assets with finite useful lives (5 years) that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their useful lives. The useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Group's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Republic of Uzbekistan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Group has no significant post-employment benefits.

Share capital

Share capital

Share capital represents contributions made by the Fund for Reconstruction and Development of the Republic of Uzbekistan and the Ministry of Finance of the Republic of Uzbekistan.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar revenue and expense

The Group calculates interest revenue on debt financial assets measured at amortised cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest revenue" in the consolidated statement of profit or loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

Foreign currency translation

Soums are the presentation currency of the Group and functional currency of the Bank and its subsidiaries. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the CBU exchange rate on the date of the transaction are included in net gain/(loss) on foreign exchange operations. The official CBU exchange rates at 31 December 2021 and 31 December 2020, were 10,837.66 and 10,476.92 UZS to 1 USD, 12,224.88 and 12,786.03 to 1 EUR, 147.07 and 153.17 UZS to 1 Ruble respectively.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it
- Apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from Contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets) to the other components.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Bank Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

(millions of Uzbek Soums)

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. Deterioration in credit quality of loan portfolios (amongst other items) as a result of the COVID-19 pandemic may have a significant impact on the Group's ECL measurement. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

The Group's internal credit grading model, which assigns PDs to the individual grades;

The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;

The segmentation of financial assets when their ECL is assessed on a collective basis;

Development of ECL models, including the various formulae and the choice of inputs;

Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Preferential lending programs and related borrowings

The Group 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 Group could source the funds from local lenders. As a result of this financing, the Group is able to advance funds to specific customers at advantageous rates. Management has considered whether gains or losses should arise on initial recognition of these instruments and its judgment is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise. In making this judgment management also considered that these instruments are a separate market sector.

Recoverability of deferred tax assets

The carrying value of deferred tax assets amounted to UZS 781,966 and UZS 445,549 as at 31 December 2021 and 2020, respectively. The Group believes no valuation allowance against deferred tax assets at the reporting date is necessary since the deferred tax assets shall be fully realized due to expected profitability of the Group in the future. This is based on the management's analysis of 2022 forecast financial results and the Group's development strategy for near future.

(millions of Uzbek Soums)

5. Restatement and reclassifications

Voluntary change in accounting policy

1. Property and equipment

In 2021, the Group changed its accounting policy with respect to the buildings. The Group now applies the cost model, where assets are carried at cost less accumulated depreciation and any accumulated impairment. Prior to this change in policy, the Group applied the revaluation model, where the buildings were carried at the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group believes that cost model provides reliable and more relevant information for the users since it enhances comparability as cost model is a market practice across banking industry. The change of accounting policy has been accounted for retrospectively.

The voluntary change resulted in decrease of property and equipment as at 31 December and 1 January 2020 by UZS 320,099 and UZS 338,847, respectively, increase in deferred tax asset as at 31 December 2020 and 1 January 2020 by UZS 64,020 and UZS 67,769, respectively, as well as decrease in personnel and other operating expenses and increase in income tax expense for the year ended 31 December 2020 by UZS 18,748 and UZS 3,749, respectively.

2. Preferred lending programs

The Group participates in a number of preferred lending programs, whereby the Group issued low-interest loans to certain pre-determined categories of customers funded by equally preferential liabilities provided by the Government and the CBU and their various controlled entities and agencies, presented within Other borrowed funds in the Group's consolidated statement of financial position. The Group earns market interest margin on these programs. In consolidated financial statements for they ended 31 December 2020, the Group considered that the loans issued and other borrowed funds related to those programs, amounting, respectively, to UZS 3,920,860 and UZS 1,238,461 as at 31 December 2020 (1 January 2020: UZS 2,532,886 and UZS 1,306,742, respectively), were issued and obtained at below market rates. The Group recognised USZ 131,309 loss on initial recognition in profit or loss for 2020 in respect of those instruments originated in 2020.

In 2021 the Group changed its accounting policy regarding preferred lending programs and concluded that those preferred lending programs constitute a principal market for the recognition of fair value at initial measurement, and, accordingly, that the interest rates on the programs' loans issued and other borrowed funds were market ones and no gains or losses at initial recognition should have been recognised. The change of accounting policy has been accounted for retrospectively. Hence, the Group determined that loans to customers and other borrowed funds should be increased by USZ 781,871 and UZS 625,003, respectively, as at 31 December 2020 (1 January 2020: by UZS 879,100 and UZS 842,908). Respective interest income and interest expense for the year ended 31 December 2020 should be decreased by UZS 204,847 and USZ 185,195, respectively, while loss at initial recognition of financial instruments should be decreased by USZ 78,388.

Correction of errors

Subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2020 the management noted number of errors related to 2020 and earlier periods.

In accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” the correction of errors was done retrospectively. As a result, in the Group's consolidated financial statements as at and for the year ended 31 December 2021 comparative financial information as at and for the year ended 31 December 2020 and as at 1 January 2020 was restated to reflect the correction of errors' effect. The nature of the restatements is summarized below.

3. Expected credit losses on Loans to customers

The Group identified certain clerical measurement errors in application of its IFRS methodology for measuring expected credit loss (ECL) in consolidated financial statements as at and for the years ended 31 December 2020 and as of 1 January 2020. This correction resulted in an increase in credit loss for the year ended 31 December 2020 by USZ 1,254,601, and decrease in carrying value of loans to customers as at 31 December 2020 and 1 January 2020 by UZS 1,877,153 and UZS 673,607, respectively.

4. Other corrections

In addition to the individually material corrections of errors described above, the Group made other minor retrospective corrections to the comparative financial information as at 31 December 2020, 1 January 2020 and for the year ended 31 December 2020.

The aggregate tax effect in respect of the corrections of errors resulted in an increase of deferred tax assets by UZS 375,677 and UZS 126,735 as of 31 December 2020 and 1 January 2020 and increase in income tax benefit by UZS 248,943 in profit or loss for the year ended 31 December 2020.

(millions of Uzbek Soums)

5. Restatement and reclassifications (continued)

Reclassifications

As of 31 December 2020 and 1 January 2020, the Group presented subordinated loans received from the Ministry of Finance in the amount of UZS 249,925 and UZS 248,477, respectively, within Other borrowed funds in consolidated statement of financial position. In 2021, the management decided to present them as a separate line item due to the materiality of the amounts. As a result, comparative statements of financial position as at 31 December 2020 and 1 January 2020 were also reclassified for comparability with the current period presentation.

As of 31 December 2020, the Group presented short-term liabilities under reverse repurchase transactions with the CBU in the amount of UZS 159,500 within Other borrowed funds in consolidated statement of financial position. In 2021, the management decided to present them within Amounts due to credit institutions. As a result, comparative statements of financial position as at 31 December 2020 and 1 January 2020 was reclassified for comparability with the current period presentation.

The aggregate effect of adjustments and reclassifications to the consolidated statement of financial position as at 1 January 2020 was as follows:

	Ref. to Note 5	As previously reported	Voluntary change in accounting policy	Correction of errors	Reclassifica-tions	As restated
Assets						
Loans to customers	2,3	11,303,656	879,100	(673,607)	-	11,509,149
Property and equipment	1	901,474	(338,847)	-	-	562,627
Deferred income tax assets	1,2,3,4	34,747	60,531	126,735	-	222,013
Total assets		**16,509,008**	**600,784**	**(546,872)**	**-**	**16,562,920**
Liabilities						
Amounts due to credit institutions		834,055	-	(53,499)	-	780,556
Other borrowed funds	2	2,819,968	842,908	-	(248,477)	3,414,399
Subordinated loans		-	-	-	248,477	248,477
Other liabilities		255,843	-	(11,505)	-	244,338
Total liabilities		**12,337,868**	**842,908**	**(65,004)**	**-**	**13,115,772**
Equity						
Share capital		4,234,434	-	(3,522)	-	4,230,912
Accumulated deficit		(63,449)	(242,124)	(478,346)	-	(783,919)
Total equity		**4,171,140**	**(242,124)**	**(481,868)**	**-**	**3,447,148**
Total equity and liabilities		**16,509,008**	**600,784**	**(546,872)**	**-**	**16,562,920**

(millions of Uzbek Soums)

5. Restatement and reclassifications (continued)

The aggregate effect of adjustments and reclassifications to the consolidated statement of financial position as at 31 December 2020 was as follows:

	Ref. to Note 5	As previously reported	Voluntary change in accounting policy	Correction of errors	Reclassifications	As restated
Assets						
Cash and cash equivalents		2,784,262	-	14,650	-	2,798,912
Amounts due from credit institutions		2,781,358	-	8,854	-	2,790,212
Loans to customers	2,3	18,120,137	781,871	(1,877,153)	-	17,024,855
Investment securities		395,688	-	18,830	-	414,518
Non-current assets held for sale		25,023	-	(25,023)	-	-
Property and equipment	1	1,051,371	(320,099)	-	-	731,272
Deferred income tax assets	1,2,3,4	37,226	32,646	375,677	-	445,549
Other assets		300,652	-	(147,633)	-	153,019
Total assets		**25,497,450**	**494,418**	**(1,631,798)**	**-**	**24,360,070**
Liabilities						
Amounts due to credit institutions		1,390,685	-	(14,818)	159,500	1,535,367
Amounts due to customers		11,057,947	-	(58,645)	-	10,999,302
Other borrowed funds	2	8,037,893	625,003	-	(409,425)	8,253,471
Current income tax liabilities		-	-	7,104	-	7,104
Subordinated loans		-	-	-	249,925	249,925
Other liabilities		264,186	-	(119,497)	-	144,689
Total liabilities		**20,875,771**	**625,003**	**(185,856)**	**-**	**21,314,918**
Equity						
Share capital		4,234,434	-	(3,522)	-	4,230,912
Retained earnings/ (Accumulated deficit)		386,410	(130,585)	(1,441,585)	-	(1,185,760)
Other reserves		835	-	(835)	-	-
Total equity		**4,621,679**	**(130,585)**	**(1,445,942)**	**-**	**3,045,152**
Total equity and liabilities		**25,497,450**	**494,418**	**(1,631,798)**	**-**	**24,360,070**

(millions of Uzbek Soums)

5. Restatement and reclassifications (continued)

The aggregate effect of adjustments and reclassifications to the consolidated statement of profit or loss the year ended 31 December 2020 was as follows:

	Ref. to Note 5	**As previously reported**	**Voluntary change in accounting policy**	**Correction of error**	**As restated**
Interest income	2	3,122,079	(204,847)	-	2,917,232
Interest expense	2	(1,609,253)	185,195	-	(1,424,058)
Net interest income		**1,512,826**	**(19,652)**	**-**	**1,493,174**
Credit loss expense	3	(391,066)	61,937	(1,254,601)	(1,583,730)
Initial recognition adjustment on interest bearing assets	2	(131,309)	78,388	-	(52,921)
Net interest income after credit loss expense and initial recognition of financial instruments		**990,451**	**120,673**	**(1,254,601)**	**(143,477)**
Fee and commission income		818,725	-	(10,878)	807,847
Fee and commission expense		(258,274)	-	406	(257,868)
Net gains/(losses) from foreign currencies:		(36,094)	-	776	(35,318)
Dividend income		1,697	-	(232)	1,465
Other income		80,899	-	14,773	95,672
Other impairment and provisions		(19,052)	-	15,490	(3,562)
Income received from insurance activities		11,665	-	3,964	15,629
Personnel and other operating expenses		(1,107,106)	18,748	17,153	(1,071,205)
Net non-interest expense		**(527,709)**	**18,748**	**41,452**	**(467,509)**
Profit / (loss) before income tax expense		**462,742**	**139,421**	**(1,213,149)**	**(610,986)**
Income tax (expense) / benefit	1,2,3, 4	(12,069)	(27,884)	248,943	208,990
Profit / (loss) for the year		**450,673**	**111,537**	**(964,206)**	**(401,996)**

Notes to the consolidated financial statements were amended accordingly for the effects of adjustments and reclassifications described above. The adjustments and reclassifications did not have an impact on consolidated statement of cash flows for the year ended 31 December 2020.

(millions of Uzbek Soums)

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2021	*2020*
Cash on hand	1,187,182	1,618,322
Current accounts with other credit institutions	572,299	194,152
Current accounts with the Central Bank	538,074	992,231
Less – allowance for ECL	(25,009)	(5,793)
Cash and cash equivalents	**2,272,546**	**2,798,912**

As at 31 December 2021 and 2020 all balances of cash and cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowance during the years ended 31 December is, as follows:

	2021	*2020*
At 1 January	**5,793**	**1,507**
Changes in ECL	19,216	4,286
At 31 December	**25,009**	**5,793**

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2021	*2020*
Term deposits for more than 90 days	1,738,354	2,814,982
Obligatory reserve with the CBU	38,108	12,106
	1,776,462	**2,827,088**
Less – allowance for ECL	(36,083)	(36,876)
Amounts due from credit institutions	**1,740,379**	**2,790,212**

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBU, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by the statutory legislation.

As at 31 December 2021 and 2020 all balances of amounts due from credit institutions are allocated to Stage 1. An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from credit institutions during the years ended 31 December is as follows:

	2021	*2020*
Gross carrying value as at 1 January	**2,827,088**	**2,441,376**
New assets originated or purchased	2,203,363	3,007,734
Assets repaid	(3,257,121)	(2,621,271)
Foreign exchange adjustments	3,132	(751)
At 31 December	**1,776,462**	**2,827,088**

(millions of Uzbek Soums)

7. Amounts due from credit institutions (continued)

	2021	*2020*
ECL allowance as at 1 January	**36,876**	**34,700**
New assets originated or purchased	4,043	6,504
Assets repaid	(4,842)	(4,332)
Foreign exchange adjustments	6	4
At 31 December	**36,083**	**36,876**

8. Loans to customers

Loans to customers comprise:

	2021	*2020 (restated)*
Corporate lending		
Private companies	12,086,104	11,822,569
State companies	968,207	1,020,980
Total corporate lending	**13,054,311**	**12,843,549**
Loans to individuals		
Consumer loans	5,792,595	4,954,711
Mortgage loans	1,672,947	1,424,264
Car loans	195,677	399,322
Education loans	63,001	25,253
Total loans to individuals	**7,724,220**	**6,803,550**
Gross loans to customers	**20,778,531**	**19,647,099**
Less – allowance for ECL	(3,985,397)	(2,622,244)
Loans to customers	**16,793,134**	**17,024,855**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to state companies during the year ended 31 December 2021 is as follows:

State companies	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**826,134**	**2,867**	**191,979**	**1,020,980**
New assets originated or purchased	142,839	-	-	**142,839**
Assets repaid	(135,989)	(47,564)	(20,196)	**(203,749)**
Transfers to Stage 1	58,192	(2,111)	(56,081)	-
Transfers to Stage 2	(437)	123,776	(123,339)	-
Transfers to Stage 3	(320,434)	(345)	320,779	-
Amounts written off	-	-	(4,084)	**(4,084)**
Foreign exchange adjustments	12,170	-	51	**12,221**
At 31 December 2021	**582,475**	**76,623**	**309,109**	**968,207**

State companies	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**39,586**	**535**	**13,346**	**53,467**
New assets originated or purchased	2,257	-	-	**2,257**
Assets repaid	(166)	(62)	(274)	**(502)**
Transfers to Stage 1	2,996	(378)	(2,618)	-
Transfers to Stage 2	(54)	5,811	(5,757)	-
Transfers to Stage 3	(13,870)	(95)	13,965	-
Impact on period end ECL of exposures transferred between stages during the period	(1,231)	10,160	140,781	**149,740**
Net remeasurement of loss allowance	(4,214)	-	(1,485)	**(5,699)**
Write-offs	-	-	(4,084)	**(4,084)**
Foreign exchange adjustments	571	-	3	**574**
At 31 December 2021	**25,905**	**15,971**	**153,877**	**195,753**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to private companies during the year ended 31 December 2021 is as follows:

Private companies	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**7,917,056**	**1,891,219**	**2,014,294**	**11,822,569**
New assets originated or purchased	3,613,297	-	-	**3,613,297**
Assets repaid	(1,765,447)	(400,789)	(408,772)	**(2,575,008)**
Transfers to Stage 1	625,667	(369,206)	(256,461)	-
Transfers to Stage 2	(1,531,635)	1,702,050	(170,415)	-
Transfers to Stage 3	(2,901,308)	(1,044,825)	3,946,133	-
Amounts written off	-	-	(852,496)	**(852,496)**
Foreign exchange adjustments	39,939	2,447	35,356	**77,742**
At 31 December 2021	**5,997,569**	**1,780,896**	**4,307,639**	**12,086,104**

Private companies	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**474,070**	**460,709**	**1,112,266**	**2,047,045**
New assets originated or purchased	395,469	-	-	**395,469**
Assets repaid	(28,710)	(17,379)	(29,788)	**(75,877)**
Transfers to Stage 1	240,459	(102,622)	(137,837)	-
Transfers to Stage 2	(101,339)	171,880	(70,541)	-
Transfers to Stage 3	(363,300)	(234,272)	597,572	-
Impact on period end ECL of exposures transferred between stages during the period	(208,313)	140,566	1,463,241	**1,395,494**
Net remeasurement of loss allowance	(15,735)	(21,362)	(95,118)	**(132,215)**
Amounts written off	-	-	(852,496)	**(852,496)**
Foreign exchange adjustments	2,031	1,280	6,304	**9,615**
At 31 December 2021	**394,632**	**398,800**	**1,993,603**	**2,787,035**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to individuals during the year ended 31 December 2021 is as follows:

Loans to Individuals	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**5,001,526**	**1,117,992**	**684,032**	**6,803,550**
New assets originated or purchased	3,712,263	-	-	**3,712,263**
Assets repaid	(1,930,844)	(347,788)	(312,421)	**(2,591,053)**
Transfers to Stage 1	315,555	(251,780)	(63,775)	-
Transfers to Stage 2	(1,086,813)	1,122,528	(35,715)	-
Transfers to Stage 3	(1,410,076)	(618,460)	2,028,536	-
Amounts written off	-	-	(200,540)	**(200,540)**
At 31 December 2021	**4,601,611**	**1,022,492**	**2,100,117**	**7,724,220**

Loans to Individuals	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**151,435**	**133,808**	**236,489**	**521,732**
New assets originated or purchased	183,081	-	-	**183,081**
Assets repaid	(18,631)	(8,007)	(15,831)	**(42,469)**
Transfers to Stage 1	55,999	(34,995)	(21,004)	-
Transfers to Stage 2	(45,487)	58,005	(12,518)	-
Transfers to Stage 3	(58,079)	(74,262)	132,341	-
Impact on period end ECL of exposures transferred between stages during the period	(48,298)	68,481	545,510	**565,693**
Net remeasurement of loss allowance	(21,784)	(5,838)	2,734	**(24,888)**
Amounts written off	-	-	(200,540)	**(200,540)**
At 31 December 2021	**198,236**	**137,192**	**667,181**	**1,002,609**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to state companies during the year ended 31 December 2020 is as follows:

State companies	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2020	**976,947**	**771**	**4,717**	**982,435**
New assets originated or purchased	165,569	-	-	**165,569**
Assets repaid	(179,210)	(344)	(375)	**(179,929)**
Transfers to Stage 1	442	(442)	-	-
Transfers to Stage 2	(3,113)	3,113	-	-
Transfers to Stage 3	(187,307)	(330)	187,637	-
Foreign exchange adjustments	52,806	99	-	**52,905**
At 31 December 2020	**826,134**	**2,867**	**191,979**	**1,020,980**

State companies	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**20,164**	**156**	**3,612**	**23,932**
New assets originated or purchased	6,725	-	-	**6,725**
Assets repaid	(1,117)	-	(2)	**(1,119)**
Transfers to Stage 1	43	(43)	-	-
Transfers to Stage 2	(68)	68	-	-
Transfers to Stage 3	(5,375)	(113)	5,488	-
Impact on period end ECL of exposures transferred between stages during the period	(34)	465	4,509	**4,940**
Net remeasurement of loss allowance	18,239	-	(261)	**17,978**
Foreign exchange adjustments	1,009	2	-	**1,011**
At 31 December 2020	**39,586**	**535**	**13,346**	**53,467**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to private companies during the year ended 31 December 2020 is as follows:

Private companies	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2020	**5,575,967**	**174,733**	**1,223,989**	**6,974,689**
New assets originated or purchased	5,530,785	-	-	**5,530,785**
Assets repaid	(786,733)	(72,657)	(133,522)	**(992,912)**
Transfers to Stage 1	669,182	(51,745)	(617,437)	-
Transfers to Stage 2	(1,816,151)	1,878,759	(62,608)	-
Transfers to Stage 3	(1,483,383)	(75,695)	1,559,078	-
Foreign exchange adjustments	227,389	37,824	44,794	310,007
At 31 December 2020	**7,917,056**	**1,891,219**	**2,014,294**	**11,822,569**

Private companies	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**140,970**	**31,867**	**678,494**	**851,331**
New assets originated or purchased	357,274	-	-	**357,274**
Assets repaid	(5,743)	(362)	(24,161)	**(30,266)**
Transfers to Stage 1	293,049	(9,567)	(283,482)	-
Transfers to Stage 2	(83,008)	119,921	(36,913)	-
Transfers to Stage 3	(63,754)	(12,230)	75,984	-
Impact on period end ECL of exposures transferred between stages during the period	(259,534)	324,258	702,453	**767,177**
Net remeasurement of loss allowance	75,976	4,212	(8,161)	**72,027**
Foreign exchange adjustments	17,949	2,610	8,052	**28,611**
At 31 December 2020	**474,070**	**460,709**	**1,112,266**	**2,047,045**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to individuals during the year ended 31 December 2020 is as follows:

Loans to Individuals	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2020	**4,219,480**	**78,286**	**278,818**	**4,576,584**
New assets originated or purchased	3,349,417	-	-	**3,349,417**
Assets repaid	(1,017,983)	(59,243)	(45,225)	**(1,122,451)**
Transfers to Stage 1	143,715	(31,079)	(112,636)	-
Transfers to Stage 2	(1,104,803)	1,156,317	(51,514)	-
Transfers to Stage 3	(588,300)	(26,289)	614,589	-
At 31 December 2020	**5,001,526**	**1,117,992**	**684,032**	**6,803,550**

Loans to Individuals	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2020	**43,227**	**6,039**	**100,030**	**149,296**
New assets originated or purchased	104,701	-	-	**104,701**
Assets repaid	(2,973)	(211)	(5,437)	**(8,621)**
Transfers to Stage 1	40,112	(2,669)	(37,443)	-
Transfers to Stage 2	(23,682)	41,449	(17,767)	-
Transfers to Stage 3	(12,140)	(1,863)	14,003	-
Impact on period end ECL of exposures transferred between stages during the period	(35,493)	90,289	174,090	**228,886**
Net remeasurement of loss allowance	37,683	774	9,013	**47,470**
At 31 December 2020	**151,435**	**133,808**	**236,489**	**521,732**

During 2021, the Group recognised loss on initial recognition of loans bearing interest rates lower than market ones in total amount of UZS 18,967 (2020: UZS 52,921).

(millions of Uzbek Soums)

8. Loans to customers (continued)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

For commercial lending, charges over real estate properties, inventory, third party guarantees, vehicles trade receivables and etc.

For retail lending, mortgages over residential properties, third party guarantees vehicles and etc.

The Group also obtains guarantees from Government of the Republic of Uzbekistan for loans to the government related entities.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

During the years ended 31 December 2021 and 2020, the Group received financial and non-financial assets by taking possession of collateral it held as security and calling on guarantees and similar credit enhancements. As at 31 December 2021 and 2020 such assets amounting to UZS 10,578 and UZS 24,804 (See Note 13), respectively, are included in other assets. The management of the Group expects to dispose these assets within 12 months period through public auctions.

Concentration of loans to customers

As at 31 December 2021, the Group had a concentration of loans in the amount of UZS 2,717,820 due from ten largest borrowers representing 13% of gross loan portfolio (2020: UZS 2,599,371 or 13%). An allowance of UZS 843,197 (2020: UZS 343,830) was recognised against these loans.

As at 31 December 2021 and 2020, a significant amount of loans was granted to companies operating in the Republic of Uzbekistan, which represented a significant geographical concentration in one region.

Loans are made principally within Republic of Uzbekistan in the following industry sectors:

	2021	*2020*
Individuals	7,724,220	6,803,550
Manufacturing	4,713,702	4,163,323
Service, transport and communication	2,279,735	3,857,982
Trade	1,612,420	3,017,187
Agriculture	3,877,282	1,332,528
Construction	571,172	472,529
Total loans to customers	**20,778,531**	**19,647,099**
Less – allowance for ECL	(3,985,397)	(2,622,244)
Loans to customers	**16,793,134**	**17,024,855**

(millions of Uzbek Soums)

9. Investment securities

Investment securities comprise:

	2021	*2020*
Debt securities at amortised cost		
State bonds	3,133,271	381,154
Corporate bonds	18,865	26,404
Less – allowance for ECL	(14,175)	(3,415)
Debt securities at amortised cost	**3,137,961**	**404,143**
Equity securities at FVOCI		
Corporate shares	15,375	10,375
Equity shares at FVOCI	**15,375**	**10,375**
Investment securities	**3,153,336**	**414,518**

State bonds comprise debt securities issued by the CBU and the Ministry of Finance of the Republic of Uzbekistan with original maturity up to 2 years.

Equity securities at FVOCI comprise equity investments in:

	2021	*2020*
"Mortgage Refinancing Company of Uzbekistan" JSC	7,000	7,000
"Ozbekiston pochtasi" JSC	5,000	-
Republican Stock Exchange "Toshkent" JSC	2,838	2,838
Other	537	537
Equity securities at FVOCI	**15,375**	**10,375**

As at 31 December 2021 and 2020 all the balances of investments in securities at amortised cost are allocated to Stage 1. An analysis of changes in the gross carrying values and associated ECL during the year is, as follows:

Debt securities at amortised cost	*2021*	*2020*
Gross carrying value as at 1 January	**407,558**	**109,306**
New assets originated or purchased	5,415,386	849,340
Repaid	(2,670,808)	(551,088)
At 31 December	**3,152,136**	**407,558**

Debt securities at amortised cost	*2021*	*2020*
ECLs as at 1 January	**3,415**	**42**
New assets originated or purchased	14,175	3,415
Repaid	(3,415)	(42)
At 31 December	**14,175**	**3,415**

(millions of Uzbek Soums)

10. Property and equipment and intangible assets

The movements in property and equipment were as follows:

	Buildings and premises	*Construction in progress*	*Furniture and equipment*	*Others*	*Total*
Cost					
1 January 2020	**214,815**	**134,852**	**353,359**	**48,688**	**751,714**
Additions	22	120,424	145,830	5,520	**271,796**
Transfers	65,594	(65,594)	-	-	**-**
Disposals and write-offs	(1,456)	(17,851)	(3,121)	(920)	**(23,348)**
31 December 2020	**278,975**	**171,831**	**496,068**	**53,288**	**1,000,162**
Additions	2,512	152,740	164,840	505	**320,597**
Transfers	51,082	(51,082)	-	-	**-**
Disposals and write-offs	(682)	-	(21,473)	(1,381)	**(23,536)**
31 December 2021	**331,887**	**273,489**	**639,435**	**52,412**	**1,297,223**

	Buildings and premises	*Construction in progress*	*Furniture and equipment*	*Others*	*Total*
Accumulated depreciation					
1 January 2020	**(38,988)**	**-**	**(128,919)**	**(21,180)**	**(189,087)**
Charge for the year	(8,567)	-	(63,312)	(11,602)	**(83,481)**
Disposals and write-offs	717	-	2,206	755	**3,678**
31 December 2020	**(46,838)**	**-**	**(190,025)**	**(32,027)**	**(268,890)**
Charge for the year	(10,272)	-	(94,382)	(11,015)	**(115,669)**
Disposals and write-offs	243	-	17,396	1,311	**18,950**
31 December 2021	**(56,867)**	**-**	**(267,011)**	**(41,731)**	**(365,609)**
Net book value					
31 December 2020	**232,137**	**171,831**	**306,043**	**21,261**	**731,272**
31 December 2021	**275,020**	**273,489**	**372,424**	**10,681**	**931,614**

11. Taxation

The corporate income tax expense comprises:

	2021	*2020*
Current income tax	18,475	14,546
Deferred tax credit - origination and reversal of temporary differences	(336,417)	(223,536)
Income tax benefit	**(317,942)**	**(208,990)**

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Uzbekistan, where the Group operates, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

(millions of Uzbek Soums)

11. Taxation (continued)

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2021 and 2020 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.
The corporate income tax rate applicable to the majority of the Group's income comprised 20% for 2021 and 2020, respectively.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2021	*2020*
Loss before tax	**(1,595,397)**	**(610,986)**
Statutory tax rate	20%	20%
Theoretical income tax benefit at the statutory rate	**(319,079)**	**(122,197)**
Non-deductible expenditures	1,137	4,096
Tax exempt income	-	(90,889)
Income tax benefit	**(317,942)**	**(208,990)**

Tax exempt income includes interest income on government bonds, interest income on the CBU bonds and interest income on investments made using proceeds from pension funds.

Deferred tax assets and liabilities as of 31 December 2021 and 2020 and their movements for the respective years then ended comprise:

		Origination and reversal of temporary differences		*Origination and reversal of temporary differences*	
Tax effect of deductible temporary differences	*1 January 2020*	*In the statement of profit or loss*	*31 December 2020*	*In the statement of profit or loss*	*31 December 2021*
Cash and cash equivalents	522	637	1,159	3,843	5,002
Amounts due from credit institutions	12,666	(5,291)	7,375	(158)	7,217
Loans to customers	149,095	278,491	427,586	(109,745)	317,841
Investment securities	287	396	683	2,152	2,835
Amounts due to customers	38,095	(38,095)	-	-	-
Property and equipment	11,366	(4,666)	6,700	(810)	5,890
Other liabilities	1,500	3,057	4,557	3,290	7,847
Loss carryforward	-	-	-	437,368	437,368
Deferred tax asset	**213,531**	**234,529**	**448,060**	**335,940**	**784,000**
Tax effect of taxable temporary differences					
Investments in associates and subsidiaries	1,886	(1,886)	-	-	-
Other borrowed funds	(10,368)	12,879	2,511	(477)	2,034
Deferred tax liability	**(8,482)**	**10,993**	**2,511**	**(477)**	**2,034**
Net deferred tax asset	**222,013**	**223,536**	**445,549**	**336,417**	**781,966**

In 2021 the Bank incurred a pre-tax loss of UZS 2 219 310 per its statuary accounts. Tax losses carried forward have no limitation period for utilization pursuant to the tax legislation of the Republic of Uzbekistan. The Group analyzed projected financial results, supported by the actual statutory financial results of the Bank for interim period ending as of the date of these consolidated financial statements release. Based on this analysis, as at 31 December 2021 the Group recognised deferred tax asset related to tax loss, which the Group believes will be fully utilized during the period subsequent to 31 December 2021.

(millions of Uzbek Soums)

12. Credit loss expense and other impairment and provisions

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2021:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	6	19,216	-	-	**19,216**
Amounts due from credit institutions	7	(793)	-	-	**(793)**
Loans to customers at amortised cost	8	(48,920)	(44,369)	2,503,373	**2,410,084**
Debt securities measured at amortised cost	9	10,760	-	-	**10,760**
Other financial assets	13	-	-	2,074	**2,074**
Loan commitments	19	3,879	-	-	**3,879**
Letters of credit	19	2,927	-	-	**2,927**
Total credit loss expense		**(12,931)**	**(44,369)**	**2,505,447**	**2,448,147**

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2020:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	6	4,286	-	-	**4,286**
Amounts due from credit institutions	7	2,176	-	-	**2,176**
Loans to customers at amortised cost	8	441,772	554,378	571,913	**1,568,063**
Debt securities measured at amortised cost	9	3,373	-	-	**3,373**
Other financial assets	13	-	-	7,206	**7,206**
Financial guarantees	19	(411)	-	-	**(411)**
Loan commitments	19	(963)	-	-	**(963)**
Total credit loss expense		**450,233**	**554,378**	**579,119**	**1,583,730**

13. Other assets and liabilities

Other assets comprise:

	2021	*2020*
Other financial assets		
Commission receivables	26,389	23,072
Receivables from employees	12,355	10,336
Receivables as a result of court proceedings	2,425	602
Other financial assets	1,809	2,236
	42,978	**36,246**
Less allowance for impairment of other financial assets	(12,282)	(10,208)
Total other financial assets	**30,696**	**26,038**
Other non-financial assets		
Prepayments for materials services and PPE	83,557	87,669
Inventory	11,738	7,971
Repossessed assets	10,578	24,804
Other non-financial assets	6,556	12,165
Total other assets non-financial assets	**112,429**	**132,609**
Less allowance for impairment of other financial assets	(4,538)	(5,628)
Total other financial assets	**108,891**	**127,981**
Other assets	**138,587**	**153,019**

(millions of Uzbek Soums)

13. Other assets and liabilities (continued)

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2021 is as follows:

	2021	2020
ECL at 1 January 2021	**10,208**	**3,002**
New assets originated or purchased	2,195	7,206
Repaid	(121)	-
At 31 December 2021	**12,282**	**10,208**

Other liabilities comprise:

	2021	2020
Other financial liabilities		
Accounts payable	14,896	22,548
Payables to employees	16,968	13,206
Total other financial liabilities	**31,864**	**35,754**
Other non-financial liabilities		
Taxes payable, other than income tax	34,928	72,806
Lottery obligations	24,262	19,560
Other	4,850	8,567
Total other non-financial liabilities	**64,040**	**100,933**
Allowance for credit related liabilities and financial guarantees	14,808	8,002
Other liabilities	**110,712**	**144,689**

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2021	2020
Term deposits	934,582	1,363,485
Correspondent accounts with other banks	11,617	12,382
Amounts due to the CBU	-	159,500
Amounts due to credit institutions	**946,199**	**1,535,367**

15. Amounts due to customers

The amounts due to customers include the following:

	2021	2020
Pension savings	5,668,641	5,121,057
Time deposits	4,741,512	4,034,278
Current accounts	1,915,725	1,843,967
Amounts due to customers	**12,325,878**	**10,999,302**
Held as security against letters of credit	24,186	245,821

According to the Law No.702 dated 12 December 2004 the pension savings of participants of the pension savings plan are accumulated with the Bank. On a monthly basis, voluntary contributions and contributions withheld by the employers are transferred to the Bank. The Bank keeps detailed accounting for each participant of the pension plan based on the agreement between the Bank and each participant.

According to the same Law, the State guarantees each participant of the pension plan the safe-keeping and distribution of pension savings. The Bank, at the approval of the Ministry of Finance of Uzbekistan and the CBU, accrues interest on outstanding amount of accumulated pension funds in the amount not less than inflation rate. The interest rate is determined by the Bank, upon approval of the Ministry of Finance and the CBU, taking into account income received from investing the pension funds. The type and the amount of investments to be made are determined by the Ministry of Finance and the CBU.

(millions of Uzbek Soums)

15. Amounts due to customers (continued)

As of 31 December, accumulated pension funds were invested into following financial instruments by the Bank:

	2021		2020	
	Amount	Average interest	Amount	Average interest
Government securities	2,729,259	14%	102,200	14%
Term deposits	1,490,016	14%	1,932,307	15%
Loans	841,545	14%	1,675,660	15%
Total	**5,060,820**		**3,710,167**	

At the end of each year, interest accrued in the amount of inflation is capitalized onto pension savings fund. In 2021 and 2020, the Bank capitalized interest in the amount of UZS 515,100 (inflation rate 9,98%) and UZS 516,800 (inflation rate 11,1%) onto pension savings account, respectively. The remaining amount earned is accumulated as a liability and used to cover the deficit; in case the earned interest is less than the amount calculated at inflation rate. As of 31 December 2021, the accumulated unpaid interest was UZS 22,400 (31 December 2020 – nil).

Once participant of pension savings program becomes eligible for pension payment, the total amount is paid at once or by monthly instalments at the request of the participant.

As at 31 December 2021, amounts due to customer of UZS 3,704,030 (30%) were due to the ten largest customers (2020 UZS 2,876,545 (26%).

Amounts due to customers include accounts with the following types of customers:

	2021	2020
Individuals	7,846,608	6,979,924
State owned and budgetary organizations	3,724,005	3,419,346
Private enterprises	681,985	523,705
Other	73,280	76,327
Amounts due to customers	**12,325,878**	**10,999,302**

An analysis of customer accounts by economic sector follows:

	2021	2020
Individuals	7,846,608	6,979,924
Government social structure	3,724,005	3,419,346
Financial sector	184,583	156,268
Trading and catering	140,693	115,193
Manufacturing	139,260	113,852
Services	114,557	87,334
Agriculture	51,329	28,161
Construction	41,648	19,101
Transport and communication	9,915	3,796
Other	73,280	76,327
Amounts due to customers	**12,325,878**	**10,999,302**

(millions of Uzbek Soums)

16. Other borrowed funds

Other borrowed funds consisted of the following:

	2021	*2020*
Ministry of Finance of the Republic of Uzbekistan	3,203,190	2,965,815
Cargill Financial Services International, Inc	1,300,834	2,029,550
Fund for Reconstruction and Development of the Republic of Uzbekistan	1,260,849	1,126,751
Sovcombank	419,291	-
ICBC Standard Bank Plc	377,510	-
Central Bank of the Republic of Uzbekistan	234,649	351,021
"Yoshlar-Kelajagimiz" Fund	207,509	309,170
Public Fund for Support of Women and Family	149,850	121,171
Fund for Support of Farms, Dekhkan Farms and Owners of Household Lands	98,985	100,987
ODDO BHF AKTIENGESELLSCHAFT DE	66,338	-
JSC National Bank for Foreign Economic Activity of the Republic of Uzbekistan	46,011	53,419
Ministry of Employment and Labor Relations of the Republic of Uzbekistan	20,556	47,898
JSC Uzbekistan Mortgage Refinancing Company	20,474	-
Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan	19,434	-
Fund for Support of Small Businesses under the Navoi Region Khokimiyat	16,420	-
Agency for the Development of Viticulture and Winemaking	11,498	10,509
TMF Global Services	-	1,068,743
Eximbank of Russia	-	33,625
Other	48,128	34,812
Other borrowed funds	**7,501,526**	**8,253,471**

Other borrowed funds comprise financing received from different Government agencies and international and local financial institutions to further finance different programs and for specific purposes.

As at 31 December 2021 and 2020 the balance due to the Ministry of Finance of the Republic of Uzbekistan consisted of:

- Funds under the refinancing program with International Bank of Reconstruction and Development (IBRD) comprising three loan agreements nominated in US dollars, which had issue dates between 15 January 2016 - 30 June 2018, maturity dates between 15 March 2034 - 15 May 2043 with the principal being repaid semi-annually starting from 15 September 2019 - 15 September 2023. Funds were attracted for the purpose of developing horticultural and livestock sectors in the Republic of Uzbekistan.

- Financing under the refinancing program with Asian Development Bank (ADB) comprising the loan agreement nominated in Uzbek soums (one of tranches was issued in US dollars), which was signed on 10 February 2020, maturing on 15 May 2043 with the principal being repaid semi-annually starting from 2023. Funds were attracted for the project of livestock value chain development in the Republic of Uzbekistan.

- Funds under the refinancing program with International Development Association of World Bank consisting of three loan agreements nominated in US dollars, which had issue dates between 26 April 2014 - 31 October 2018, maturity dates between 15 March 2032 - 15 September 2040 with the principal being repaid semi-annually starting from 15 September 2017 - 15 November 2022. Funds were attracted for developing livestock sector and financing of agricultural investment projects in the Republic of Uzbekistan, and within the project on adaptation to climate changes and mitigation of consequences to the Aral Lake.

- Resources under the refinancing program with Japan International Cooperation Agency (JICA) comprising the loan agreement signed on 15 June 2020, maturing on 20 December 2044 - 15 June 2045 with the principal being repaid semi-annually starting from 2026. Funds were attracted for the development of the project of horticultural value chain in the Republic of Uzbekistan.

- Financing under the refinancing program with International Fund for Agricultural Development is formed in accordance with three loan agreements nominated in US dollars, which had issue dates between 19 April 2017 - 6 September 2019, maturity dates between 15 May 2035 - 6 September 2044 with the principal being repaid semi-annually starting from 15 November 2020-15 May 2023. Funds were attracted for the purpose of livestock sector development in the Republic of Uzbekistan.

(millions of Uzbek Soums)

16. Other borrowed funds (continued)

As at 31 December 2021 the balance due to Cargill Financial Services International, Inc. consisted of several loan agreements nominated in US dollars and EUR, which were concluded between 29 November 2019 - 7 July 2020, had maturity dates between 30 June 2022 - 26 June 2023 (31 December 2020: several loan agreements nominated in US dollars and EUR, which were concluded between 16 July 2019 - 7 July 2020, had maturity dates between 26 February 2021 - 26 June 2023). Funds were attracted solely for the purpose of financing export and/or import of goods by particular clients within letter of credit settlement scheme.

As at 31 December 2021 the balance due to the Fund for Reconstruction and Development of the Republic of Uzbekistan comprised several loan agreements nominated in Uzbek soums and US dollars, which were concluded between 12 January 2018 - 12 November 2021, had maturity dates between 15 January 2024 - 15 April 2028 with the principal being repaid semi-annually starting from 2021 (31 December 2020: several loan agreements nominated in Uzbek soums and US dollars, which were concluded between 12 January 2018 - 8 July 2020, had maturity dates between 6 February 2026 - 11 April 2028 with the principal being repaid semi-annually starting from 2021). Funds were attracted within different state support programs, among which are "Each family is an entrepreneur", provision of microloans to women and young people, financing projects in Samarkand region.

The Group entered into new loan agreement with Sovcombank for the amount of UZS 418,900 million in April of 2021. The credit line was provided for corporate-wide objectives of the Group, had maturity in four years.

In May 2021 the Group entered into new loan agreement of UZS 367,543 million with ICBC Standard Bank Plc for the commercial purposes with maturity in one year.

Long-term financing from the Central Bank of the Republic of Uzbekistan was provided for the corporate-wide and liquidity management objectives of the Group. As at 31 December 2021 the balance consisted of two loan agreements nominated in Uzbek soums, signed on 8 July 2019 and 14 September 2020, with maturity dates on 25 September 2023 and on 25 September 2024 with the principal being repaid monthly starting from 2021.

As at 31 December 2021 and 2020 the balance due to "Yoshlar-Kelajagimiz" Fund comprised two loan agreements nominated in Uzbek soums, signed on10 August 2018 and 28 December 2019, with maturity dates on 31 December 2024 and on 20 February 2025 with the principal being repaid monthly starting from 2019, and with interest rates of 5.00% p.a. and 12.00% p.a. Funds were attracted within the framework of the state project "Yoshlar-Kelajagimiz".

As at 31 December 2021 the balance due to Public Fund for Support of Women and Family consisted of several loan agreements nominated in Uzbek soums, which were concluded between 15 July 2019 - 12 April 2021, had maturity dates between 22 May 2022 - 26 June 2024 with the principal being repaid monthly starting from 2020. (31 December 2020: several loan agreements nominated in Uzbek soums, which were concluded between 20 November 2018 - 30 October 2020, had maturity dates between 29 November 2021 - 25 July 2023 with the principal being repaid monthly starting from 2019. Funds were attracted for the financing different activities and education of women and families, facing poor social and financial conditions.

The remaining credit lines also consisted of funds attracted for financing different state support programs and own commercial objectives of the Group.

17. Subordinated loans

Subordinated loans comprise loans from Ministry of Finance of the Republic of Uzbekistan in the total amount of UZS 249,925 which was received in 2017 and 2018 with an interest rate of 3.00% p.a. maturing in 15 years. The loan ranks after all other creditors' claims are fully settled in the case of liquidation.

18. Equity

As at 31 December 2021 and 2020 the number of authorised ordinary shares were 7,433,379,7990 and 4,230,911,952 respectively, with a nominal value per share of UZS 1000. All authorised shares have been issued and fully paid.

In 2021, based on the decision made during the extraordinary shareholders meeting that took place on 29 September 2021, cash contribution received from the Fund for Reconstruction and Development of the Republic of Uzbekistan (FRDU) in the amount of UZS 2,516,532 and dividends in the amount of UZS 283,983 payable to FRDU and UZS 121,092 payable to Ministry of Finance were capitalized to the share capital of the Group.

According to the Presidential Decree №5041 dated 27 March 2021, the Group's share capital was increased by UZS 200,000 following a cash contribution made by the Ministry of Finance.

(millions of Uzbek Soums)

18. Equity (continued)

According to the Presidential Decree №3694 dated 4 May 2018, the Bank had been granted a relief from payment of all taxes for the period till 31 December 2020. In 2021, the Bank capitalized accumulated taxes in the amount of UZS 80,861 to the share capital as a contribution of the Ministry of Finance.

The Group's distributable reserves among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. In the consolidated statement of financial position, non-distributable reserves are part of retained earnings.

19. Commitments and contingencies

Operating environment

Uzbekistan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Uzbekistan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

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 current circumstances.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Taxation

Uzbekistan currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Implementing regulations are often unclear or non-existent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations (like the State Tax Committee and its various inspectorates) thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities that are empowered by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in Uzbekistan substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

As at 31 December 2021 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

Commitments and contingencies

As of 31 December, the Group's commitments and contingencies comprised the following:

	2021	*2020*
Credit related commitments		
Letters of credit	31,162	242,576
Undrawn loan commitments	682,196	465,482
Financial guarantees	-	6,519
Commitments and contingencies	**713,358**	**714,577**
Provision for ECL for credit related commitments	(14,808)	(8,002)
Deposits held as securities against letters of credit	(24,186)	(245,821)

(millions of Uzbek Soums)

19. Commitments and contingencies (continued)

All balances of commitments and contingencies are allocated to Stage 1. An analysis of changes in the ECL allowances during the years ended 31 December is as follows:

Undrawn loan commitments	*2021*	*2020*
ECL allowance as at 1 January	**8,002**	**8,965**
New exposures	11,881	8,002
Amounts paid	(8,002)	(8,965)
At 31 December	**11,881**	**8,002**

Letters of credit	*2021*	*2020*
ECL allowance as at 1 January	**-**	**-**
New exposures	2,927	-
At 31 December	**2,927**	**-**

Financial guarantees	*2021*	*2020*
ECL allowance as at 1 January	**-**	**411**
Amounts paid	-	(411)
At 31 December	**-**	**-**

20. Net interest income

Net interest income comprises:

	2021	*2020*
Loans to customers	2,932,762	2,505,111
Amounts due from credit institutions	272,964	359,510
Investment securities	244,756	52,611
Interest revenue calculated using effective interest rate	**3,450,482**	**2,917,232**
Amounts due to customers	(1,239,541)	(993,886)
Other borrowed funds	(681,062)	(332,274)
Amounts due to credit institutions	(127,714)	(77,747)
Debt securities issued	(11,607)	(12,676)
Subordinated loans	(7,454)	(7,475)
Interest expense calculated using effective interest rate	**(2,067,378)**	**(1,424,058)**
Net interest income	**1,383,104**	**1,493,174**

(millions of Uzbek Soums)

21. Net fee and commission income

Net fee and commission income comprises:

	2021	*2020*
Agency fee and commission income	446,294	286,264
Social pension distribution income	286,753	254,890
Settlement operations	179,102	165,552
Foreign settlement operations	70,922	61,421
Terminal operations	16,316	14,478
Cash operations	14,039	7,630
Other	12,408	17,614
Fee and commission income	**1,025,834**	**807,847**
Agency commission expenses	313,847	205,788
Settlement operations	24,255	27,278
Cash collection services	8,969	15,250
Terminal operations	1,293	1,325
Securities commissions	1,068	234
Other	10,917	7,993
Fee and commission expense	**360,349**	**257,868**
Net fee and commission income	**665,485**	**549,979**

22. Other income

	2021	*2020*
Lottery income	84,741	69,044
Gain from a disposal of fixed assets	10,128	17,166
Fines and penalties	2,620	1,793
Rental Income	537	657
Other	5,623	7,012
Total other income	**103,649**	**95,672**

(millions of Uzbek Soums)

23. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2021	*2020*
Salaries and bonuses	760,440	670,001
Social security costs	84,696	74,178
Personnel expenses	**845,136**	**744,179**
Depreciation	116,397	81,545
Security services	103,098	71,660
Operating taxes	49,192	39,955
Office supplies	42,255	44,143
Repair and maintenance of property and equipment	26,217	20,199
Charity and sponsorship	17,741	8,926
Insurance	13,916	2,647
Marketing and advertising	13,040	8,088
Utility	10,557	11,474
Business travel and related	10,012	8,129
Postage, telephone and fax	9,392	6,181
Fuel expenses	9,232	6,158
Occupancy and rent	6,554	1,132
Legal and consultancy	4,657	1,422
Representation and entertainment	65	2,641
Other	34,075	12,726
Other operating expenses	**466,400**	**327,026**
Total operating expenses	**1,311,536**	**1,071,205**

24. Risk management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Group.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

(millions of Uzbek Soums)

24. Risk management (continued)

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Bank Treasury

Bank Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, , liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and types of products takes place. Senior management assesses the appropriateness of the allowance for expected credit losses on a recurring basis.

Excessive risk concentration

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.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

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 a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings which are described in section "Internal rating scales below" are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

(millions of Uzbek Soums)

24. Risk management (continued)

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

Impairment assessment

The Group calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The *Exposure at Default* 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, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. The Group records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Significant increase in credit risk

In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk using following criteria:

- The principal and/or interest on financial assets are past due for 31-90 days;
- Restructured loans;
- External rating decreases for 3 notches.

(millions of Uzbek Soums)

24. Risk management (continued)

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as the account becoming restructured due to credit event. In certain cases, the Bank may also consider that events explained in "Definition of default" section below are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers amounts due from banks defaulted and takes immediate action when the required intraday payments either interest or principal are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events may include:

Internal rating of the borrower indicating default or near-default;

The borrower requesting emergency funding from the Group;

The borrower is deceased;

A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;

A material decrease in the borrower's turnover or the loss of a major customer;

The debtor (or any legal entity within the debtor's group) filing for bankruptcy;

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

(millions of Uzbek Soums)

24. Risk management (continued)

Internal rating scales

The Group's applies the following internal ratings scale for loans and advances to customers and other financial assets, which is primarily based on the statutory regulation on financial assets classification:

Internal rating grade	*Internal rating grade description*	*Description*
1 Standard	High grade	Timely repayment of these 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 estimating 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.
2 Sub-standard	Standard grade	"Sub-standard" loans are loans, secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are on the present, which raise doubts on the ability of the borrower to repay on time. "Standard" loans with insufficient information in the credit file or missed information on collateral could be also classified as "substandard" loans.
3 Unsatisfactory	Sub-standard grade	Unsatisfactory loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "unsatisfactory" loans, the primary source of repayment is not sufficient and the Group has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral
4 Doubtful	Impaired	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as "unsatisfactory" with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable
5 Uncollectable	Impaired	This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that it is not practical or desirable to defer writing off these essentially worthless assets even though partial recovery may occur in the future and the Group should make efforts on liquidation of such debts through selling collateral or should apply all forces for its repayment

Financial assets other than loans to customers are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's.

(millions of Uzbek Soums)

24. Risk management (continued)

The Group's internal credit rating grades for interbank placements and debt securities measured at amortised cost are as follows:

Internal rating grade	*International external rating agency (Fitch) rating*	*Internal rating description*
1	AA+ to AAA	
	AA	High grade
2	A+ to AA-	
	A-	
	BBB+	
	BBB	Standard grade
	BBB-	
	BB+	
3	BB- to BB	
	B- to B+	Sub-standard grade
	CCC	
	CCC-	
4-5	D	Impaired

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- Stage 3 assets, with exposure greater than 2% of statuary capital.

For other assets classes the Group calculates ECL on a collective basis.

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example, product type, or borrower's industry.

Forward-looking information and multiple economic scenarios

In its ECL estimation process, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Inflation rates.
- NPL

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.
The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position, based on the Group's credit rating system.

(millions of Uzbek Soums)

24. Risk management (continued)

Credit risk (continued)

31 December 2021	*Note*	*Stage*	*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	6	Stage 1	1,187,782	-	1,084,764	-	**2,272,546**
Amounts due from credit institutions	7	Stage 1	-	-	1,740,379	-	**1,740,379**
Loans to customers at amortised cost	8						
- State companies		Stage 1	556,570	-	-	-	**556,570**
		Stage 2	-	60,262	390	-	**60,652**
		Stage 3	-	-	-	155,232	**155,232**
- Private companies		Stage 1	5,267,959	334,978	-	-	**5,602,937**
		Stage 2	-	1,382,096	-	-	**1,382,096**
		Stage 3	-	-	535,491	1,778,545	**2,314,036**
- Individuals		Stage 1	4,371,060	32,315	-	-	**4,403,375**
		Stage 2	-	885,300	-	-	**885,300**
		Stage 3	-	-	16,352	1,416,584	**1,432,936**
Investment financial assets - measured at amortised cost	9	Stage 1	-	-	3,137,961	-	**3,137,961**
Undrawn loan commitments	19	Stage 1	682,196	-	-	-	**682,196**
Letters of credit	19	Stage 1	31,162	-	-	-	**31,162**
			12,842,895	**2,746,859**	**4,017,016**	**3,350,361**	**22,957,131**

31 December 2020	*Note*	*Stage*	*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	6	Stage 1	1,618,322	-	1,180,590	-	**2,798,912**
Amounts due from credit institutions	7	Stage 1	-	-	2,790,212	-	**2,790,212**
Loans to customers at amortised cost	8						
- State companies		Stage 1	786,548	-	-	-	**786,548**
		Stage 2	-	2,332	-		**2,332**
		Stage 3	-	-	-	178,633	**178,633**
- Private companies		Stage 1	7,442,986	-	-	-	**7,442,986**
		Stage 2	-	1,430,510	-	-	**1,430,510**
		Stage 3	-	-	-	902,028	**902,028**
- Individuals		Stage 1	4,850,091	-	-	-	**4,850,091**
		Stage 2	-	984,184	-	-	**984,184**
		Stage 3	-	-	-	447,543	**447,543**
Investment financial assets - measured at amortised cost	9	Stage 1	-	-	404,143	-	**404,143**
Financial guarantees	19	Stage 1	6,519	-	-	-	**6,519**
Undrawn loan commitments	19	Stage 1	465,482	-	-	-	**465,482**
Letters of credit	19	Stage 1	242,576	-	-	-	**242,576**
			16,779,599	**2,452,869**	**404,143**	**1,528,204**	**21,164,815**

(millions of Uzbek Soums)

24. Risk management (continued)

Credit risk (continued)

See Note 8 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

The geographical concentration of Group's financial assets and liabilities is set out below:

	2021			
	Republic of Uzbekistan	*OECD*	*CIS and other foreign countries*	*Total*
Assets				
Cash and cash equivalents	2,074,461	12,167	185,918	**2,272,546**
Amounts due from credit institutions	1,683,183	2,029	55,167	**1,740,379**
Loans to customers	16,793,134	-	-	**16,793,134**
Investment securities	3,153,336	-	-	**3,153,336**
Other financial assets	30,696	-	-	**30,696**
	23,734,810	**14,196**	**241,085**	**23,990,091**
Liabilities				
Amounts due to the credit institutions	519,432	-	426,767	**946,199**
Amounts due to customers	12,325,878	-	-	**12,325,878**
Debt securities issued	49,427	-	-	**49,427**
Other borrowed funds	5,325,826	1,369,127	806,573	**7,501,526**
Subordinated loans	249,925	-	-	**249,925**
Other financial liabilities	32,770	-	-	**32,770**
	18,503,258	**1,369,127**	**1,233,340**	**21,105,725**
Net assets/(liabilities)	**5,231,552**	**(1,354,931)**	**(992,255)**	**2,884,366**

	2020			
	Republic of Uzbekistan	*OECD*	*CIS and other foreign countries*	*Total*
Assets				
Cash and cash equivalents	2,533,689	3,214	262,009	**2,798,912**
Amounts due from credit institutions	2,773,132	13,218	3,862	**2,790,212**
Loans to customers	17,024,855	-	-	**17,024,855**
Investment securities	414,518	-	-	**414,518**
Other financial assets	26,038	-	-	**26,038**
	22,772,232	**16,432**	**265,871**	**23,054,535**
Liabilities				
Amounts due to the credit institutions	777,810	-	-	-
Amounts due to customers	10,999,302	-	-	-
Debt securities issued	70,127	-	-	-
Other borrowed funds	5,120,821	3,099,025	3,099,025	3,099,025
Subordinated loans	249,925	-	-	-
Other financial liabilities	34,919	-	-	-
	17,252,904	**3,099,025**	**3,099,025**	**3,099,025**
Net assets/(liabilities)	**5,519,328**	**(3,082,593)**	**(3,082,593)**	**(3,082,593)**

(millions of Uzbek Soums)

24. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily regularly. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can assess to meet liquidity needs. In addition, the Group maintains a cash deposit (obligatory reserve) with the CBU, the amount of which depends on the level of customer funds attracted.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

As at 31 December 2021	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to credit institutions	167,332	47,954	648,065	331,882	**1,195,233**
Amounts due to customers	2,939,614	1,801,426	3,113,480	5,512,937	**13,367,457**
Debt securities issued	-	-	49,427	-	**49,427**
Other borrowed funds	131,104	1,554,644	3,962,094	5,764,420	**11,412,262**
Subordinated loans	1,864	5,591	29,817	314,621	**351,893**
Other liabilities	31,868	-	-	-	**31,868**
Letters of credit	31,162	-	-	-	**31,162**
Undrawn loan commitments	682,196	-	-	-	**682,196**
Total undiscounted financial liabilities	**3,985,140**	**3,409,615**	**7,802,883**	**11,923,860**	**27,121,498**

As at 31 December 2020	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to credit institutions	870,019	423,513	100,150	298,666	**1,692,348**
Amounts due to customers	3,726,683	1,881,601	2,045,028	4,260,354	**11,913,666**
Debt securities issued	227		69,900	-	**70,127**
Other borrowed funds	410,589	1,900,677	3,622,530	5,853,892	**11,787,688**
Subordinated loans	1,864	5,591	29,817	322,075	**359,347**
Other liabilities	35,754	-	-	-	**35,754**
Letters of credit	242,576	-	-	-	**242,576**
Undrawn loan commitments	465,482	-	-	-	**465,482**
Financial guarantees	6,519	-	-	-	**6,519**
Total undiscounted financial liabilities	**5,759,713**	**4,211,382**	**5,867,425**	**10,734,987**	**26,573,507**

(millions of Uzbek Soums)

24. Risk management (continued)

Liquidity risk and funding management (continued)

The Group's all commitments and contingencies are considered to be as on demand due to the fact that according to contractual terms they can be allocated to the earliest period in which they can be called. The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The Group's capability to repay its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time.

The Group has received significant funds from *Fund for Reconstruction and Development of the Republic of Uzbekistan, Ministry of Finance of the Republic of Uzbekistan, JSC Uzbekistan Mortgage Refinancing of Uzbekistan, Sovcombank, ICBC Standard Bank Plc, ODDO BHF AKTIENGESELLSCHAFT DE and Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan.* Any significant withdrawal of these funds would have an adverse impact on the operations of the Group. Management believes that this level of funding will remain with the Group for the foreseeable future and that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Market risk

Market risk is that the risk that the Group's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk, credit spreads, and equity prices that the Group is exposed to. There have been no changes as to the way the Group measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.

The Group is exposed to interest rate risks as it borrows funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The Treasury Department also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Treasury Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

Market risk – non-trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December

(millions of Uzbek Soums)

24. Risk management (continued)

Market risk (continued)

Assets/Liabilities	*Increase in basis point (LIBOR) 2021*	*Sensitivity of net interest income 2021*
Financial assets	+125	8,016
Financial liabilities		(15,557)

Assets/Liabilities	*Decrease in basis point 2021*	*Sensitivity of net interest income 2021*
Financial assets	-25	(1,603)
Financial liabilities		3,111

Assets/Liabilities	*Increase in basis point 2020*	*Sensitivity of net interest income 2020*
Financial assets	+100	5,947
Financial liabilities		(22,708)

Assets/Liabilities	*Decrease in basis point 2020*	*Sensitivity of net interest income 2020*
Financial assets	-25	(1,487)
Financial liabilities		5,677

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Treasury Department controls currency risk by managing the open currency position on the estimated basis of UZS devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of the Central Bank of the Republic of Uzbekistan.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	UZS	*USD*	*EURO*	*Other Currency*	*2021*
Financial assets					
Cash and cash equivalents	1,422,565	767,752	71,225	11,004	**2,272,546**
Amounts due from credit institutions	1,411,330	328,794	255	-	**1,740,379**
Loans to customers	12,570,003	3,529,184	693,947	-	**16,793,134**
Investment securities	3,153,336	-	-	-	**3,153,336**
Other financial assets	30,623	-	-	-	**30,623**
Total financial assets	**18,587,857**	**4,625,730**	**765,427**	**11,004**	**23,990,018**
Financial liabilities					
Amounts due to credit institutions	409,709	535,503	986	1	**946,199**
Amounts due to customers	11,239,899	1,071,788	13,200	991	**12,325,878**
Debt securities issued	49,427	-	-	-	**49,427**
Other borrowed funds	3,040,532	3,633,043	827,951	-	**7,501,526**
Subordinated loans	249,925	-	-	-	**249,925**
Other financial liabilities	32,770	-	-	-	**32,770**
Total financial liabilities	**15,022,262**	**5,240,334**	**842,137**	**992**	**21,105,725**
Open balance sheet position	**3,565,595**	**(614,604)**	**(76,710)**	**10,012**	

(millions of Uzbek Soums)

24. Risk management (continued)

Market risk (continued)

	UZS	*USD*	*EURO*	*Other Currency*	*2020*
Financial assets					
Cash and cash equivalents	874,403	1,425,132	483,013	16,364	**2,798,912**
Amounts due from credit institutions	2,586,234	80,860	123,118	-	**2,790,212**
Loans to customers	12,590,947	3,487,851	946,057	-	**17,024,855**
Investment securities	414,518	-	-	-	**414,518**
Other financial assets	25,911	-	-	-	**25,911**
Total financial assets	**16,492,013**	**4,993,843**	**1,552,188**	**16,364**	**23,054,408**
Financial liabilities					
Amounts due to credit institutions	631,136	814,649	89,582	-	**1,535,367**
Amounts due to customers	9,573,265	1,319,867	104,691	1,479	**10,999,302**
Debt securities issued	70,127	-	-	-	**70,127**
Other borrowed funds	3,222,750	3,493,413	1,537,308	-	**8,253,471**
Subordinated loans	249,925	-	-	-	**249,925**
Other financial liabilities	34,919	-	-	-	**34,919**
Total financial liabilities	**13,782,122**	**5,627,929**	**1,731,581**	**1,479**	**21,143,111**
Open balance sheet position	**2,709,891**	**(634,086)**	**(179,393)**	**14,885**	

The tables below indicate the currencies to which the Group had significant exposure as at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the UZS, with all other variables held constant on the consolidated statement of profit or loss). The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	*UZS depreciation / appreciation 2021*	*Effect on profit before tax 2021*	*Change in currency rate in % 2020*	*Effect on profit before tax 2020*
USD	20.8%	(127,838)	23.4%	(148,392)
EUR	20.2%	(15,495)	22.4%	(40,184)
USD	-20.8%	127,838	-23.4%	148,392
EUR	-20.2%	15,495	-22.4%	40,184

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(millions of Uzbek Soums)

25. Fair value measurements

Fair value measurement procedures

The Group does not have material assets or liabilities that require recurring fair value measurement. For non-recurring fair value measurements the Group can involve external valuers.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Group's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	Fair value measurement using			
At 31 December 2021	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Investment securities - equity securities at FVOCI	-	-	15,375	**15,375**
Assets for which fair values are disclosed				
Cash and cash equivalents	2,272,546	-	-	**2,272,546**
Amounts due from credit institutions	-	1,732,314		**1,732,314**
Investment securities measured at amortised cost	-	3,151,083		**3,151,083**
Loans to customers	-	-	16,748,554	**16,748,554**
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	-	855,033		**855,033**
Amounts due to customers	-	-	11,656,659	**11,656,659**
Debt securities issued	-	49,583	-	**49,583**
Other borrowed funds	-	-	7,328,676	**7,328,676**
Subordinated loans	-	-	248,464	**248,464**

(millions of Uzbek Soums)

25. Fair value measurements (continued)

Fair value hierarchy (continued)

At 31 December 2020	*Fair value measurement using*			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets measured at fair value				
Investment securities - equity securities at FVOCI	-	-	10,375	**10,375**
Assets for which fair values are disclosed				
Cash and cash equivalents	2,798,912	-	-	**2,798,912**
Amounts due from credit institutions	-	2,768,718	-	**2,768,718**
Investment securities measured at amortised cost	-	404,009	-	**404,009**
Loans to customers	-	-	16,827,252	**16,827,252**
Liabilities for which fair values are disclosed				
Amounts due to Central Bank and Government	159,500	-	-	**159,500**
Amounts due to credit institutions	-	1,502,764	-	**1,502,764**
Amounts due to customers	-	-	11,028,763	**11,028,763**
Debt securities issued	-	233,667	-	**233,667**
Other borrowed funds	-	-	8,132,991	**8,132,991**
Subordinated loans	-	-	248,462	**248,462**

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2021			2020		
	Carrying value	*Fair value*	*Unrecog-nised gain/(loss)*	*Carrying value*	*Fair value*	*Unrecog-nised gain/(loss)*
Financial assets						
Amounts due from credit institutions	1,740,379	1,732,314	(8,065)	2,790,212	2,768,718	(21,494)
Loans to customers	16,793,134	16,748,554	(44,580)	17,024,855	16,827,252	(197,603)
Investment securities - debt securities at amortised cost	3,153,336	3,151,083	(2,253)	414,518	404,009	(10,509)
Financial liabilities						
Amounts due to credit institutions	946,199	855,033	91,166	1,535,367	1,502,764	32,603
Amounts due to customers	12,325,878	12,237,460	88,418	10,999,302	11,028,763	(29,461)
Debt securities	49,427	49,583	(156)	229,627	233,667	(4,039)
Other borrowed funds	7,501,526	7,328,676	172,850	8,253,471	8,132,991	120,480
Subordinated loans	249,925	248,464	1,461	249,925	248,462	1,463
Total unrecognised change in fair value			**298,841**			**(108,560)**

(millions of Uzbek Soums)

25. Fair value measurements (continued)

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the financial statements and those items that are not measured at fair value in the consolidated statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities carried at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the CBU and credit institutions and other financial assets and liabilities, estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

(millions of Uzbek Soums)

26. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 24 "Risk management" for the Group's contractual undiscounted repayment obligations.

	2021		
	Within one year	*More than one year*	*Total*
Cash and cash equivalents	2,272,546	-	**2,272,546**
Amounts due from credit institutions	1,209,670	530,709	**1,740,379**
Loans to customers	2,978,346	13,814,788	**16,793,134**
Investment securities	3,153,336	-	**3,153,336**
Property and equipment	-	931,614	**931,614**
Deferred income tax assets	-	781,966	**781,966**
Other assets	138,587	-	**138,587**
Total	**9,752,485**	**16,059,077**	**25,811,562**
Amounts due to the CBU and Government	158,468	787,731	**946,199**
Amounts due to credit institutions	4,902,126	7,423,752	**12,325,878**
Amounts due to customers	49,427	-	**49,427**
Debt securities issued	1,361,467	6,140,059	**7,501,526**
Other borrowed funds	-	249,925	**249,925**
Subordinated loans	110,712	-	**110,712**
Other liabilities	6,582,200	14,601,467	**21,183,667**
Total	**6,582,200**	**14,601,467**	**21,183,667**
Net	**3,170,285**	**1,457,610**	**4,627,895**

	2020		
	Within one year	*More than one year*	*Total*
Cash and cash equivalents	2,798,912	-	**2,798,912**
Amounts due from credit institutions	962,823	1,827,389	**2,790,212**
Loans to customers	2,628,655	14,396,200	**17,024,855**
Investment securities	414,518	-	**414,518**
Property and equipment	-	731,272	**731,272**
Deferred income tax assets	-	445,549	**445,549**
Other assets	153,019	-	**153,019**
Total	**6,957,927**	**17,400,410**	**24,358,337**
Amounts due to credit institutions	1,252,821	282,546	**1,535,367**
Amounts due to customers	4,399,721	6,599,581	**10,999,302**
Debt securities issued	227	69,900	**70,127**
Other borrowed funds	2,236,000	6,017,471	**8,253,471**
Subordinated loans	-	249,925	**249,925**
Other liabilities	144,689	-	**144,689**
Total	**8,033,458**	**13,219,423**	**21,252,881**
Net	**(1,075,531)**	**4,180,987**	**3,105,456**

(millions of Uzbek Soums)

27. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or 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.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with government-related entities

The Government of the Republic of Uzbekistan, acting through The Fund of Reconstruction and Development of the Republic of Uzbekistan and The Ministry of Finance of the Republic of Uzbekistan controls over the Group.

The Government of the Republic of Uzbekistan, directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organizations (together referred to as "government-related entities"). The Group enters into banking transactions with these entities including but not limited to lending, deposit taking, cash settlement, foreign exchange, providing guarantees, as well as securities transactions. These transactions comprise a large portion of the Group's transactions.

Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(millions of Uzbek Soums)

27. Related party disclosures (continued)

The outstanding balances of related party transactions are as follows:

	2021				*2020*			
	Shareholders	***Government controlled entities***	***Key management personnel***	***Total category as per financial statement caption***	***Shareholders***	***Government controlled entities***	***Key management personnel***	***Total category as per financial statement caption***
Cash and cash equivalents	-	968,207	-	2,272,546	-	988,735	-	2,798,912
Due from credit institutions	-	1,593,429	-	1,740,379	-	2,306,405	-	2,790,212
Investment securities	1,137,824	2,015,513	-	3,153,336	85,186	329,332	-	414,518
Loans to customers	-	972,829	-	16,722,898	-	1,149,397	-	16,918,908
ECL for loans to customers	-	(173,235)	-	(3,985,397)	-	(128,426)	-	(2,622,244)
Debt securities	-	49,427	-	49,427	-	229,627	-	70,127
Subordinated loans	249,925	-	-	249,925	249,925	-	-	249,925
Customer accounts	2,934,484	634,201	-	12,325,878	2,454,413	345,257	-	10,999,302
Due to credit institutions	-	462,601	-	946,199	-	492,620	-	1,535,367
Other borrowed funds	4,691,125	858,771	-	7,501,526	4,291,751	982,063	-	8,253,471
Guarantees given	-	-	-	-	-		-	6,519
Guarantees obtained	-	5,870,345	-	5,870,345	-	2,263,591	-	2,263,591
Letters of credit	-	-	-	31,162	-	-	-	242,576

The income and expense arising from related party transactions are as follows:

	2021				*2020*			
	Shareholders	***Government controlled entities***	***Key management personnel***	***Total category as per financial statement caption***	***Shareholders***	***Government controlled entities***	***Key management personnel***	***Total category as per financial statement caption***
Interest income on loans	-	87,139	-	2,932,762		82,919	-	2,505,111
Interest income on due from credit institutions	-	225,163	-	272,964	-	306,270	-	359,510
Interest income on investments securities	244,756	-	-	244,756	52,611	-	-	52,611
Impairment charge for loans	-	(44,809)	-	(2,448,147)		(104,494)	-	(1,583,730)
Interest expense on deposits	(305,855)	(67,139)	-	(1,239,541)	(227,124)	(31,949)	-	(993,886)
Interest expense on other borrowed funds	(359,342)	(78,258)	-	(681,062)	(164,546)	(49,297)	-	(332,274)
Interest expense on due to credit institutions	-	(63,127)	-	(127,714)	-	(15,563)	-	(77,747)
Interest expense on subordinated loans	(7,454)	-	-	(7,454)	(7,454)	-	-	(7,454)
Fee and commission income	-	286,753	-	1,025,834	-	254,890	-	807,847
Fee and commission expense	(6,621)	(107)	-	(360,349)	(1,085)	(598)	-	(257,868)
Operating expenses	-	(162,847)	-	(1,311,536)	-	(123,089)	-	(1,071,205)
Salaries and other benefits	-	-	*(3,675)*	*(760,440)*	-	-	*(4,790)*	*(670,001)*
Social Security Costs	-	-	*(474)*	*(84,696)*	-	-	*(589)*	*(74,178)*

(millions of Uzbek Soums)

28. Subsidiaries

The consolidated financial statements include the following major subsidiaries:

2021

Subsidiary	*Principal place of business*	*Country of incorporation*	*Date of incorporation*	*Nature of activities*	*Ownership/ voting, %*
Xalq sugurta LLC	Uzbekistan	Uzbekistan	2012	Insurance	100%
UZPAYNET JV LLC	Uzbekistan	Uzbekistan	2005	Payment system	100%

2020

Subsidiary	*Principal place of business*	*Country of incorporation*	*Date of incorporation*	*Nature of activities*	*Ownership/ voting, %*
Xalq sugurta LLC	Uzbekistan	Uzbekistan	2012	Insurance	100%
UZPAYNET JV LLC	Uzbekistan	Uzbekistan	2005	Payment system	100%

29. Changes in liabilities arising from financing activities

	Debt securities issued	*Other borrowed funds*	*Subordinated loans*	*Total liabilities from financing activities*
Carrying amount at 31 December 2019	70,127	3,404,387	249,891	**3,724,404**
Proceeds from issue	5,053,550	5,573,825	-	**10,786,925**
Redemption	(5,053,600)	(1,152,773)	-	**(6,206,373)**
Foreign currency translation	-	397,370	-	**397,370**
Other	-	30,662	35	**30,697**
Carrying amount at 31 December 2020	**229,627**	**8,253,471**	**249,925**	**8,733,023**
Proceeds from issue	340,000	4,058,501	-	**4,398,501**
Redemption	(360,700)	(4,858,207)	-	**(5,378,407)**
Foreign currency translation	-	72,258	-	**72,258**
Other	-	(24,497)	-	**(24,497)**
Carrying amount at 31 December 2021	**49,427**	**7,501,526**	**249,925**	**7,550,953**

The "Other" line includes the effect of accrued but not yet paid interest on bonds issued, other borrowed funds and subordinated loans. The Group classifies interest paid as cash flows from operating activities.

30. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the CBU in supervising the Group.

During the past year, the Group had complied in full with all its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the

(millions of Uzbek Soums)

30. Capital adequacy (continued)

Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's general policy in relation to risks related to capital management is reflected in the Bank's Capital Management Policy approved by the Supervisory Board and amended from time to time based on the Group's strategic goals and the regulatory requirements of the Central Bank of the Republic of Uzbekistan.

The following table analyses the Group's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basel Committee:

Capital adequacy ratio under Basel Capital Accord 1988

The Group's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as of 31 December 2021 and 2020, comprised:

	2021	*2020*
Tier 1 capital	4,565,090	3,045,152
Tier 2 capital	685,283	642,680
Total capital	**5,250,373**	**3,687,832**
Risk weighted assets	34,828,651	31,420,418
Risk weighted assets	**34,828,651**	**31,420,418**
Capital adequacy ratio:		
Tier 1 capital ratio	13%	10%
Total capital ratio	15%	12%

31. Events after the reporting period

New borrowings

On April 14, 2022, the Bank signed a new agreement with Eximbank of Hungary for the amount of EUR 13,312 thousand (UZS 163,507) with the maturity of 5 years.

Subsidiaries

On 14 April 2022, according to the Decree of the President of Uzbekistan dated 8 April 2022, the Group transferred 100% share of UZPAYNET JV LLC to the State Assets Management Agency at book value. According to the Presidential Decree, the share capital was decreased for the same amount.

Sanctions

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation. Due to the growth of geopolitical tensions, since February 2022, there has been a significant increase in volatility in the stock and currency markets, and there are also fears of a significant depreciation of the Uzbek sum against the US dollar and the euro. As at 15 September 2022, UZS depreciated against USD by 1% as compared to 31 December 2021.

As of December 31, 2021, the concentration of claims on Russian counterparties, represented by funds in accounts with financial institutions and securities, amounted to UZS 33,156. The Group considers these events as non-adjusting events after the reporting period. The management of the Group is monitoring the current changes in the economic and political situation and taking the necessary measures to maintain the sustainability and development of the Group's business in the current circumstances. As of the reporting date, the concentration of claims on Russian counterparties, represented by funds in accounts with financial institutions and securities, amounted to UZS 73,679.

EY | Совершенствуя бизнес, улучшаем мир

Следуя своей миссии – совершенствуя бизнес, улучшать мир, – компания EY содействует созданию долгосрочного полезного эффекта для клиентов, сотрудников и общества в целом, а также помогает укреплять доверие к рынкам капитала.

Многопрофильные команды компании EY представлены в более чем 150 странах мира. Используя данные и технологии, мы обеспечиваем доверие к информации, подтверждая ее достоверность, а также помогаем клиентам расширять, трансформировать и успешно вести свою деятельность.

Специалисты компании EY в области аудита, консалтинга, права, стратегии, налогообложения и сделок задают правильные вопросы, которые позволяют находить новые ответы на вызовы сегодняшнего дня.

Название EY относится к глобальной организации и может относиться к одной или нескольким компаниям, входящим в состав Ernst & Young Global Limited, каждая из которых является отдельным юридическим лицом. Ernst & Young Global Limited – юридическое лицо, созданное в соответствии с законодательством Великобритании, – является компанией, ограниченной гарантиями ее участников, и не оказывает услуг клиентам. С информацией о том, как компания EY собирает и использует персональные данные, а также с описанием прав физических лиц, предусмотренных законодательством о защите данных, можно ознакомиться по адресу: ey.com/privacy. Более подробная информация представлена на нашем сайте: ey.com.

Мы взаимодействуем с компаниями из стран СНГ, помогая им в достижении бизнес-целей. В 19 офисах нашей фирмы (в Москве, Владивостоке, Екатеринбурге, Казани, Краснодаре, Новосибирске, Ростове-на-Дону, Санкт-Петербурге, Тольятти, Алматы, Атырау, Нур-Султане, Баку, Бишкеке, Ереване, Киеве, Минске, Ташкенте, Тбилиси) работают 5500 специалистов.

ey.com/uz