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TENGE BANK

Joint Stock Commercial Bank "Tenge Bank"

Financial Statements and
Independent Auditor's Report
For the Year Ended 31 December 2022

Joint Stock Commercial Bank "Tenge Bank"

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Joint Stock Commercial Bank "Tenge Bank"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management of Joint Stock Commercial Bank "Tenge Bank" (the "Bank") is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2022, and the related statements of profit or loss and other comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements (the "financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the 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 Bank's financial position and financial performance; and
- making an assessment of the Bank'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 Bank;
- maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Uzbekistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- preventing and detecting fraud and other irregularities.

On behalf of the Management Board:

Bayan Parukhovna Imasheva
Deputy Chairman of the Board

8 May 2023
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

8 May 2023
Tashkent, Uzbekistan

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INDEPENDENT AUDITOR'S REPORT

To: Shareholder and Council of Joint Stock Commercial Bank "Tenge Bank"

Opinion

We have audited the financial statements of JSCB "Tenge Bank" (the "Bank"), which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the 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.

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

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

Turgunboy Tokhirov, Qualified Auditor/Engagement Director

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- Identify and assess the risks of material misstatement of the 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report of findings from procedures performed in accordance with the requirements of Law of the Republic of Uzbekistan No. LRU-580 dated 5 November 2019 "On Banks and Banking Activity"

Management of the Bank is responsible for the Bank's compliance with prudential ratios set by the Central bank of the Republic of Uzbekistan ("Central bank") and ensuring that internal control and organization of risk management systems comply with Central bank requirements.

In accordance with Articles 74 of Law of the Republic of Uzbekistan No. LRU-580 dated 5 November 2019 "On Banks and Banking Activity" (the "Law"), we have performed procedures to check:

- the Bank's compliance with prudential ratios as at 31 December 2022 set by the Central bank;
- whether the elements of the Bank's internal control and organization of risk management systems comply with Central bank requirements.

These procedures were selected based on our judgment, and were limited to an analysis and study of documents; a comparison of the Bank's approved requirements, procedures and methodologies with Central bank requirements, as well as recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are as follows.

Based on our procedures with respect to the Bank's compliance with prudential ratios set by the Central bank, we found that the Bank's prudential ratios, as at 31 December 2022, were within the limits set by the Central bank.

We have not performed any procedures on the underlying accounting data of the Bank, other than those which we considered necessary to enable us to express an opinion as to whether the Bank's financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with IFRS.

Turgunboy Tokhirov, Qualified Auditor/Engagement Director

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Based on our procedures with respect to whether the elements of the Bank's internal control and organization of risk management systems comply with Central bank requirements, we found that:

- in accordance with Central bank requirements and recommendations, as at 31 December 2022, the Bank's internal audit function was subordinated and accountable to the Supervisory Board, and the risk management function of the Bank was not subordinated and accountable to subdivisions assuming corresponding risks;
- the frequency of reports prepared by the Bank's internal audit function during 2022 complied with Central bank requirements. The reports were approved by the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2022 the Bank has an information security function in place as required by the Central bank, and an information security policy was approved by the Bank's Management Board. The information security function was subordinated to and reported directly to the Chairman of the Management Board;
- Reports by the Bank's information security function to the Chairman of the Management Board during 2022 included an assessment and analysis of information security risks, and the results of actions to manage such risks;
- the Bank's internal documentation, effective as at 31 December 2022, that sets out methodologies to identify and manage the Bank's significant risks, and carry out stress-testing, was approved by the Bank's authorised management bodies in accordance with Central bank requirements and recommendations;
- as at 31 December 2022, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank's capital;
- the frequency during 2022 of reports prepared by the Bank's risk management functions, and which cover the Bank's management of significant risks, was in compliance with the Bank's internal documentation. Those reports included observations made by the Bank's risk management functions as to their assessment of the Bank's significant risks;
- as at 31 December 2022, the Supervisory Board and Executive Management of the Bank had responsibility to monitor the Bank's compliance with risk and capital adequacy limits set by Bank internal documentation. To exercise control over the effectiveness of Bank risk management procedures and their consistent application during 2022, the Supervisory Board and Executive Management of the Bank regularly discussed the reports prepared by the risk management and internal audit functions of the Bank, and considered proposed measures to eliminate weaknesses.

Procedures with respect to elements of the Bank's internal control and organization of risk management systems were performed solely for the purpose of examining whether these elements, as prescribed by the Law and as described above, comply with Central bank requirements.

"Deloitte & Touche" Audit Organisation LLC
is included in the register of audit organisations of the Ministry of Finance of the Republic of Uzbekistan dated 8 June 2021

Turgunboy Tokhirov
Qualified Auditor/Engagement Director
Auditor qualification certificate authorizing audit of companies, #05422 dated 20 August 2021 issued by the Ministry of Finance of the Republic of Uzbekistan

Auditor qualification certificate authorizing audit of banks, #6/11 dated 29 March 2021 issued by the Central bank of the Republic of Uzbekistan

8 May 2023
Tashkent, Uzbekistan

Deloitte va Touche

Erkin Ayupov
Director
"Deloitte & Touche" Audit Organisation LLC

Joint Stock Commercial Bank "Tenge Bank"

Statement of Financial Position
as at 31 December 2022
(in millions of Uzbekistan Soums)

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	6, 26	1,580,960	1,298,423
Due from banks	7	217,101	244,581
Loans to customers	8	2,445,439	1,646,536
Premises, equipment and intangible assets	9	134,840	105,223
Investment Property	10	13,371	-
Deferred income tax asset	21	-	5,840
Current income tax prepayment	21	23,168	9,454
Other assets	11	18,011	47,350
TOTAL ASSETS		**4,432,890**	**3,357,407**
LIABILITIES			
Amounts due to credit institutions	12	708	216,919
Deposits from the Parent	13, 26	1,509,988	1,397,193
Customer accounts	14, 26	1,589,620	491,318
Other liabilities	15	46,885	45,820
Deferred income tax liability	21	12,243	-
TOTAL LIABILITIES		**3,159,444**	**2,151,250**
EQUITY			
Share capital	16	1,149,000	1,149,000
Retained earnings		124,446	57,157
TOTAL EQUITY		**1,273,446**	**1,206,157**
TOTAL LIABILITIES AND EQUITY		**4,432,890**	**3,357,407**

On behalf of the Management Board:

Bayan Parukhovna Imasheva
Deputy Chairman of the Board

8 May 2023
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

8 May 2023
Tashkent, Uzbekistan

The notes on pages 9 - 52 form an integral part of these financial statements

Joint Stock Commercial Bank "Tenge Bank"

Statement of Profit and Loss and Other Comprehensive Income
for the year ended 31 December 2022
(in millions of Uzbekistan Soums)

	Note	2022	2021
Interest income	17	464,263	249,391
Interest expense	17, 26	(183,432)	(48,993)
Net interest income before allowance for expected credit losses on loans to customers		**280,831**	**200,398**
Allowance for expected credit losses on loans to customers	19, 8	(103,218)	(81,306)
Net interest income		**177,613**	**119,092**
Fee and commission income	18	28,186	13,808
Fee and commission expense	18	(21,555)	(7,033)
Net gain from trading in foreign currencies		66,974	32,878
Net foreign exchange translation loss		(6,535)	694
Other income		6,659	4,926
Recovery/(Allowance) for other expected credit losses	19	786	(1,284)
Recovery/(Allowance) of prepayment for construction	19	1,099	(2,446)
Net non-interest income		**75,614**	**41,543**
Operating income		**253,227**	**160,635**
Operating expenses	20	(166,565)	(92,534)
Profit before income tax		**86,662**	**68,101**
Income tax expense	21	(19,373)	(15,516)
Net profit for the year		**67,289**	**52,585**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**67,289**	**52,585**

On behalf of the Management Board:

Bayan Parukhovna Imasheva
Deputy Chairman of the Board

8 May 2023
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

8 May 2023
Tashkent, Uzbekistan

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Joint Stock Commercial Bank "Tenge Bank"

Statement of Changes in Equity
for the year ended 31 December 2022
(in millions of Uzbekistan Soums)

	Note	Share capital	Retained earnings	Total equity
31 December 2020		**340,800**	**4,572**	**345,372**
Net profit for the year		-	52,585	52,585
Total comprehensive income for the year		-	52,585	52,585
Ordinary shares issued	16	808,200	-	808,200
31 December 2021		**1,149,000**	**57,157**	**1,206,157**
Net profit for the year		-	67,289	67,289
Total comprehensive income for the year		-	67,289	67,289
31 December 2022		**1,149,000**	**124,446**	**1,273,446**

On behalf of the Management Board:

Bayan Parukhovna Imasheva
Deputy Chairman of the Board

8 May 2023
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

8 May 2023
Tashkent, Uzbekistan

The notes on pages 9 - 52 form an integral part of these financial statement

Joint Stock Commercial Bank "Tenge Bank"

Statement of Cash Flow
for the year ended 31 December 2022
(in millions of Uzbekistan Soums)

	Note	2022	2021
Cash flows from operating activities			
Interest received		452,401	235,321
Interest paid		(154,720)	(45,295)
Fees and commissions received		27,570	13,429
Fees and commissions paid		(21,555)	(7,033)
Receipts from trading in foreign currencies		66,974	32,878
Other operating income received		6,659	4,926
Staff costs paid		(82,773)	(47,643)
Administrative and other operating expenses paid		(47,817)	(21,451)
Income tax paid		(15,003)	(25,963)
Cash flows from operating activities before changes in operating assets and liabilities		**231,736**	**139,169**
Changes in operating assets and liabilities			
Net decrease/(increase) in due from banks		25,627	(238,102)
Net increase in loans to customers		(867,216)	(727,300)
Net decrease in other assets		519	2,562
Net (decrease)/increase in amounts due to credit institutions		(217,328)	148,100
Net increase in customer accounts		1,089,876	369,253
Net increase in other liabilities		6,571	1,179
Net cash from/(used in) operating activities		**269,785**	**(305,139)**
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(51,574)	(57,013)
Proceeds from sale of premises, equipment and intangible assets		1,273	-
Return of advances paid for premises, equipment and intangible assets	11	11,576	76,903
Net cash (used in)/received from investing activities		**(38,725)**	**19,890**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	808,200
Proceeds from deposits from the Parent		4,013,679	4,286,193
Repayment of deposits from the Parent		(3,960,614)	(3,954,001)
Repayment of lease liability		(10,138)	(12,600)
Net cash from financing activities		**42,927**	**1,127,792**
Effect of exchange rate changes on cash and cash equivalents		8,550	(2,187)
Net increase in cash and cash equivalents		**282,537**	**840,356**
CASH AND CASH EQUIVALENTS at the beginning of the year	6	1,298,423	458,067
CASH AND CASH EQUIVALENTS at the end of the year	6	**1,580,960**	**1,298,423**

On behalf of the Management Board:

Bayan Parukhovna Imasheva
Deputy Chairman of the Board

8 May 2023
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

8 May 2023
Tashkent, Uzbekistan

The notes on pages 9 - 52 form an integral part of these financial statements

(in millions of Uzbekistan Soums)

1. Principal activities

Joint-Stock Commercial Bank "Tenge Bank" was founded as Joint-Stock Commercial Bank on 18 May 2019 in accordance with decision of the Board of Directors of Joint Stock Company "Halyk Bank", the sole shareholder of the Bank ("JSC Halyk Bank" or "the Parent") who remains the owner as at 31 December 2022.

The Bank provides corporate and retail banking services principally in Uzbekistan. The Bank operates under license No. 85 for carrying out banking and foreign exchange activities, issued by the Central bank of Uzbekistan ("CBU") on 18 May 2019.

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

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in foreign currencies, executing transfers, cash and payment card operations, as well as rendering other banking services to its customers.

The Bank's legal address is 66 Parkent Street, Yashnabad District, 100007, Tashkent, the Republic of Uzbekistan.

Shareholders	31 December 2022	31 December 2021
JSC "Halyk Bank"	100%	100%
Total	**100%**	**100%**

Operating environment

Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Uzbekistan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Uzbekistan produces and exports gold in large volume, its economy is sensitive to the price of gold on the world market. During 2022, the gold price was subject to significant fluctuations with the average price of 1,801.87 USD per troy ounce (2021: 1,798.89 USD per troy ounce). At the end of 2022 the Uzbekistan's gross domestic product ("GDP") grew by 5.7%. In 2022, the highest inflation over the past three years was recorded in the country, amounting to 12.3% per annum (in 2021, inflation was 9.98% per annum).

The military and political conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises. As a result of these sanctions, the export of labour to Russia and the related level remittances may also reduce, which could have a negative impact on the economy of Uzbekistan.

Moreover, in March 2022, the Uzbekistan Soum depreciated against major foreign currencies amid the external geopolitical situation. To reduce the negative impact of external factors on the economy of Uzbekistan, the Central Bank of the Republic of Uzbekistan made a number of adjustments to the base rate throughout 2022 and fixed it at 15% per annum at the end of the year comparing to 14% per annum at the beginning of the period. In addition, interventions on the currency market were performed to support the Uzbekistan Soum exchange rate against foreign currencies. However, there is uncertainty related to the future developments of geopolitical risks and their impact on the economy of the Republic of Uzbekistan.

Management of the Bank is monitoring developments in the economic, political, and geopolitical situation and taking measures it considers necessary to support the sustainability and development of the Bank's business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Bank's operations.

2. Basis of preparation

Going concern

These financial statements have been prepared assuming that the Bank is a going concern, as the Bank have the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions.

The Supervisory Board of the Bank approved the Development Strategy of the Bank for 2022-2024. In accordance with the Strategy, share capital of the Bank is expected to be UZS 1,782,000 million and UZS 2,098,500 million by the end of 2023 and 2024, respectively. The Parent Company has confirmed to management that it will continue to support the Bank's activities, including funding.

As a result, the Management believes that the Bank will continue as a going concern for the foreseeable future.

Statement of compliance

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

These financial statements are presented in millions of Uzbekistan Soums ("UZS million"), unless otherwise indicated.

The financial statements have been prepared under the historical cost convention.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank presents its 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 23.

Functional currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The functional currency of the Bank is UZS. The presentation currency of the financial statements is UZS.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the 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 realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability. Income and expense are not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

3. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts, amounts due from credit institutions and short-term investments with original maturities of less than three months.

Due from banks

In the normal course of business, the Bank maintains current accounts or deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Due from banks are carried net of any allowance for expected credit losses.

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Bank accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

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

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

Specifically:

- *Retention of an asset to obtain the cash flows stipulated by the contract.* This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- *Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets.* This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.
- *Retention of an asset for other purposes.* Within the framework of this business model, financial assets can be managed with the following purposes:

  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis.

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

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;

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

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

Financial assets at FVTPL are:

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

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Loans to customers

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

Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

Reclassification of financial assets

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Bank's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

Modification and derecognition of financial assets

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

Where possible, the Bank 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. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate ("EIR"). Renegotiated terms are evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

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

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers qualitative factors, such as contractual cash flows modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

When a financial asset is modified due to commercial reasons, the Bank considers various qualitative factors (change in currency, interest rate, maturity) and on that basis concludes whether old loan should be derecognised and new loan should be recognised at fair value.

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

Impairment

Calculation of financial assets impairment is carried out taking into account the following factors:

- In order to calculate the ECL, the Bank performs loan assessment on an individual basis and on a collective basis depending on general credit risk features.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Bank's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Allowances for expected credit losses

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

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

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. The decision to use cross-default is based on case by case assessment of borrower and facility conditions such as collateral and materiality of exposure.

Write off

Loans are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains. Where loans are secured, they are generally written off after receipt of any proceeds from the sale of collateral. When such net realizable value of collateral has been determined and no reasonable expectation of further recovery, write off may be earlier.

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 Bank 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 Bank 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.

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Modification and derecognition of financial liabilities

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

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

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 balance sheet 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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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 tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.
Deferred tax assets and deferred tax liabilities are offset and reported net in the statement of financial position if:

- The Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Uzbekistan has various operating taxes that are assessed on the Bank's activities. These taxes are recorded as taxes other than income tax.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment. Right to use land are carried at cost.
Except for permanent right to use land, depreciation of a property and equipment begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Right to use a land plot	Not depreciated
Vehicles	5
Computers and banking equipment	5-7

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses.

Intangible assets

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

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost net of accumulated depreciation and recognised impairment loss . Depreciation is calculated (except land) on a straight line basis over the useful life of the asset.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Customer accounts, Amounts due to credit institutions and Deposits from Parent

Customer accounts, due to credit institutions and deposits from Parent are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the statement of profit or loss.

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity, if any.

Contingencies

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

Recognition of income and expense

Interest income and expense for all financial instruments are recognized in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.
The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition. The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities.

For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets POCI the EIR reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Bank identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognizes income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Bank determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Bank's influence. The consideration is subsequently allocated to the identified performance obligation. Fee and commission income from maintenance of customer accounts and cash operations include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products are recognized over time as services are provided.

Other banking fees include fees for various transactional banking activities such as bank transfers, letters of credit fees and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided. Letter of credit fees primarily includes fees received related to letter of credit agreements and are generally recognized upon execution of the contract.

Staff costs and related contributions

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

Foreign currency translation

The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates and the Bank's presentation currency is the national currency of the Republic of Uzbekistan, Uzbek Soum ("UZS"). Monetary assets and liabilities are translated into the Bank's functional currency at the official exchange rate of the CBU at the end of respective reporting period.

(in millions of Uzbekistan Soums)

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Bank's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss. At 31 December 2021, the principal rate of exchange used for translating foreign currency balances was:

	31 December 2022	31 December 2021
UZS/1 USD	11,225.46	10,837.66
UZS/1 EUR	11,961.85	12,224.88

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Bank are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently, they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

4. Significant accounting estimates

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

Business model assessment

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

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

Establishing the number and relative weightings of forward-looking scenarios for each type of product

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

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

When measuring ECL the Bank uses reasonable information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The key inputs used for measuring ECL are:

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

Probability of default

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

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default. The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated. PD for individually assessed loans of corporate, small and medium businesses is estimated using an internal rating model based on the quantitative and qualitative characteristics of the borrower. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll-rates.

Loss Given Default

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

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

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

Exposure at Default

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

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Measurement of allowances for expected credit losses ("ECL")

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

As at 31 December 2021, 28% of loans to customers were classified as stage 2 and 3, and 72% of the total loan portfolio was in stages 1. As at 31 December 2022, 12% of the total loan portfolio was in stages 2 and 3. Other 88% portion was in stage 1.

Considering the increase in the share of non-performing loans during 2022, the Bank used own statistical data on the performance of its loan portfolio to build an arrears migration matrix to determine key ECL model parameters such as PD and LGD rates. The results of ECL calculation based on such PD and LGD rates was compared with ECL determined on loans to customers based on the available information reflecting the performance of loan portfolio of similar financial institutions operating in the Republic of Uzbekistan, i.e. the Management has calculated ECL on the Bank's loan portfolio using the weighted average provision rate derived from the loan portfolio of other local market participants that share similar credit risk characteristic.

As the amount of ECL calculated on its own statistics data is lower than the amount of ECL calculated on loan information of similar financial institutions, the Management believes that the application of the latter method represents the best available estimate of Loan portfolio performance as of the end of 2022.

As a reasonableness check, the Management has analyzed and determined that the growth of the Bank's effective provision rate for the year ended 31 December 2022 is within the range of that of similar local financial institutions that were available in open sources.

In addition, currently limited observable data available to form a supportable, fully-modelled view on how the economic impacts of this pandemic might affect customers has further exacerbated the ability of the banking sector of Uzbekistan to assess the levels of ECL. The Bank incorporates forward-looking information into a measurement of

ECL when there is a statistically proven correlation between the macro-economic variables and the Non-Performing Loans ("NPL"). As at the reporting date, statistical tests have failed and ECL across all loan portfolios has not been adjusted for forward-looking information and macroeconomic scenarios. The Management updates its statistical tests for correlation as at each reporting date.

The results of backtesting after the reporting date, performed by the Management of the Bank, demonstrate the adequacy of the Bank's allowances created for ECL on loans to customers as of 31 December 2022.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2022 and 31 December 2021 is 59,476 million and UZS 94,589 million, respectively.

Deferred income tax liability recognition

The recognised deferred tax liability represents income taxes payable through future addition to taxable profits, and is recorded in the statement of financial position. Deferred income tax liability is recorded to the extent that realisation of the related tax liability is probable. The future taxable profits and the amount of tax payable that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

As at 31 December 2022, the Bank's deferred tax liability amounted to UZS 12,243 million. The Management of the Bank believes that these liabilities will be paid as the Bank will have sufficient profit in future.

Taxation

Uzbekistan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and state authorities.

The Management of the Bank is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realized.

5. Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

The following amendments and interpretations are effective for the Bank effective January 1, 2022:

Amendments to IAS 16 Property, Plant and Equipment — Proceeds before Intended Use;
Annual Improvements to IFRS Standards 2018-2020 (May 2020);
Amendments to IFRS 3 (May 2020) Reference to the Conceptual Framework;
Amendments to IAS 37 (May 2020) Onerous Contracts - Cost of Fulfilling a Contract.

The above standards and interpretations were reviewed by the Bank's management, but did not have a significant effect on the financial statements of the Bank.

(in millions of Uzbekistan Soums)

New and revised IFRS Standards in issue but not yet effective

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

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17 "Insurance contracts")	1 January 2023
Amendments to IAS 1- Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"	1 January 2023
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 8 – "Definition of Accounting Estimates"	1 January 2023

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

IFRS 17 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2023 (previously – on or after 1 January 2022).

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard and the transition date is the beginning of the period immediately preceding the date of initial application.

The Management of the Bank does not expect that the application of this standard will have an impact on the financial statements of the Bank in the future, since the Bank does not have instruments within the scope of this Standard.

Amendments to IAS 1 Classification of Liabilities as Short-Term or Long-Term (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles). The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments apply retrospectively to the periods beginning on or after 1 January 2023. Early application is acceptable.

The Management of the Bank does not expect that the application of these amendments could have an impact on the Bank's financial statements in future periods.

Amendments to IAS 1 and IFRS Practice Statement 2 - "Disclosure of Accounting Policies". Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1. The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is acceptable. The Management of the Bank does not expect that the application of these amendments could have an impact on the Bank's financial statements in future periods should such transactions occur.

Amendments to IAS 12 "Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction". The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities;
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset;
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendments to IAS 8 "Definition of Accounting Estimates". The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates;
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty;
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error;
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods.

The Management of the Bank does not expect that the application of these amendments could have an impact on the Bank's financial statements in future periods should such transactions occur.

(in millions of Uzbekistan Soums)

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2022	31 December 2021
Government bonds of the Republic of Uzbekistan	612,533	-
Cash balances with the CBU (other than obligatory reserve deposits)	569,730	831,629
Cash on hand	294,182	109,247
Correspondent accounts with other banks	104,417	37,864
Placements with other banks with original maturities of less than three months	400	320,878
Total cash and cash equivalents, gross	**1,581,262**	**1,299,618**
Less: Allowance for expected credit losses (Note 19)	(302)	(1,196)
Total cash and cash equivalents	**1,580,960**	**1,298,423**

Interest rates of cash and cash equivalents are disclosed in Note 23.

The credit quality of cash and cash equivalents, excluding cash on hand, as at 31 December 2022 is summarized below:

	31 December 2022	31 December 2021
Stage 1	1,287,080	1,190,371
Total cash and cash equivalents excluding cash on hand, gross	**1,287,080**	**1,190,371**
Less: Allowance for expected credit losses (Note 19)	(302)	(1,196)
Total cash and cash equivalents excluding cash on hand	**1,286,778**	**1,189,176**

The credit rating of cash and cash equivalents, excluding cash on hand, as at 31 December 2022 and 2021 is summarized below:

31 December 2022	Government bonds of the Republic of Uzbekistan	Cash balances with the CBU (other than obligatory reserve deposits)	Placements with other banks with original maturities of less than three months	Correspondent accounts with other banks	Total
Neither past due nor impaired					
- CBU	612,533	569,730	-	9	1,182,272
- Baa3 (Moody's)	-	-	400	26,556	26,956
- Baa2 (Moody's)	-	-	-	43,460	43,460
- BB- (Fitch)	-	-	-	34,392	34,392
Less: Allowance for expected credit losses (Note 19)	(262)	(35)	-	(5)	(302)
Total cash and cash equivalents, excluding cash on hand	**612,271**	**569,695**	**400**	**104,412**	**1,286,778**

(in millions of Uzbekistan Soums)

31 December 2021	**Cash balances with the CBU (other than obligatory reserve deposits)**	**Placements with other banks with original maturities of less than three months**	**Correspondent accounts with other banks**	**Total**
Neither past due nor impaired				
- CBU	831,629	-	-	831,629
- Baa3 (Moody's)	-	-	6,242	6,242
- Baa2 (Moody's)	-	-	7,451	7,451
- BB- (Fitch)	-	-	8,143	8,143
- B1 (Moody's)	-	120,202	16,028	136,230
- B2 (Moody's)	-	141,008	-	141,008
- B (S&P)	-	59,668	-	59,668
Less: Allowance for expected credit losses (Note 19)	(195)	(990)	(10)	(1,196)
Total cash and cash equivalents, excluding cash on hand	**831,434**	**319,888**	**37,854**	**1,189,176**

7. Due from banks

	31 December 2022	**31 December 2021**
Short term placements with other banks with original maturities of more than three months	216,402	243,798
Restricted cash	1,198	1,139
Total due from other banks, gross	**217,600**	**244,937**
Less: Allowance for expected credit losses (Note 19)	(499)	(356)
Total due from banks	**217,101**	**244,581**

Short term placement with other banks with original maturities of more than three months includes deposit certificate in the amount of UZS 120 000 million acquired during 2022.

Analysis by credit quality of amounts due from banks outstanding at the end of the period is as follows:

	31 December 2022	**31 December 2021**
Stage 1	217,600	244,937
Total due from other banks, gross	**217,600**	**244,937**
Less: Allowance for expected credit losses (Note 19)	(499)	(356)
Total due from other banks	**217,101**	**244,581**

Analysis by credit rating of due from other banks outstanding at the end of the period is as follows:

	31 December 2022	**31 December 2021**
Neither past due nor impaired		
- A1 (Moody's)	1,123	1,084
- Ba3 (Moody's)	96,402	-
- BB- (Fitch)	120,025	87,545
- B1 (Moody's)	50	156,308
Less: Allowance for expected credit losses (Note 19)	(499)	(356)
Total due from banks	**217,101**	**244,581**

(in millions of Uzbekistan Soums)

8. Loans to customers

Loans to customers comprise:

	31 December 2022	31 December 2021
Corporate loans	1,423,846	1,197,150
Loans to individuals	1,081,069	543,975
Total loans to customers, gross	**2,504,915**	**1,741,125**
Less: Allowance for expected credit losses (Note 19)	(59,476)	(94,589)
Total loans to customers	**2,445,439**	**1,646,536**

During the year, the Bank has written off 5 corporate loans in the amount of UZS 140,300 million.

	31 December 2022	31 December 2021
Stage 1	2,211,405	1,242,303
Stage 2	73,441	373,728
Stage 3	220,069	125,094
Total loans to customers, gross	**2,504,915**	**1,741,125**
Less: Allowance for expected credit losses (Note 19)	(59,476)	(94,589)
Total loans to customers	**2,445,439**	**1,646,536**

Loans are granted to the following sectors:

	31 December 2022		31 December 2021	
	Amount	**%**	**Amount**	**%**
Manufacturing	991,998	39.60%	856,618	49.20%
Car loans	915,410	36.54%	451,680	25.94%
Trade and services	388,525	15.51%	313,866	18.03%
Individual Entrepreneurs	137,663	5.50%	83,483	4.79%
Financial services	33,329	1.33%	17,990	1.03%
Mortgage loans	27,996	1.12%	8,812	0.51%
Construction	9,994	0.40%	8,676	0.50%
Total loans to customers, gross	**2,504,915**	**100%**	**1,741,125**	**100%**

As at 31 December 2022, the Bank had a concentration of loans of UZS 807,592 million to ten largest borrowers that comprised 32% of the Bank's total gross loan portfolio and 64% of the Bank's total equity (31 December 2021: UZS 619,404 million to ten largest borrowers that comprised 36% of the Bank's total gross loan portfolio and 51% of the Bank's total equity). As at 31 December 2022, the allowance for expected credit losses created against these loans was UZS 14,662 million (31 December 2021: UZS 45,011 million).

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

(in millions of Uzbekistan Soums)

31 December 2022	Corporate loans	Loans to individuals	Total
Unsecured loans	-	-	-
Loans collateralised by:			
- real estate	859,343	29,114	**888,457**
- vehicles	27,958	652,876	**680,834**
- insurance	70,809	399,079	**469,888**
- letter of surety and third party guarantee	309,996	-	**309,996**
- equipment and inventory	152,681	-	**152,681**
- cash deposits	3,059	-	**3,059**
Total loans collateralised	**1,423,846**	**1,081,069**	**2,504,915**
Less: Allowance for expected credit losses (Note 19)	(41,195)	(18,281)	(59,476)
Total loans to customers	**1,382,651**	**1,062,788**	**2,445,439**

31 December 2021	Corporate loans	Loans to individuals	Total
Unsecured loans	-	-	-
Loans collateralised by:			
- real estate	797,264	9,825	**807,089**
- insurance	44,779	292,168	**336,947**
- vehicles	14,998	241,365	**256,363**
- letter of surety and third party guarantee	242,571	617	**243,188**
- equipment and inventory	97,538	-	**97,538**
Total loans collateralised	**1,197,150**	**543,975**	**1,741,125**
Less: Allowance for expected credit losses (Note 19)	(87,127)	(7,462)	(94,589)
Total loans to customers	**1,110,023**	**536,513**	**1,646,536**

Analysis by credit quality of loans outstanding at 31 December 2022 is as follows:

31 December 2022	Corporate loans	Loans to individuals	Total
Not past due loans	1,140,872	1,030,322	**2,171,194**
Total not past due loans	**1,140,872**	**1,030,322**	**2,171,194**
Past due loans:			
- less than 30 days overdue	1,129	39,181	**40,310**
- 31 to 60 days overdue	-	7,343	**7,343**
- 61 to 90 days overdue	-	2,365	**2,365**
- 91 to 180 days overdue	-	1,736	**1,736**
- 181 to 360 days overdue	-	122	**122**
Total past due loans	**1,142,001**	**1,081,069**	**2,223,070**
Loans individually determined to be impaired (gross)			
Not past due loans	104,748	-	**104,748**
Past due loans:			
- less than 30 days overdue	9,110	-	**9,110**
- 31 to 60 days overdue	9,947	-	**9,947**
- 61 to 90 days overdue	26,882	-	**26,882**
- 91 to 180 days overdue	4,099	-	**4,099**
- 181 to 360 days overdue	127,059	-	**127,059**
Total individually impaired loans (gross)	**281,845**	**-**	**281,845**
- Allowance for expected credit losses on collective basis	(24,605)	(18,281)	**(42,886)**
- Allowance for expected credit losses on Individual basis	(16,590)	-	**(16,590)**
Less: Allowance for expected credit losses (Note 19)	(41,195)	(18,281)	**(59,476)**
Total loans to customers	**1,382,651**	**1,062,788**	**2,445,439**

(in millions of Uzbekistan Soums)

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

31 December 2021	**Corporate loans**	**Loans to individuals**	**Total**
Not past due loans	688,790	526,853	**1,215,643**
Total not past due loans	**688,790**	**526,853**	**1,215,643**
Past due loans			
- less than 30 days overdue	13,033	13,640	**26,673**
- 31 to 60 days overdue	-	-	-
- 61 to 90 days overdue	-	2,690	**2,690**
- 91 to 180 days overdue	-	792	**792**
Total past due loans	**13,033**	**17,122**	**30,155**
Loans individually determined to be impaired (gross)			
Not past due loans	371,027	-	**371,027**
Total individually impaired loans (gross)	**495,327**	**-**	**495,327**
- Allowance for expected credit losses on collective basis	(11,999)	(7,462)	**(19,461)**
- Allowance for expected credit losses on Individual basis	(75,128)	-	(75,128)
Less: Allowance for expected credit losses (Note 19)	(87,127)	(7,462)	(94,589)
Total loans to customers	**408,200**	**(7,462)**	**1,646,536**

Movement in allowance for expected credit losses during 2022 was as follows:

	Corporate loans	**Loans to individuals**	**Total**
As at 1 January 2022	**87,127**	**7,462**	**94,589**
Impairment charge during the year	92,399	10,819	103,218
Written-off assets	(140,300)	-	(140,300)
Effect of foreign currency exchange difference	1,969	-	1,969
As at 31 December 2022	**41,195**	**18,281**	**59,476**

As there was disposal of 5 corporate loans to customer during the year to off balance accounts the accumulated provisions was also disposed.

Movement in allowance for expected credit losses during 2021 was as follows:

	Corporate loans	**Loans to individuals**	**Total**
As at 1 January 2021	12,177	1,096	13,273
Impairment charge during the year	74,940	6,366	81,306
Effect of foreign currency exchange difference	10	-	10
As at 31 December 2021	**87,127**	**7,462**	**94,589**

(in millions of Uzbekistan Soums)

The tables below analyze information about the changes in the gross carrying amount of loans to customers during the period from 31 December 2021 to 31 December 2022:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2021	**1,242,303**	**373,728**	**125,094**	**1,741,125**
Changes in the gross carrying amount				
- Transfer from stage 1	(127,898)	127,898	-	-
- Transfer from stage 2	55,538	(282,135)	226,597	-
- Transfer from stage 3	-	-	-	-
- Changes due to modifications that did not result in derecognition	(194,397)	24,799	7,749	**(161,849)**
New financial assets originated	1,672,962	-	-	**1,672,962**
Financial assets that have been derecognised	(453,235)	(173,608)	(3,024)	**(629,867)**
Written off balance	-	-	(140,300)	**(140,300)**
Foreign exchange differences	16,132	2,759	3,953	**22,844**
Gross carrying amount as at 31 December 2022	**2,211,405**	**73,441**	**220,069**	**2,504,915**
Allowance for expected credit losses as at 31 December 2022	**(41,136)**	**(9,578)**	**(8,762)**	**(59,476)**

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2020	**982,346**	**882**	**1,430**	**984,658**
Changes in the gross carrying amount				
- Transfer from stage 1	(537,339)	537,339	-	-
- Transfer from stage 2	1,429	(139,394)	137,965	-
- Transfer from stage 3	-	834	(834)	-
- Changes due to modifications that did not result in derecognition	(149,865)	(27,689)	(11,230)	**(188,784)**
New financial assets originated	1,282,206	-	-	**1,282,206**
Financial assets that have been derecognised	(352,115)	(257)	(596)	**(352,968)**
Foreign exchange differences and other movements	15,641	2,013	(1,641)	**16,013**
Gross carrying amount as at 31 December 2021	**1,242,303**	**373,728**	**125,094**	**1,741,125**
Allowance for expected credit losses as at 31 December 2021	**(19,046)**	**(7,842)**	**(67,701)**	**(94,589)**

Geographical and interest rate analyses of loans to customers are disclosed in Note 23.

(in millions of Uzbekistan Soums)

9. Property, equipment and intangible assets

The movements in property, equipment and intangible assets are as follows:

	Right to use land plot	Office and computer Equipment	Motor vehicles	Construction in progress	Intangible assets	Leasehold rights and improvements	Right-of-use assets	Total
Carrying amount at 01 January 2021	**13,371**	**10,750**	**1,959**	**174**	**8,732**	**2,109**	**27,160**	**64,255**
Additions	-	27,651	178	-	12,196	2,565	37,160	79,750
Disposals	-	-	-	-	-	-	(18,980)	(18,980)
Net transfers	-	(1,610)	1,441	-	180	(11)	-	-
Depreciation/amortisation charge	-	(3,621)	(679)	-	(2,398)	(118)	(12,986)	(19,802)
Carrying amount at 31 December 2021	**13,371**	**33,170**	**2,899**	**174**	**18,710**	**4,545**	**32,354**	**105,223**
Cost at 31 December 2021	13,371	37,901	4,057	174	21,900	4,663	55,809	137,875
Accumulated depreciation/ amortisation	-	(4,731)	(1,158)	-	(3,190)	(118)	(23,455)	(32,652)
Carrying amount at 31 December 2021	**13,371**	**33,170**	**2,899**	**174**	**18,710**	**4,545**	**32,354**	**105,223**
Additions	-	54,312	5	-	10,493	5,942	15,958	86,710
Disposals	-	(17)	-	(174)	(496)	(614)	(21,425)	(22,726)
Net transfers	-	(1,568)	1,629	-	-	(61)	-	-
Depreciation/amortisation charge (Note 20)	-	(12,466)	(987)	-	(4,916)	(364)	(16,125)	(34,858)
Disposals of accumulated depreciation	-	-	-	-	-	29	13,833	13,862
Transferred to Investment property (Note 10)	(13,371)	-	-	-	-	-	-	(13,371)
Carrying amount at 31 December 2022	**-**	**73,431**	**3,546**	**-**	**23,791**	**9,477**	**24,595**	**134,840**
Cost at 31 December 2022	-	90,628	5,691	-	31,897	9,930	50,342	188,488
Accumulated depreciation/ amortisation	-	(17,197)	(2,145)	-	(8,106)	(453)	(25,747)	(53,648)
Carrying amount at 31 December 2022	**-**	**73,431**	**3,546**	**-**	**23,791**	**9,477**	**24,595**	**134,840**

(in millions of Uzbekistan Soums)

As at 31 December 2022, Office and computer Equipment and Intangible assets amounted to UZS 97,222 million UZS (31 December 2021: UZS 51,880 million) and increased mainly due to:
- ATMs, Credit card and cash equipment amounting UZS 33,650 million;
- Acquisition of Office equipment with the value of UZS 19,800 million;
- Acquisition and development of mobile software "Tenge 24" for corporate and individual clients to UZS 2,846 million;
- Acquisition and development of business process management and other kinds of system for client account control to UZS 7,646 million.

The buildings and premises for head office, branch and centers for retail services are leased by the Bank. The Bank has no option to purchase the buildings under the lease agreement at the end of the lease term.

Lease liability as at 1 January 2021	**28,997**
Additions	37,160
Derecognition of lease liability due to termination of contract	(18,980)
Repayment	(12,600)
Interest expense	5,254
Interest paid	(5,254)
Lease liability as at 31 December 2021	**34,577**
Additions	13,793
Derecognition of lease liability due to termination of contract	(11,107)
Repayment	(10,138)
Interest expense	5,680
Interest paid	(5,680)
Lease liability as at 31 December 2022	**27,125**

As at 31 December 2022, the carrying amount of right of use assets comprises UZS 24,595 million (31 December 2021: UZS 32,354 million) and lease payment liability in the amount of UZS 27,125 million (31 December 2021: UZS 34,577 million) in accordance with IFRS 16 (Note 15).

Lease liability for the year ended 31 December 2022 is UZS 27,125 million, UZS 5,680 million of which represented under Interest paid in the Statement of Cash flows.

The maturity analysis of lease liabilities is presented in Note 23.

(in millions of Uzbekistan Soums)

10. Investment property

	31 December 2022	31 December 2021
Cost as at January 1	-	-
Right of use land plot, transferred from property and equipment	13,371	-
As at December 31	**13,371**	-

According to the Tashkent city Khokim's decision № 593 from April 26, 2019, and decision № 154 from February 14, 2020, the Bank acquired the right to permanent use of a land plot with a total area of 0.7 hectares, for the construction of an office building located at : Tashkent city, Mustakillik avenue, st. Kh.Alimjan and st. Abdulla Kodiriy, this investment project was included in the Investment Program of the Republic of Uzbekistan for 2021-2023, developed in the framework the Republic of Uzbekistan President's Decree № PP-4937 from 12/28/2020. At the same time, from the moment of acquisition, taking into account the nature of the received permanent right to use the land plot for the investment project, the Bank decided to account for this land plot as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment.

However, on September 18, 2020, Tenge Bank received an open letter of appeal from Tashkent city, Mirzo Ulugbek district's residents (324 residents), regarding the objection that the park would be the site of the construction of the administrative building of Tenge Bank, due to the fact that there are perennial trees and shrubs, in connection with which they ask the Bank to demand from the city authorities to find another appropriate place for building an office. On March 2, 2021, the Bank received letter № 01/08 from the Directorate regarding the suspension of design work until a new location for the project is determined due to incoming claims and dissatisfaction related to the cutting of trees on the allocated land plot from local residents. Taking into account the current situation regarding the temporary suspension of construction work on the administrative building for the investment project, the Bank decided to transfer the right to permanent use of the land plot from the Bank's Long-Term Assets from 2022, and continue accounting for the land plot as part of investment property in accordance with IFRS 40 "Investment Property".

(in millions of Uzbekistan Soums)

11. Other assets

	31 December 2022	31 December 2021
Other financial assets		
Receivable from Raduga Properties LLC	10,779	-
Receivable from ex-employee	593	-
Commission receivable	535	424
Total other financial assets, gross	**11,907**	**424**
Less: allowance for expected credit losses	(1,347)	-
Total other financial assets	**10,560**	**424**
Other non-financial assets		
Prepayment for services	3,597	3,711
Prepayments for property and equipment	2,471	21,649
Prepayment for construction of building	-	23,894
Other	1,383	118
Total other non-financial assets, gross	**7,451**	**49,372**
Less: Allowance for impairment	-	(2,446)
Total other assets	**18,011**	**47,350**

The investment contract with Raduga Properties LLC dated 27 February 2019 initiated by JSC Halyk Bank has been terminated, as a result the construction firm returned 11,576 million UZS of debt and recognition of UZS 1,539 million in operating expenses during 2022.

12. Amounts due to credit institutions

	31 December 2022	31 December 2021
Short-term placements of credit institutions	148	216,811
Security deposit on payment transfers	560	108
Total due to credit institutions	**708**	**216,919**

During the year, short term placement in the amount of UZS 147 million has matured.

Interest rate analyses of due to credit institutions are disclosed in Note 23.

13. Deposits from the Parent

	31 December 2022	31 December 2021
Short-term placements	970,877	762,610
Long-term placements	538,994	633,915
Correspondent accounts	117	668
Total deposits from the Parent	**1,509,988**	**1,397,193**

The placements with JSC Halyk bank are deposits in USD, EUR interest bearing of 1.5%-5.9% and in KZT interest bearing of 11.6%-15.5%. Interest rate analyses of deposits from the Parent are disclosed in Notes 23.

Reconciliation of liabilities arising from financing activities

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

(in millions of Uzbekistan Soums)

	31 December 2021	Financing cash flows	non-cash changes: Effect of exchange rate changes	non-cash changes: Accrued interest	31 December 2022
Deposits from the Parent	**1,396,525**	53,065	35,328	24,953	**1,509,871**
	1,396,525	**53,041**	**35,352**	**24,953**	**1,509,871**

	31 December 2020	Financing cash flows	non-cash changes: Effect of exchange rate changes	non-cash changes: Accrued interest	31 December 2021
Deposits from the Parent	**1,043,870**	332,192	19,039	1,424	**1,396,525**
	1,043,870	**332,192**	**19,039**	**1,424**	**1,396,525**

14. Customer accounts

	31 December 2022	31 December 2021
Legal entities		
- Current/settlement accounts	391,530	171,992
- Term deposits	397,166	171,731
Individuals		
- Current/settlement accounts	56,429	19,283
- Term deposits	744,495	128,312
Total customer accounts	**1,589,620**	**491,318**

As at 31 December 2022, the Bank had top 10 customers with 32% (31 December 2021: 42%) of total customer accounts.

An analysis of customer accounts by type is as follows:

	31 December 2022 Amount	%	31 December 2021 Amount	%
Individuals	800,924	50.38%	147,595	30.04%
Private enterprises	607,700	38.23%	194,349	39.56%
Insurance companies	81,937	5.15%	31,126	6.34%
Joint ventures	86,521	5.45%	30,103	6.13%
State and budgetary organisations	12,538	0.79%	88,145	17.94%
Total customer accounts	**1,589,620**	**100%**	**491,318**	**100%**

Geographical and interest rate analyses of customer accounts are disclosed in Note 23.

15. Other liabilities

	31 December 2022	31 December 2021
Lease payment liability (Note 9)	27,125	34,577
Payables to employees	9,140	7,335
Payable to suppliers	4,336	1,820
Other payables	95	1,187
Total other financial liabilities	**40,696**	**44,919**
Other tax liabilities	2,171	899
Other	4,018	2
Total other non financial liabilities	**6,189**	**901**
Total other liabilities	**46,885**	**45,820**

16. Share capital

In millions of Uzbekistan Soums except for number of shares	Number of outstanding shares	Ordinary shares	Total
At 31 December 2020	**68,160,000**	**340,800**	**340,800**
Ordinary shares issued	161,640,000	808,200	808,200
At 31 December 2021	**229,800,000**	**1,149,000**	**1,149,000**
Ordinary shares issued	-	-	-
At 31 December 2022	**229,800,000**	**1,149,000**	**1,149,000**

17. Net interest income

The total interest income calculated for financial assets measured at amortized cost is UZS 464,463 million and UZS 249,391 million for the period ended 31 December 2022 and 2021, respectively. The total interest expense calculated for financial liabilities measured at amortized cost is UZS 183,432 million and UZS 48,993 million for the period ended 31 December 2022 and 2021, respectively.

	31 December 2022	31 December 2021
Interest income		
Loans to customers	328,547	182,156
Cash and cash equivalents	113,374	26,919
Due from banks	22,342	40,316
Total interest income	**464,463**	**249,391**
Customer accounts	137,722	14,710
Deposits from the Parent	39,929	25,035
Lease payment liability	5,680	5,254
Amounts due to credit institutions	101	3,994
Total interest expense	**183,432**	**48,993**
Net interest income	**280,831**	**200,398**

18. Fee and Commission Income and Expense

The total commission income is UZS 28,186 million and UZS 13,808 million for the period ended 31 December 2022 and 2021, respectively. The total commission expense is UZS 21,555 million and UZS 7,033 million for the period ended 31 December 2022 and 2021, respectively.

	31 December 2022	31 December 2021
Fee and commission income		
Settlement transactions	21,954	10,696
Foreign currency conversion operations	6,060	603
Other	172	2,508
Total fee and commission income	**28,186**	**13,808**
Fee and commission expense:		
Settlement transactions	19,554	5,035
Conversion operations	1,496	1,840
Other	505	158
Total fee and commission expense	**21,555**	**7,033**
Net fee and commission income	**6,631**	**6,775**

(in millions of Uzbekistan Soums)

19. Allowance for expected credit losses

The movements in accumulated allowances of financial assets were as follows:

	Cash and cash equivalents (Note 6)	Due from banks (Note 7)	Loans to customers (Note 8)			Other assets (Note 11)	
	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 3 Lifetime ECL	Total
31 December 2021	**1,196**	**356**	**19,046**	**7,842**	**67,701**	**2,446**	**98,587**
Changes in the gross carrying amount							
- Transfer from stage 1	-	-	(2,170)	2,170	-	-	-
- Transfer from stage 2	-	-	65	(2,266)	2,201	-	-
- Transfer from stage 3	-	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	241	-	(97)	8,807	77,610	(1,099)	**85,462**
New financial assets originated	23	500	31,247	-	-	-	**31,770**
Financial assets that have been derecognised	(1,175)	(375)	(7,145)	(6,975)	(229)	-	**(15,899)**
Written off balance	-	-	-	-	(140,300)	-	**(140,300)**
Foreign exchange differences	17	18	190	-	1,779	-	**2,004**
31 December 2022	**302**	**499**	**41,136**	**9,578**	**8,762**	**1,347**	**61,624**

(in millions of Uzbekistan Soums)

	Cash and cash equivalents (Note 6)	Due from banks (Note 7)	Loans to customers (Note 8)			Other assets (Note 11)	
	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Total
31 December 2020	**268**	**-**	**12,693**	**58**	**522**	**-**	**13,541**
Changes in the gross carrying amount							
- Transfer from stage 1	-	-	(13,320)	13,320	-	-	-
- Transfer from stage 2	-	-	345	(4,419)	4,074	-	-
- Transfer from stage 3	-	-	-	306	(306)	-	-
- Changes due to modifications that did not result in derecognition	176	-	(880)	(1,356)	63,651	2,446	64,037
New financial assets originated	990	356	24,854	-	-	-	26,200
Financial assets that have been derecognised	(238)	-	(4,729)	(18)	(216)	-	(5,201)
Foreign exchange differences and other movements	-	-	83	(49)	(24)	-	10
31 December 2021	**1,196**	**356**	**19,046**	**7,842**	**67,701**	**2,446**	**98,586**

(in millions of Uzbekistan Soums)

20. Operating expenses

	Note	31 December 2022	31 December 2021
Staff costs		83,985	53,949
Depreciation and amortisation	9	18,733	6,816
Depreciation expense on right-of-use assets	9	16,125	12,986
Professional services		8,311	2,062
Advertising and Publicity		6,384	1,674
Stationery and Supplies		6,188	2,895
Membership Fees		5,404	505
Security Service		4,128	2,639
Insurance		3,498	339
Communication charges		2,732	1,387
Rent and maintenance		2,547	797
Taxes other than Income Taxes		2,163	2,156
Representation expenses		1,895	494
Expense incurred due to termination of agreement with Raduga Properties	11	1,539	2,503
Expenses on foreign payment system's registration and setup		1,079	564
Other operating expenses		684	241
Business trip and travel expenses		595	173
Fuel and utilities		570	260
Fines and Penalties		5	94
Total operating expenses		**166,565**	**92,534**

The Bank's administrative and other operating expenses have almost doubled to the amount of UZS 166,565 million which was caused by increases in terms of staff costs, professional services, marketing and insurance purposes

21. Taxation

The Bank 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 Bank operates, which may differ from IFRS.

(a) Components of income tax expense

Income tax expense comprises the following:

	2022	2021
Deferred tax charge/(credit)	18,084	(1,878)
Current tax charge	1,289	17,394
Income tax expense	**19,373**	**15,516**

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

The Bank 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. 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 2022 and 2021 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 income tax rate applicable to the majority of the Bank's income is 20%.

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

	2022	2021
Profit before tax	**86,662**	**68,101**
Theoretical tax charge at statutory rate of 20% (2021: 20%)	17,332	13,620
Tax effect of items which are not deductible or assessable for taxation purposes	(243)	-
Income which is exempt from taxation:		
- interest receivable/received	(12,484)	-
Non-deductible expenses	12,810	1,868
Other permanent differences	1,958	28
Income tax expense for the year	**19,373**	**15,516**

(in millions of Uzbekistan Soums)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 20% (2021: 20%).

	2022	Credited/(charged) to profit or loss	2021	Credited/(charged) to profit or loss	2020
Tax effect of deductible/(taxable) temporary differences					
Cash and cash equivalents	60	(179)	239	239	-
Due from banks	5	23	(18)	(47)	29
Loans to customers	(13,585)	(16,266)	2,681	(379)	3,060
Premises, equipment and intangible assets	(4,850)	1,620	(6,471)	(1,039)	(5,432)
Other assets	325	(1,004)	1,329	1,093	236
Other liabilities	5,802	(2,278)	8,080	2,011	6,069
Debt securities at amortized cost	-	-	-	-	
Net deferred tax asset	**(12,243)**	**(18,083)**	**5,840**	**1,878**	**3,962**
Recognised deferred tax asset	1,342	7,069	12,329	3,343	9,394
Recognised deferred tax liability	(13,585)	(25,152)	(6,489)	(1,465)	(5,432)
Net deferred tax asset	**(12,243)**	**(18,083)**	**5,840**	**1,878**	**3,962**

Management believes that the Bank is in compliance with the tax law affecting its operations, however, the risk that relevant authorities could take differing positions with regard to interpretive issues remains.

(in millions of Uzbekistan Soums)

22. Commitments and contingencies

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. On the basis of its own estimate and both internal and external professional advice the management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statement.

Contingencies

In the normal course of business, the Bank 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 statement of financial position.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. The Bank's financial commitments and contingencies comprise the following:

	31 December 2022	31 December 2021
Letters of credit	227	450
Guarantees	-	967
Undrawn loan commitments	-	175
Loan commitments of the bank	7	-
Total gross commitments and contingencies	**234**	**1,592**
Less – Cash held as security against letters of credit	(227)	(450)
Total net commitments and contingencies	**7**	**1,142**

The total outstanding contractual amount of import letters of credit, loan commitments of the bank and guarantees and Undrawn loan commitments do not represent any amount, as these financial instruments may expire or terminate without being funded.

Credit related commitments are denominated in currencies as follows:

	31 December 2022	31 December 2021
US Dollars	-	1,416
UZS	7	176
Other	227	-
Total	**234**	**1,592**

23. Risk management policy

Risk management is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. Through the risk management framework, the Bank manages the following risks:

Credit risk

Credit risk is the risk of loss arising for the Bank when a counterparty is unable to meet its contractual obligations on time or in full.

The risk management division plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification, evaluation and implementation of control and monitoring measures. The risk management division directly participates in credit decision-making processes and the consideration of internal rules, regulations and loan programs. In addition, the division provides independent recommendations concerning credit exposure minimization measures, controls limits and monitors credit risks, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee ("ALMC"). Limits on credit risk exposure with respect to credit programmes (Small and medium enterprises (SME) and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures, which are reviewed by the Credit Committees and the ALMC. Actual exposures against limits are monitored daily. The risk, that the counterparty will not meet its obligations, is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards.

The Bank applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the statement of financial position (i.e. the policy based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring). The Bank monitors the term to maturity of off-balance sheet contingencies, as longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Structure and authorities of credit committees

Credit committees, the ALMC, the Management Board and the Board of Directors are credit authorities responsible for the implementation of the Bank's Credit Policy and credit decision-making process

ALMC

The primary goal of the ALMC is profit maximization and to limit the risks of banking activities related to raising and allocating funds. The main tasks of the ALMC are: liquidity management, interest rate risk management, price risk and other banking risks management.

The ALMC is also responsible for establishing country and counterparty-banks limits. The ALMC reports to the Board of Directors.

Credit Committees of the Bank

The primary goal of the Credit Committee is the implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers. Approval of loans to borrowers within the limits established by the Management of the Board and the Supervisory Council.

(in millions of Uzbekistan Soums)

The Management Board

Approval of allowances creation for bad debt, approval of loan limits for Credit Committees of the Bank, making decisions on restructuring loans, replacing or releasing collateral for loans related to Management' authority, making decisions for allowances creation on repossessed assets.

Approval of the loan applications exceeding the authority of the Credit Committees.

The Supervisory Council of the Bank

Approval of unsecured loans and loans to related parties, making decisions on restructuring loans, replacing or releasing collateral for loans related to Supervisory Council' authority, approval of repossess assets taking. Approval of the loan applications exceeding the authority of the Management of the Board.

The sole shareholder of the Bank

Approval of the creation of any loans, with the exception of those committed in the normal course of business of the Bank. Approval of the final write-off loan or other debt from off-balance sheet items in accordance with the requirements of the legislation of the Republic of Uzbekistan. Approval of the loan applications exceeding the authority of the Supervisory Council of the Bank.

Maximum Exposure

The Bank's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on. The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2022	
	Maximum exposure and net exposure after offset	**Collateral pledged**
Cash and cash equivalents, excluding cash on hand	1,286,778	-
Due from banks	217,101	-
Loans to customers	2,445,439	2,445,439
Other financial assets	10,560	-
Commitments and contingencies	7	-

	31 December 2021	
	Maximum exposure and net exposure after offset	**Collateral pledged**
Cash and cash equivalents, excluding cash on hand	1,189,176	-
Due from banks	244,581	-
Loans to customers	1,646,536	1,646,536
Other financial assets	424	-
Commitments and contingencies	1,142	967

As at 31 December 2022 and 2021, there is no any difference between maximum exposure and net exposure after offset.

Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures

(in millions of Uzbekistan Soums)

analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.
The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

For treasury operations, a significant increase in credit risk is determined individually for each financial asset on the basis of quantitative indicators (rating downgrades by 3 or more steps, overdue by 1 day or more) and qualitative indicators (negative information relating to the issuer/counterparty, including deterioration of financial condition, change of shareholders, the realization of the risk of loss of reputation, the systematic violation of prudential standards).

For bank loans assessed on a collective basis, a significant increase in credit risk is determined for loans with an overdue of over 30 days since initial recognition, for loans assessed on an individual basis - additionally in case of the decrease of internal credit rating and increase in lifetime PD on 10 percentage points in accordance with the internal rating model (the presence of restructuring during deterioration of the financial position for classification to Stage 3), expert opinions of the Bank's specialists based on the changes in the qualitative and quantitative indicators of the borrower, a significant deterioration of collateral and other objective evidence of significant financial difficulties since initial recognition. Stage 3 is determined for loans that are assessed on a collective basis with an overdue of over 60-90 days, for loans assessed on an individual basis - over 90 days past due, restructuring related to the deterioration of financial condition, deterioration of the internal credit rating and expert opinion of the Bank's specialists.

The Bank considers that certain financial instruments with low credit risk at the reporting date, have not experienced a significant increase in credit risk. The Bank applies this policy to financial instruments issued to sovereign and financial institutions only. The Bank considers a financial instrument to have low credit risk when its external credit risk rating is equivalent to definition of 'investment grade' by international rating agencies.
The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Bank to provide funds for repayment of its obligations in a due time. The Bank's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.
Short-term liquidity needs are managed by the Bank's Treasury function collecting daily cash inflow/outflow forecasts. Long-term liquidity management is performed by ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Bank analyzes the financial assets and liabilities, and obligatory reserves taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss in the form of securities, which are included in the column "Less than 1 month" as they are available to meet the Bank's short-term liquidity needs.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	1,268,542	312,418	-	-	**1,580,960**
Due from banks	61,618	35,913	119,570	-	**217,101**
Loans to customers	143,667	416,375	456,976	1,428,421	**2,445,439**
Other financial assets	10,560	-	-	-	**10,560**
Total financial assets	**1,484,387**	**764,706**	**576,546**	**1,428,421**	**4,254,060**
Liabilities					
Amounts due to credit institutions	708	-	-	-	**708**
Deposits from the Parent	168,199	150,445	652,351	538,993	**1,509,988**
Customer accounts	1,090,626	180,739	231,079	87,176	**1,589,620**
Other financial liabilities	14,998	7,345	9,242	9,111	**40,696**
Total financial liabilities	**1,274,531**	**338,529**	**892,672**	**635,280**	**3,141,012**
Net liquidity gap based on contractual maturities	**209,856**	**426,177**	**(316,126)**	**793,141**	**1,113,048**
Cumulative liquidity gap at 31 December 2022	**209,856**	**636,033**	**319,907**	**1,113,048**	**-**

(in millions of Uzbekistan Soums)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	979,702	318,721	-	-	1,298,423
Due from banks	119,011	125,570	-	-	244,581
Loans to customers	26,548	294,565	322,460	1,002,963	1,646,536
Other financial assets	21,872	-	-	-	21,872
Total financial assets	**1,147,133**	**738,856**	**322,460**	**1,002,963**	**3,213,858**
Liabilities					
Amounts due to credit institutions	216,919	-	-	-	216,919
Deposits from the Parent	94,850	297,732	370,696	633,915	1,397,193
Customer accounts	216,611	81,066	153,698	39,943	491,318
Other financial liabilities	11,282	5,651	8,350	19,636	44,919
Total financial liabilities	**539,662**	**384,449**	**532,744**	**693,494**	**2,150,349**
Net liquidity gap based on contractual maturities	**607,471**	**354,407**	**(210,284)**	**309,469**	**1,061,063**
Cumulative liquidity gap at 31 December 2021	**607,471**	**961,878**	**751,594**	**1,061,063**	**-**

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. A significant portion of the Bank's liabilities is represented by deposits from the Parent. Further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

The Bank monitors remaining contractual maturities, which may be summarized as follows at 31 December 2022:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Liabilities					
Amounts due to credit institutions	708	-	-	-	**708**
Deposits from the Parent	173,300	172,951	673,719	548,853	**1,568,823**
Customer accounts	1,107,819	216,214	248,768	90,745	**1,663,546**
Other financial liabilities	14,998	7,345	9,242	9,111	**40,696**
Letters of credit	-	-	227	-	**227**
Loan commitments of the bank	7	-	-	-	**7**
Total potential future payments for financial obligations	**1,296,832**	**396,510**	**931,956**	**648,709**	**3,274,007**

Remaining contractual maturities summarized as follows at 31 December 2021:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Liabilities					
Amounts due to credit institutions	217,133	-	-	-	**217,133**
Deposits from the Parent	97,419	309,149	382,613	646,505	**1,435,686**
Customer accounts	220,982	97,708	166,074	42,249	**527,013**
Other financial liabilities	11,281	5,651	8,350	19,636	**44,918**
Undrawn loan commitments	175	-	-	-	**175**
Commitments and contingencies	-	967	-	-	**967**
Total potential future payments for financial obligations	**546,990**	**413,475**	**557,037**	**708,390**	**2,225,892**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Uzbekistan Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

Market risk

Market risk is a risk that Bank's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Bank is exposed to market risks which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimize risk/return, minimize losses in case of adverse events and decrease deviation of factual financial results from the expected one.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review at least on an annual basis and should be monitored continuously.

Interest rate risk

The Bank is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decrease, interest expense increase or negative impact on equity resulting from adverse changes of market interest rates. The Bank determines interest rate risk resulting from assets and liabilities maturity dates (dates of interest rates repricing) mismatch that are sensitive to the interest rates changes (risk of interest rates changes).

ALMC manages interest rate risks and market risks through the Management of the Bank's position on interest rates to reach positive interest margins.

The Bank manages interest rates by determining the Bank's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Bank's exposure to the interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities.

Sensitivity analysis of interest rate risk

The Management regularly reviews sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The Bank assesses the reasonably possible changes in interest rates in UZS and foreign currencies separately, in which financial assets and liabilities are denominated due to the different volatility of interest rates.

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk management Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in fair value interest rates and its influence on the Bank's profitability and reports on them to the Management. The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

(in millions of Uzbekistan Soums)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Total interest bearing financial assets	1,079,852	1,074,654	573,458	1,412,107	**4,140,071**
Cash and cash equivalents	885,684	624,836	-	-	**1,510,520**
Due From Banks	59,784	35,841	119,570	-	**215,195**
Loans and advances to customers	134,384	413,977	453,888	1,412,107	**2,414,356**
Total interest bearing financial liabilities	(702,476)	(331,184)	(883,430)	(626,169)	**(2,543,259)**
Amounts due to credit institutions	(708)	-	-	-	**(708)**
Deposits from the Parent	(59,101)	(150,445)	(652,351)	(538,993)	**(1,400,890)**
Customer accounts	(642,667)	(180,739)	(231,079)	(87,176)	**(1,141,661)**
Net interest sensitivity gap at 31 December 2022	**377,376**	**743,470**	**(309,972)**	**785,938**	**1,596,812**

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Total interest bearing financial assets	675,725	738,856	322,460	1,002,963	**2,740,004**
Cash and cash equivalents	549,832	318,721	-	-	**868,553**
Due from banks	116,689	125,570	-	-	**242,259**
Loans to customers	9,204	294,565	322,460	1,002,963	**1,629,192**
Total interest bearing financial liabilities	(326,156)	(378,798)	(524,394)	(673,858)	**(1,903,206)**
Amounts due to credit institutions	(216,753)	-	-	-	**(216,753)**
Deposits from the Parent	(86,701)	(297,732)	(370,696)	(633,915)	**(1,389,044)**
Customer accounts	(22,702)	(81,066)	(153,698)	(39,943)	**(297,409)**
Net interest sensitivity gap at 31 December 2021	**349,569**	**360,058**	**(201,934)**	**329,105**	**836,798**

As at 31 December 2022 and 2021, the Bank was not exposed to floating interest rates and all interest bearing financial assets and liabilities had fixed interest rate. Interest rates will change after the maturity of interest bearing financial assets and liabilities, when the repricing occurs.

Currency Risk

The Bank is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Bank.

The ALMC controls currency risk by management of the open currency position based on the estimations of UZS devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rate fluctuations of national and foreign currencies.

The treasury department performs daily monitoring of the Bank's open currency position with the aim to comply with the requirements of the regulatory authority.

The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position, results of operations and cash flows, which are monitored daily. ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority. The Bank's principal cash flows are generated in UZS and USD. As a result, potential movements in the exchange rate between UZS and USD will affect the carrying values of the Bank's USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the statement of financial position and off-balance sheet positions.

(in millions of Uzbekistan Soums)

The current Bank's sensitivity to fluctuations in exchange rates is acceptable due to the fact that the off-balance sheet items significantly neutralize the statement of financial position.

As at 31 December 2022 and 2021, the Bank's exposure to foreign currency exchange rate risk is as follows:

	UZS	US Dollars	Euros	Other	Total
Monetary financial assets					
Cash and cash equivalents	1,116,726	375,498	75,248	13,488	**1,580,960**
Due from Banks	119,645	1,123	96,333	-	**217,101**
Loans to customers	1,274,389	994,832	88,760	87,458	**2,445,439**
Other financial assets	10,560	-	-	-	**10,560**
Total financial assets	**2,521,320**	**1,371,453**	**260,341**	**100,946**	**4,254,060**
Monetary financial liabilities					
Amounts due to credit institutions	7	560	-	141	**708**
Deposits from the Parent	117	1,176,088	243,681	90,102	**1,509,988**
Customer accounts	1,467,822	117,528	1,591	2,679	**1,589,620**
Other financial liabilities	40,637	59	-	-	**31,496**
Total financial liabilities	**1,508,583**	**1,294,235**	**245,272**	**92,922**	**3,141,012**
Net balance sheet position	**1,012,737**	**77,217**	**15,069**	**8,024**	**1,113,048**
Net off-balance sheet position	**7**	**-**	**-**	**-**	**7**
Net position at 31 December 2022	**1,012,730**	**77,218**	**15,069**	**8,024**	**1,113,041**

	UZS	US Dollars	Euros	Other	Total
Monetary financial assets					
Cash and cash equivalents	788,723	483,060	18,278	8,362	**1,298,423**
Due from banks	79,914	164,667	-	-	**244,581**
Loans to customers	667,727	731,734	148,866	98,209	**1,646,536**
Other financial assets	21,872	-	-	-	**21,872**
Total financial assets	**1,560,982**	**1,379,461**	**167,144**	**106,571**	**3,211,412**
Monetary financial liabilities					
Amounts due to credit institutions	-	216,919	-	-	**216,919**
Deposits from the Parent	61	1,123,094	186,020	88,018	**1,397,193**
Customer accounts	464,224	26,507	16	571	**491,318**
Other financial liabilities	44,811	108	-	-	**44,919**
Total financial liabilities	**509,096**	**1,366,628**	**186,036**	**88,589**	**2,150,349**
Net balance sheet position	**1,049,140**	**12,833**	**(18,892)**	**17,982**	**1,061,063**
Net off-balance sheet position	**176**	**966**	**-**	**-**	**1,142**
Net position at 31 December 2021	**1,048,964**	**11,867**	**(18,892)**	**17,982**	**1,059,921**

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Bank had exposure at 31 December 2022 and 2021, and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate with all other variables held constant on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase.

Sensitivity of currency risk is assessed based on balance sheet and off-balance sheet open currency positions. The Management of the Bank believes income tax not to have substantial effect for the purpose of currency risk management.

The impact on income before tax and equity, based on asset values as at 31 December 2022 and 2021, was calculated using the annual analysis of the exchange rates volatility based on historical data of the exchange rates dynamics over the period; see the details in the following table:

(in millions of Uzbekistan Soums)

	31 December 2022	31 December 2021
	Impact on profit or loss	Impact on profit or loss
US Dollars strengthening by 10% (2021: 10%)	7,722	1,283
US Dollars weakening by 10% (2021: 10%)	(7,722)	(1,283)
Euro strengthening by 10% (2021: 10%)	1,507	(1,889)
Euro weakening by 10% (2021: 10%)	(1,507)	1,889

Limitations of sensitivity analysis

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

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Bank has no material exposure to equity price risk.
The Bank is exposed to prepayment risk through providing fixed loans, which give the borrower the right to early repay the loans. The Bank's current profit or loss and equity at the current balance sheet date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the customers. The Bank monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	31 December 2022			
In % p.a.	UZS	USD	Euro	Other
Assets				
Cash and cash equivalents	13.00%-18.00%	-	-	-
Due from banks	18.00%	-	5.80%-6.00%	-
Loans to customers	20.00%-38.90%	5.50%-12.00%	6.50%-9.00%	15.60%
Liabilities				
Amounts due to credit institutions	-	-	-	-
Deposits from the Parent	-	0.00%-5.90%	0.00%-3.63%	0.00%-15.50%
Customer accounts	0.00%-23.00%	-	-	-

(in millions of Uzbekistan Soums)

	31 December 2021			
In % p.a.	**UZS**	**USD**	**Euro**	**Other**
Assets				
Cash and cash equivalents	0.00%-13.99%	0.00%-5.20%	-	-
Due from banks	0.00%-18.00%	0.00%-5.20%	-	-
Loans to customers	19.00% - 32.00%	7.00% - 12.00%	6.50% - 8.00%	13.00% - 15.60%
Liabilities				
Amounts due to credit institutions	-	0.00%-1.20%	-	-
Deposits from the Parent	-	1.14%-2.85%	1.33%-1.50%	11.30%-12.00%
Customer accounts	0.00%-24.00%	-	-	-

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2022 and 2021 is set out below:

	Uzbekistan	OECD	Non OECD	Total
Financial assets				
Cash and cash equivalents	1,537,503	-	43,457	**1,580,960**
Due from banks	215,978	1,123	-	**217,101**
Loans to customers	2,445,439	-	-	**2,445,439**
Other financial assets	10,560	-	-	**10,560**
Total financial assets	**4,209,480**	**1,123**	**43,457**	**4,254,060**
Financial liabilities				
Amounts due to credit institutions	-	-	708	**708**
Deposits from the Parent	-	-	1,509,988	**1,509,988**
Customer accounts	1,589,620	-	-	**1,589,620**
Other financial liabilities	40,696	-	-	**40,696**
Total financial liabilities	**1,630,316**	**-**	**1,510,696**	**3,141,012**
Net position in on-balance sheet financial instruments	**2,579,164**	**1,123**	**(1,467,239)**	**1,113,048**
Net off-balance sheet position	**-**	**-**	**-**	**-**
Net position at 31 December 2022	**2,579,164**	**1,123**	**(1,467,239)**	**1,113,048**

	Uzbekistan	OECD	Non OECD	Total
Financial assets				
Cash and cash equivalents	1,284,738	-	13,685	1,298,423
Due from banks	243,497	1,084	-	244,581
Loans to customers	1,646,536	-	-	1,646,536
Other financial assets	21,872	-	-	21,872
Total financial assets	**3,196,643**	**1084**	**13,685**	**3,211,412**
Financial liabilities				
Amounts due to credit institutions	-	-	216,919	216,919
Deposits from the Parent	-	-	1,397,193	1,397,193
Customer accounts	491,318	-	-	491,318
Other financial liabilities	45,820	-	-	45,820
Total financial liabilities	**537,138**		**1,614,112**	**2,151,250**
Net position in on-balance sheet financial instruments	**2,659,505**	**1084**	**(1,600,427)**	**1,060,162**
Net off-balance sheet position	**1,142**		**-**	**1,142**
Net position at 31 December 2021	**2,658,363**	**1084**	**(1,600,427)**	**1,059,020**

(in millions of Uzbekistan Soums)

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held. Non-OECD includes Kazakhstan.

24. Capital risk management

The Bank's objectives when managing capital, which are a broader concept than the "equity" on the face of the statement of financial position, are as follows:

- To comply with the capital requirements set by the CBU;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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

Under the current capital requirements set by the CBU, banks have to maintain ratios of (actual ratios given below are unaudited):

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13%. Actual ratio as at 31 December 2022: 34.2% (31 December 2021: 41.9%).
- Ratio of Bank's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10%. Actual ratio as at 31 December 2022: 33.3% (31 December 2021: 39.5%).
- Ratio of Bank's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6.0%. Actual ratio as at 31 December 2022: 27.9% (31 December 2021: 34.5%).

Total capital is based on the Bank's reports prepared under Uzbekistan Accounting Legislation and related instructions and comprise

	31 December 2022 (unaudited)	31 December 2021 (unaudited)
Tier 1 capital	1,217,401	1,152,939
Tier 2 capital	30,363	70,023
Total regulatory capital	**1,247,764**	**1,222,962**

25. Fair Value of Financial Instruments

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

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

Financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

As at 31 December 2022, the fair value of financial assets and financial liabilities except for those shown below approximate their carrying value.

(in millions of Uzbekistan Soums)

Financial Assets/ Liabilities as at 31 December 2022	Carrying value	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans to customers	2,445,439	2,523,484	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value
Customer accounts	1,589,620	1,594,713	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value

As at 31 December 2021, the fair value of financial assets and financial liabilities except for those shown below approximate their carrying value.

Financial Assets/ Liabilities as at 31 December 2021	Carrying value	Fair value	Fair value hierarchy	Valuation key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans to customers	1,646,536	1,718,007	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	Not applicable
Customer accounts	491,318	495,603	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	Not applicable

As at 31 December 2022 and 31 December 2022, the Bank determined fair value for some of its financial assets and liabilities using the discounted cash flow model by applying CBU statistical bulletin, which became open to public starting 2019. Such financial instruments were categorized as Level 2.

For those financial instruments, where interest rates were not directly available in the CBU's Statistical bulletin, the Management uses discounted cash flow model by applying market interest rates based on the rates of the deals concluded towards the end of the reporting period, thereby, categorizing such instruments as Level 3.

(in millions of Uzbekistan Soums)

26. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Considering each possible related party not only, their legal status is taken into account but also the substance of the relationship between these parties.

Other related parties include entities which are under common control of the Parent.

As at 31 December 2022, the Bank had the following transactions outstanding with related parties:

	31 December 2022	
	Related party balances	**Total category as per the financial statements caption**
Cash and cash equivalents	**4,750**	**1,580,960**
- Parent	*3,037*	
- Other related entities	*1,713*	
Loans and advances to customers	**1**	**2,445,439**
- entities with significant influence over the Group	1	
Deposits from the Parent	**1,509,988**	**1,509,988**
- Parent	*1,509,988*	
Customer accounts	**1,355**	**1,589,620**
- key management personal	*1,353*	
- other related entities	*2*	

Included in the statements of profit or loss for the period ended 31 December 2022, are the following amounts which arose due to transactions with related parties:

	Related party transactions	**Total category as per the financial statements caption**
Interest expense	**39,929**	**183,432**
- Parent	*39,929*	
Fee and commission income	**1**	**28,186**
- other related entities	1	
Fee and commission Expence	**2,186**	**21,555**
- Parent	1,921	
- other related entities	265	
Operating expenses	**7,308**	**166,565**
- key management personal	*7,308*	

As at 31 December 2021, the Bank had the following transactions outstanding with related parties:

	31 December 2021	
	Related party balances	**Total category as per the financial statements caption**
Cash and cash equivalents	**7,451**	**1,298,423**
- Parent	*7,451*	
- Other related entities	6,234	
Deposits from the Parent	**1,397,193**	**1,397,193**
- Parent	*1,397,193*	
Customer accounts	**2,349**	**491,318**
- key management personal	*2,349*	

Included in the statements of profit or loss for the period ended 31 December 2021, are the following amounts which arose due to transactions with related parties:

(in millions of Uzbekistan Soums)

	31 December 2021	
	Related party balances	**Total category as per the financial statements caption**
Interest expense	**25,035**	**48,993**
- Parent	*25,035*	
Operating expenses	**7,220**	**92,534**
- key management personal	*7,220*	

	31 December 2022	**31 December 2021**
Short-term benefits:		
- Salaries and other short term benefits	6,525	6,447
- Social Security costs	783	773
Total key management personnel compensation	**7,308**	**7,220**

27. Subsequent events

In accordance with the decision of the CBU dated 16 March 2023, the base rate was decreased to 14 percent per annum ensuring that relatively tight monetary conditions are maintained in the downward dynamics of the inflation forecast (8.5-9.5 percent). In January-February 2023, the annual inflation rate decreased to 12.2 percent per annum. Global inflation continued to moderate in February 2023, in addition to tighter monetary policies of key central banks, the increased demand for safe assets in the context of recent bank run episodes in the international banking sector raises the volatility on financial and commodity markets.

The Management of the Bank is monitoring the current changes in the economic situation and taking measures necessary to maintain the sustainability and development of the activities of the Bank in the near future. However, the consequences of past events and related future changes may have a significant impact on the operations of the Bank.

28. Approval of the financial statements

The financial statements were approved by the Management of the Bank on 8 May 2023.

Deloitte.

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