

**JSCB “UZBEK INDUSTRIAL
AND CONSTRUCTION BANK”
AND ITS SUBSIDIARIES**

Consolidated Financial Statements
and Independent Auditor’s Report
For the Year Ended 31 December 2021

**JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES**

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**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES**

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

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

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

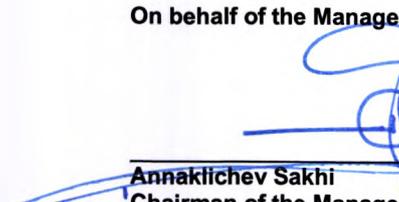
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the Management on 30 April 2022.

On behalf of the Management Board:



Annaktlichev Sakhi
Chairman of the Management Board

30 April 2022
Tashkent, Uzbekistan



Vokhidov Oybek
Chief Accountant

30 April 2022
Tashkent, Uzbekistan





Independent Auditor's Report

To the Shareholders and Supervisory Board of JSCB "Uzbek Industrial and Construction Bank":

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of JSCB "Uzbek Industrial and Construction Bank" (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.



Our audit approach

Overview



- Overall Group materiality: UZS 53,575 million, which represents 5% of profit before tax.
- We have audited the financial statements of the Bank, as well as the material balances and transactions of subsidiaries included in the consolidated financial statements of the Group.
- Assessment of expected credit losses (ECL) provision for loans and advances to customers in accordance with IFRS 9, Financial Instruments.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	UZS 53,575 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% threshold as in our professional experience this is a widely accepted quantitative measure for this benchmark.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of expected credit losses (ECL) provision for loans and advances to customers in accordance with IFRS 9, Financial Instruments.</p> <p>We considered impairment of loans and advances to customers as a key audit matter due to the significance of loans and advances to customer balance and a complex financial reporting standard, which requires significant judgement to determine the ECL provision.</p> <p>Key areas of judgement included:</p> <ul style="list-style-type: none">• Classification of loans and advances to customers into stages in accordance with IFRS 9;• Key estimates and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default. <p>Note 3 “Significant accounting policies”, Note 4 “Critical accounting judgements and key sources of estimation uncertainty”, Note 9 “Loans and advances to customers” and Note 36 “Risk management policies” to the consolidated financial statements provide detailed information on the credit loss allowance.</p>	<p>In assessing the ECL provision we have performed, among others, the following audit procedures:</p> <ul style="list-style-type: none">• We assessed the methodology and models for ECL provision assessment developed by the Group in order to evaluate its compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining a “significant increase in credit risk”, classification of the loans and advances to customers to stages, and estimation of key risk parameters.• On a sample basis we evaluated and tested the design and operational effectiveness of the controls on the processes that identify overdue loans.• On a sample basis we analysed the significant loans and advances to corporate clients, including state and municipal organisations, which had not been identified by management as impaired and formed our own judgement as to whether that was appropriate.• On a sample basis we tested segmentation and allocation to stages of corporate loans and loans to individuals.• On a sample basis, we assessed the Group’s estimated future cash flows from various scenarios and key assumptions, including the timing of collateral collection. We assessed the relevance of the scenarios used and their probability, and calculated calculation of the present value of the cash flows.



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- On a sample basis we tested the assumptions, inputs and formulae used in ECL models for collective provision assessment. This included assessing the appropriateness of model design and formulae used, and recalculating the probability of default, loss given default and exposure at default.
 - To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e., loan portfolios, loan agreements, collateral agreements etc.
 - We performed detailed analytical procedures over ECL calculation disaggregated by stages, segments, currency and, years to maturity.
 - On overall basis we checked the Group's assessment of effect of forward-looking information on the ECL level. In particular, we assessed whether forecasted macro-economic variables were appropriate, compared input data to the external sources and checked appropriateness of the model used.
 - We assessed the accuracy and appropriateness of the disclosures in accordance with IFRS.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group includes 12 entities and accounting is maintained by centralized accounting team for the entire Group. Our audit procedures included the audit of these entities together with the Bank. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed. These 12 entities as a reporting unit represent approximately 0.26% of the Group's total assets as at 31 December 2021 and 0.19% of the Group's profit for the period. We focused our audit work on significant balances and transactions of each component.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

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



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

If, based on the work we have performed on the annual report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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



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

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

We also provide Supervisory Board 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, actions taken to eliminate threats or safeguards applied.

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

Otabek Abdukodirov
Acting General Director

Certificate of auditor No. 05618
dated 28 July 2017 issued by the
Ministry of Finance of Uzbekistan

Certificate of auditor No. 9/19
dated 27 August 2018 issued by
the Central Bank of Uzbekistan

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC

Tashkent, Uzbekistan

30 April 2022

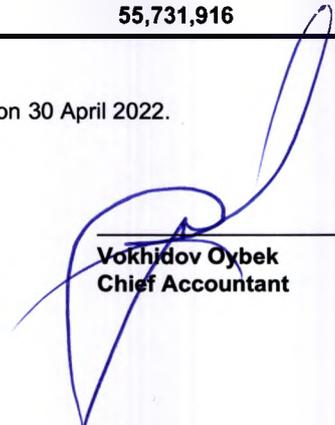
**JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**
(in millions of Uzbek Soums)

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	7	8,196,652	5,601,186
Due from other banks	8	1,956,303	1,859,192
Loans and advances to customers	9	42,537,051	38,959,958
Investment securities measured at amortised cost	10	1,067,512	540,222
Financial assets at fair value through other comprehensive income	11	48,136	38,024
Investment in associates	12	29,726	993
Premises, equipment and intangible assets	13	1,276,363	747,232
Deferred tax asset	30	202,125	167,619
Insurance assets	27	12,964	5,544
Other assets	14	356,482	376,520
Non-current assets held for sale	15	48,602	27,355
TOTAL ASSETS		55,731,916	48,323,845
LIABILITIES			
Due to other banks	16	1,392,977	1,496,004
Customer accounts	17	13,561,540	11,616,958
Debt securities in issue	18	3,317,817	3,273,048
Other borrowed funds	19	30,130,776	25,683,457
Insurance liabilities	27	84,813	44,887
Other liabilities	20	197,421	128,627
Subordinated debt	21	101,771	-
TOTAL LIABILITIES		48,787,115	42,242,981
EQUITY			
Share capital	22	4,640,011	4,640,011
Retained earnings		2,284,458	1,427,469
Revaluation reserve of financial assets at fair value through other comprehensive income		14,132	13,384
Net assets attributable to the Bank's owners		6,938,601	6,080,864
Non-controlling interest		6,200	-
TOTAL EQUITY		6,944,801	6,080,864
TOTAL LIABILITIES AND EQUITY		55,731,916	48,323,845

Approved for issue and signed on behalf of the Management Board on 30 April 2022.


Annaklichev Sakhi
Chairman of the Management Board


Vokhidov Oybek
Chief Accountant

**JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	Notes	2021	2020
Continuing operations			
Interest income calculated using the effective interest method	24	4,155,398	3,267,739
Other similar income	24	32,024	21,893
Interest expense	24	(2,067,905)	(1,667,555)
Net interest income before provision on loans and advances to customers		2,119,517	1,622,077
Provision for credit losses on loans and advances to customers	9	(420,937)	(1,200,998)
Net interest income		1,698,580	421,079
Fee and commission income	25	386,074	401,784
Fee and commission expense	25	(110,483)	(81,461)
Gain / (loss) on initial recognition on interest bearing assets		8,119	(19,285)
Gains less losses from modification of financial assets measured at amortised cost, that did not lead to derecognition		(52,339)	-
Net (loss) / gain on foreign exchange translation		(4,262)	100,467
Net gain from trading in foreign currencies		170,935	72,569
Insurance operations income	26	80,881	43,444
Insurance operations expense	26	(36,331)	(17,713)
Change in insurance reserves, net	27	(32,235)	(26,103)
Dividend income		4,920	5,477
Other operating income		40,866	29,773
Provision for credit losses on other assets and contingent liabilities		(34,145)	(12,323)
Impairment of assets held for sale	15	(5,586)	7,233
Administrative and other operating expenses	29	(1,044,146)	(790,447)
Share of result from associates		722	(12)
Profit before tax		1,071,570	134,482
Income tax expense	30	(214,582)	(22,358)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		856,988	112,124
Discontinued operations			
Profit for the period from discontinued operations		-	889
PROFIT FOR THE PERIOD		856,988	113,013
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Fair value gain on equity securities at fair value through other comprehensive income		935	935
Tax effect		(187)	(1,745)
Other comprehensive income		748	6,980
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		857,736	119,993
Attributable to:			
- Owners of the Bank		856,989	113,013
- Non-controlling interest		(1)	-
PROFIT FOR THE PERIOD		856,988	113,013
Attributable to:			
- Owners of the Bank		857,737	119,993
- Non-controlling interest		(1)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		857,736	119,993
Total basic and diluted EPS per ordinary share (expressed in UZS per share)	32	3.51	1.00

Approved for issue and signed on behalf of the Management Board on 30 April 2022.

Anna Klichev Sakhi
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

JOINT STOCK COMMERCIAL BANK "UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(in millions of Uzbek Soums)

	Share capital	Revaluation reserve of financial assets at fair value through other comprehensive income	Retained earnings	Non-controlling interest	Total equity
1 January 2020	4,640,011	6,404	1,669,225	4,928	6,320,568
Profit for the period	-	-	113,013	-	113,013
Other comprehensive income for the period	-	6,980	-	-	6,980
Total comprehensive income for the period	-	6,980	113,013	-	119,993
Dividends declared	-	-	(354 769)	-	(354,769)
Decrease in non-controlling interest from disposal of interest in subsidiaries	-	-	-	(4,928)	(4,928)
31 December 2020	4,640,011	13,384	1,427,469	-	6,080,864
Profit for the period	-	-	856,989	(1)	856,988
Other comprehensive income for the period	-	748	-	-	748
Total comprehensive income for the period	-	748	856,989	(1)	857,736
Non-controlling interest arising on new established subsidiaries (Note 1)	-	-	-	6 201	6 201
31 December 2021	4,640,011	14,132	2,284,458	6,200	6,944,801

Approved for issue and signed on behalf of the Management Board on 30 April 2022.


Annaklichev Sakhi
 Chairman of the Management Board




Vokhidov Oybek
 Chief Accountant

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of Uzbek Soums)

	Notes	2021	2020
Cash flows from operating activities			
Interest received		3,763,742	2,763,220
Interest paid		(2,015,843)	(1,560,240)
Fee and commission received		387,712	397,228
Fee and commission paid		(110,483)	(81,461)
Insurance operations income received		80,881	43,444
Insurance operations expense paid		(36,331)	(17,713)
Net gain from trading in foreign currencies		170,935	72,569
Other operating income received		47,066	24,845
Staff costs paid		(642,027)	(498,746)
Administrative and other operating expenses paid		(331,545)	(208,624)
Income tax paid		(236,674)	(266,102)
Cash flows from operating activities before changes in operating assets and liabilities		1,077,433	668,420
Net decrease/(increase) in due from other banks		(93,429)	302,728
Net increase in loans and advances to customers		(3,185,279)	(6,747,581)
Net increase in investment securities measured at amortised cost		(538,528)	(442,595)
Net increase in other assets		(13,302)	(72,844)
Net increase in due to other banks		(156,390)	817,814
Net increase in customer accounts		1,731,312	1,918,644
Net decrease in other liabilities		11,955	(7,790)
Net cash used in operating activities		(1,166,228)	(3,563,204)
Cash flows from investing activities			
Acquisition of financial assets at fair value through other comprehensive income		(7,593)	(12,857)
Proceeds from disposal of financial assets at fair value through other comprehensive income		341	72,272
Acquisition of premises, equipment and intangible assets		(536,628)	(421,255)
Proceeds from disposal of premises, equipment and intangible assets		4,205	19,729
Proceeds from disposal of repossessed assets		(25,972)	-
Proceeds from disposal of subsidiary, net of disposed cash		-	889
Acquisition of investment in associates		(28,011)	(1,005)
Dividend income received		4,920	5,477
Net cash used in investing activities		(588,738)	(336,750)
Cash flows from financing activities			
Proceeds from borrowings due to other banks		411,116	222,218
Repayment of borrowings due to other banks		(381,937)	(46,122)
Proceeds from other borrowed funds		11,826,214	13,094,718
Repayment of other borrowed funds		(8,391,815)	(6,488,852)
Proceeds from debt securities in issue		10,000	168,310
Repayment of debt securities in issue		(81,310)	(94,400)
Proceeds from other subordinated debt		100,000	-
Repayment of other subordinated debt		-	(80,000)
Dividends paid		274	(353,788)
Net cash from financing activities		3,492,542	6,422,084
Effect of exchange rate changes on cash and cash equivalents		857,890	216,482
Net increase in cash and cash equivalents		2,595,466	2,738,612
Cash and cash equivalents at the beginning of the period	7	5,601,186	2,862,574
Cash and cash equivalents at the end of the period	7	8,196,652	5,601,186

Approved for issue and signed on behalf of the Management Board on 30 April 2022.

Amankhiev Sakhi
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

(in millions of Uzbek Soums, unless otherwise indicated)

1. INTRODUCTION

JSCB “Uzbek Industrial and Construction Bank” (“the Bank”) was incorporated in 1991 and is domiciled in the Republic of Uzbekistan. It is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under the banking license #17 issued by the Central Bank of Uzbekistan (“the CBU”) on 21 October 2017 (succeeded the licenses #17 issued on 25 January 2003 and #25 issued on 29 January 2005 by the CBU for banking operations and general license for foreign currency operations, respectively).

Principal activity. The Bank’s principal activity is commercial banking, retail banking, operations with securities, foreign currencies and origination of loans and guarantees. The Bank accepts deposits from legal entities and individuals, extended loans, and transfer payments. The Bank conducts its banking operations from its head office in Tashkent and 44 branches within Uzbekistan as of 31 December 2021 (31 December 2020: 45 branches).

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

As at 31 December 2021, the number of Bank’s employees was 3,841 (31 December 2020: 4,052).

Registered address and place of business. 3, Shakhrisabz street, Tashkent, 100000, Uzbekistan

At 31 December 2021 and 2020, the Group consolidated the following companies in these consolidated financial statements:

Name	Country of incorporation	31 December 2021	31 December 2020	Type of operation
		%	%	
SQB Capital, LLC	Uzbekistan	100	100	Asset management
PSB Industrial Investments, LLC	Uzbekistan	0	100	Asset management
SQB Insurance, LLC	Uzbekistan	100	100	Insurance
SQB Securities, LLC	Uzbekistan	100	100	Asset management
SQB Construction, LLC	Uzbekistan	100	100	Construction
SQB Consulting, LLC	Uzbekistan	100	0	Consulting

In 2021, the Group established a new subsidiary - “SQB Consulting”. The subsidiary’s business operations mainly aimed to provide consulting services for diversified business segments. The services include but not limited to the following: Preparation and collection of documents for loan process, valuation service, creation of a business plan and feasibility study, examination of import and export contracts and other service for business support.

The PSB Industrial Investments LLC operations were ceased at the beginning of 2020 and there were no balances at the date of its liquidation, hence there was no impact on the Group’s financial results in 2021.

In 2021, in accordance with Presidential decree-6244 “On additional measures to increase industrial power of the regions”, seven companies were established with ownership structure of more than 50% held by the Group in each company. All seven companies were consolidated in the Group’s financial statements. These companies will serve the purpose of regions industrial power improvement. As of 31 December 2021, the total capital investment in newly established subsidiaries amounted to 40 000 million UZS.

The table below represents the interest of the shareholders in the Bank’s share capital as at 31 December 2021 and 2020:

Shareholders	31 December 2021	31 December 2020
The Fund of Reconstruction and Development of the Republic of Uzbekistan	82.09%	82.09%
The Ministry of Finance of the Republic of Uzbekistan	13.06%	12.77%
Other legal entities and individuals (individually hold less than 5%)	4.85%	5.14%
Total	100%	100%

According to the Presidential Decree #4487 dated 9 October 2019, shares of the State Assets Management Agency of the Republic of Uzbekistan in the Bank were transferred to the Ministry of Finance of the Republic of Uzbekistan.

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The Ministry of Finance is responsible for effective transformation of the Bank's business model and introduction of modern corporate governance methods. The Ministry of Finance will retain the strategic control at least until 2022 as planned in the "Strategy for reforming of the banking system of the Republic of Uzbekistan from 2020 to 2025". This strategy envisages the plan to make State's shares in the Bank available for sale to strategic private investors.

2. OPERATING ENVIRONMENT OF THE GROUP

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

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

On 12 March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, in 2020 the Uzbekistan authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Uzbekistan and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Uzbekistan and global economy for an unknown period of time.

Most of those measures were subsequently relaxed, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is low.

From the beginning of 2021 Uzbekistan actively supported health care systems related to vaccination and as a result at 1 April 2022 41% of the whole population got fully vaccinated.

In 2021, Uzbekistan economy started to recover from the pandemic, largely due to an increase in households spending and public investments. This was also supported by the global economic recovery and high prices on global commodity markets. However, the prices on certain markets in Uzbekistan and globally are also growing in response to the economic recovery and prior monetary stimulus, contributing to the inflation in Uzbekistan.

In April 2022, Fitch Ratings affirmed its long- and short-term foreign and local currency ratings on Uzbekistan at 'BB-/B' with the outlook to remain stable.

The Group continues to monitor the situation and intends to adapt strategies as needed to continue to drive the business and meet obligations.

In 2021 business environment has gradually recovered after pandemic and begun actively developing its activities as it was before pandemic.

The future effects of the current economic situation and the above measures are difficult to predict, and management's current expectations and estimates could differ from actual results.

Management is taking necessary measures to ensure sustainability of the Group's operations and support its employees.

The Group's management monitors current changes in the economic situation and takes measures that it considers necessary to maintain the stability and development of the Group in the near future. However, the significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Uzbekistan economy. The impact of changes in the economic environment on the future results of operations and the financial position of the Group's is currently difficult to determine.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of financial instruments at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The Group is required to maintain its records and prepare its financial statements for regulatory purposes in accordance with Uzbekistan Accounting Legislation and related instructions ("UAL") which are in the process of harmonisation to reflect IFRS.

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These consolidated financial statements are based on the Group's UAL books and records, adjusted and reclassified in order to fully comply with IFRS.

These consolidated financial statements are presented in millions of Uzbek Soums (“UZS”), unless otherwise indicated.

Basis of consolidation. The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to 31 December each year. Control is achieved when the Bank:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss account from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the owners of the Bank and to the non-controlling interests (NCI). Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and to the NCI even if this results in the NCI having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

NCI in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the NCI's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other NCI are initially measured at fair value. Subsequent to acquisition, the carrying amount of NCI is the amount of those interests at initial recognition plus the NCI's share of subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the NCI are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Bank.

When the Group loses control of a subsidiary, the gain/loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any NCI. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Accounting for the effects of hyperinflation. The Republic of Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the statement of financial position date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power

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at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2007. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, which are effectively share capital and premises and equipment, the amounts expressed in the measuring unit current as at 31 December 2006 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated credit losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group applies the impairment requirements in IFRS 9 to long-term loans, preference shares and similar long-term interest that in substance form part of the investment in associate before reducing the carrying value of the investment by a share of a loss of the investee that exceeds the amount of the Group's interest in the ordinary shares.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 34.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and

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dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired (“POCI”) at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

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

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL. Please refer to Note 4.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first

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reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 41 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group’s definition of credit impaired assets and definition of default is explained further. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 41 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

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

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

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

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

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

ECL for collective assessment of credit losses

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

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

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

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

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

Stage 3: Financial asset is in default

- Loans for which the maximum number of overdue days on principal or interest is more than 90 days;
- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU;
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Group and when restructuring occurs at the decision of higher authorities);
- Loans for which there is a court decision or a trial is in progress (loans for which there are court decision dates in the loan portfolio);
- Presence of debt on off-balance sheet accounts for the principal debt and accrued interest in accordance with the Regulation on the Classification Procedure of the CBU and the Regulation on Non-Accrual of Interest of the CBU;
- Loans for which the contract has expired, but the borrower has not fully repaid the debt according to the payment schedule;

POCI: Purchased or created credit impaired financial asset.

ECL for individually significant borrowers

An asset is assessed for impairment on an individual basis if the total debt of the borrower at the reporting date exceeds the materiality level. The level of materiality is determined as 1% of arithmetic average of the Group's total regulatory capital per National accounting standards for the last two years. If the materiality of the Group for determining an individually significant asset increases by more than 2 times in the calculation for the next period (fiscal year), then the materiality level for this next period (fiscal year) shall not exceed the Group's materiality level for the previous period (fiscal year) more than 2 times, and it will be equal to the level of materiality multiplied by 2 (in the case of facts or circumstances that may significantly affect the Group's estimated materiality level, which, due to these facts or circumstances, may be at an unexpected or atypical level for the corresponding period, for example, large profits or losses of the Group may occur due to one-time general economic conditions / changes or other external conditions or non-typical operations for the Group, in this case it is possible to normalize the calculated amount of capital for the relevant period by excluding from the calculation the amount of such gains / losses).

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

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

Stage 1: "Loans with low credit risk"

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

Stage 2: "Loans with increased credit risk"

- Breach of contract terms, such as a delay of payment from 31 to 90 calendar days;
- The Group has information about overdue debts in other credit institutions (if information is available for the Group) on the principal debt and / or the borrower's remuneration from 31 to 90 calendar days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Actual or expected significant change in the operating results of the borrower. Examples include actual or expected decrease in revenues or margins, increased operational risks, working capital inefficiencies, management problems, or changes in the scale of business or organizational structure (for example, termination of a business segment), which lead to a significant change in the borrower's ability to repay debt liabilities. The criteria is reduction of the financial condition of the borrower by one class. Class of the financial condition of the borrower score based on the calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales profitability)
- Actual or expected (based on reasonable and corroborated information) reduction of the borrower's external credit rating by 2 or more notches;
- Reduction of financial support from the state, the parent organization or another affiliated organization;
- Significant deterioration in the quality or condition of the collateral according to the data of the last monitoring report, which is expected to reduce the economic incentive for the borrower to make the scheduled payments stipulated by the contract or otherwise affect the probability of a default. When the security is a guarantee of third parties, significant financial difficulties of the guarantor or surety;
- Existing or projected adverse changes in commercial, financial or economic conditions (actual or expected increase in interest rates or actual or expected increase in unemployment) or actual or expected adverse change in regulatory, economic or technological conditions of the borrower's activity (for example, decrease in demand for the borrower of the product due to changes in technology);
- Borrower who has no evidence of impairment or evidence of a significant increase in credit risk at the reporting date, but who has been classified as credit impaired (in Stage 3) based on the calculation of expected credit loss at the previous reporting date.
- Expected breach of contract that could lead to the provision of exemptions for covenants or amendments to covenants, provision of temporary exemption from interest payments, increase in interest rates, introduction of requirements for additional security or guarantees or other changes to the contractual base of the instrument;
- Reasonable and corroborated information about one or more of the following factors:
 - the presence of uncertainty in respect of continuous operations in the auditor's report of the financial statements of the borrower;
 - involvement in legal proceedings of the borrower (co-borrower), which may worsen its financial condition;
 - violation of covenants 1 or more times within three months before the reporting date;

Stage 3: "Credit-impaired loans"

- Breach of contract terms, such as default or delay of payments for 90 days and more;
- Cross-default, the Group has information about overdue debts in other credit institutions (if the Group has information) on the principal debt and / or interest for 90 calendar days or more;
- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU.
- Presence of significant financial difficulties of the borrower. The criteria is reduction of financial condition of the borrower by two or more classes. The class of the financial condition of the borrower is based on calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales margin);
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Group and when restructuring occurs at the decision of higher authorities);
- Lack of communication with the borrower (co-borrower), as well as the lack of information to determine the financial condition of the borrower (co-borrower) for the last 12 months;
- Decrease in the external credit rating of the borrower to the "CC" rating and below, assigned by the rating agencies Standard & Poor's, Moody's Investors Service and Fitch;
- Write-off of part and / or the entire amount of debt on the principal debt and / or remuneration of the borrower during the previous 2 years;
- Suspension of the accrual of interest on the loan due to the deteriorating financial condition of the borrower (non-accrual status) in accordance with the Regulation of the CBU, i.e. statutory accounting;

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- Availability of information about the death of the borrower (co-borrower) of an individual;
- The borrower's appeal to the court with a statement of recognition of its bankruptcy or the filing of a claim by a third party to declare the borrower bankrupt in accordance with the legislation of the Republic of Uzbekistan and loans that have a court decision or are in court proceedings (loans that have court decision dates in the loan portfolio);
- Revocation of a license or other title document for the implementation of activities;
- Disappearance of an active market for a given financial asset.

POCI: Purchased or created credit impaired financial asset

- Purchase or creation of a financial instrument with a large discount, which reflects the incurred credit losses;

The amount of expected credit losses for loans that are classified in Stage 1 and in Stage 2 is determined on a collective basis.

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

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

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

In the event that the borrower incurs losses and the Group has no evidence of other sources of income and funds to service the debt, the strategy for selling collateral for the borrower is chosen.

Presentation of allowance for ECL in the statement of financial position. Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- For loan commitments and financial guarantee contracts: as a provision.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The indicators of no recovery are not being able to collect contractual cash flow for the period exceeding one year, but write-off decision is subject to approval of Group credit committee. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Collateral. The Group 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 Group a claim on these assets for both existing and future customer liabilities.

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

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group

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derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. 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 interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. [In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.] If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include deposits with the CBU except mandatory reserve deposits held with CBU and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

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

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost. The Group classifies and presents amounts due from other banks placements with original maturities of more than five years within cash flows from financing activities.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if

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any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

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

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

At the end of each reporting period the Management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation. Depreciation of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Building and leasehold improvements	33
Office and computer equipment	5-10

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

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

The Group's intangible assets 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.

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

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease by applying the rate implicit in the lease to (i) the gross book value of lease receivables in stage 1 and 2 and (ii) net carrying amount of lease receivables in stage 3 of the ECL model. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within other similar income in profit or loss.

Credit loss allowance is recognised in accordance with the general ECL model. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in other financial assets, investment properties or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Non-current assets held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's Management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition.

Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Due to other banks. Due to banks are initially recognised at fair value. Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of profit or loss over the period of the borrowings, using the effective interest method as interest expense.

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

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

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Other borrowed funds. Other borrowed funds include borrowings from government and non-government funds and financial institutions. Other borrowed funds are carried at amortised cost.

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Large-scale tax system transformations are taking place in the Republic of Uzbekistan associated with the adoption of the Concept for Improving the Tax Policy of the Republic of Uzbekistan. Its main reforms are implemented in the Tax Code, other regulatory acts, including the annual "budgetary" resolution and entered into force on 1 January 2019.

There were significant changes introduced in tax law of the Republic of Uzbekistan in accordance with the Presidential decree #PD-4086 on "Forecasting the main macroeconomic budget indicators and parameters for 2019 and budget guidelines for 2020-2021" dated 26 December 2018. Corporate income tax for credit organisations has been set at of 20%.

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

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

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is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Loan commitments. The Group issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Group cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset. Note 41 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

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

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

Preference shares which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised as interest expense on an amortised cost basis, using the effective interest method.

Treasury shares. Where the Group or its subsidiaries purchase the Group's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Group until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity.

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

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income on lease receivables calculated at nominal interest rate is presented within 'other similar income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate

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if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL. For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself or retains a part at the same effective interest rate as for the other participants.

Basis of accounting for insurance activities

Insurance operations income primarily comprises of premiums written less provision for unearned premiums.

Premiums written. Premiums are recognized within insurance operations income upon inception of a contract for the full amount.

Provision for unearned premiums. The Group calculated Unearned Premium Reserve (UPR) according to legislation requirements, where insurance lines of business are divided into four accounting groups. For the first accounting group, the unearned premium is calculated separately for each insurance contract using the "pro rata temporis" method, which is in line with IFRS. The "pro rata temporis" method includes calculation of unearned premium in proportion to the remaining useful life of insurance contract at the balance sheet date. For the other accounting groups, UPR calculated differently, not in accordance with IFRS.

Claims. Claims and claims handling expenses are charged to the consolidated statement of profit or loss and other comprehensive income as incurred based on the evaluated liability for compensation payable to policyholders or third parties, net of subrogation. Subrogation is a right to pursue third parties for payment of some or all costs related to the claims settlement process.

Loss provision. Loss provision represents the accumulation of estimates for ultimate losses and includes provision for losses reported but not settled ("RBNS") and incurred but not yet reported ("IBNR"). Estimates of claims handling expenses are included in both RBNS and IBNR. RBNS is provided in respect of claims reported, but not settled as at the reporting date. The IBNR is determined by summing the IBNR estimated for each line of business. The Group calculates IBNR of at least 10 percent of the base insurance premium under insurance contracts for the period twelve months prior to the reporting date, which is in accordance with the insurance legislation (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of 20 November 2008 N 107, registered by the Ministry of Justice on 15 December 2008 N 1882). Reserves for insurance contracts primarily comprises of provision for unearned premiums and insurance loss provisions.

Preventive measures reserve. The Group is restricted in its use of a portion of premiums received by the Group on certain types of insurance under terms established by insurance legislation (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of 20 November 2008 N 107, registered by the Ministry of Justice on 15

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December 2008 N 1882). The reserve is calculated as a percentage of insurance premiums earned in reporting period. The purpose of the Preventive Measures Reserve ("PMR") is to provide funds for the cost of financing measures that prevent accidents, promote general safety, and prevent the loss of or damage to insured property, as well as to finance other measures aimed at preventing the occurrence of insurance events.

Stabilization reserve An additional reserve that a Group is required by regulation to establish (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of Republic of Uzbekistan dated 20 November 2008 N 107, registered by the Ministry of Justice on December 15 2008 N 1882) and is necessary for the Group to hold, over and above its insurance reserves and preventive measure reserve, to ensure that, under a prescribed change in financial conditions, the Group still has enough assets to cover its liabilities.

Liability adequacy test. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, the current best estimates of the future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income by subsequently establishing a provision for losses arising from the liability adequacy tests.

Reinsurance. The Group assumes and cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Group from its obligations to policyholders. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the term of each reinsurance contract. Reinsurance assets include balances due from reinsurance companies for paid claims, including claims handling expenses, reinsurers' share of loss provision and premiums ceded to the Group. Reinsurance payables are obligations of the Group for the transfer of reinsurance premiums to reinsurers.

The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of comprehensive income.

Capitalisation of borrowing costs. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that is not carried at fair value and that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset), form part of the cost of that asset. Other borrowing costs are recognised as an expense using the effective interest method. The Group capitalises borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Interest or other investment income is not deducted in arriving at the amount of borrowing costs available for capitalisation, except where the Group obtains specific borrowings for the purpose of acquiring a qualifying asset and has investment income on the temporary investment of funds obtained through such specific borrowings.

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

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

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

As at 31 December 2021, the rate of exchange used for translating foreign currency balances was USD 1 = 10,837.66 (2020: USD 1 = UZS 10,476.92) and EUR 1 = UZS 12,224.88 (2020: EUR 1 = UZS 12,786.03).

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

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

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

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

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 36 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 36.

31 December 2021	31 December 2021 Amounts expected to be recovered or settled			31 December 2020 Amounts expected to be recovered or settled		
	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
Assets						
Investment in associates	-	29,726	29,726	-	993	993
Premises, equipment and intangible assets	-	1,276,363	1,276,363	-	747,232	747,232
Deferred tax asset	-	202,125	202,125	-	167,619	167,619
Insurance assets	-	12,964	12,964	-	5,544	5,544
Other assets	-	356,482	356,482	-	376,520	376,520
Non-current assets held for sale	48,602	-	48,602	27,355	-	27,355
Liabilities						
Insurance liabilities	-	84,813	84,813	-	44,887	44,887
Other liabilities	-	197,421	197,421	-	128,627	128,627

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical accounting judgements

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the “hold to collect” business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the “hold to collect” business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

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The “hold to collect and sell” business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model’s objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 36. The following components have a major impact on credit loss allowance:

- segmentation of financial assets for the ECL assessment purposes as disclosed in Note 9;
- determination of a level of ECL assessment on an individual instrument basis or on a collective basis;
- definition of default applied by the Group, as described in Note 3;
- estimation of exposure at default (“EAD”) for financial instruments and credit related commitments as described below;
- assessment of loss given default (“LGD”), including the judgments made in valuation of collaterals as described below;
- criteria for assessing if there has been a significant increase in credit risk as described below;
- selection of forward-looking macroeconomic scenarios and their probability weightings as described below.

The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

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 Group 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.

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

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

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

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

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, matrices of migration within groups per each segment.

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.

If probability of default (PD) increased by 10% for the stage 1 and 2 portfolio then ECL would have increased by 4% and amounted UZS 2,075,900 million as of 31 December 2021.

Segments	12m PD 2021	12m PD 2020
Oil and gas & Chemicals and Energo	4.59%	1.47%
Manufacturing	6.92%	7.28%
Services	7.76%	11.03%
Transport and communication	5.20%	7.15%
Trade	8.69%	9.11%
Agriculture	13.82%	15.87%
Construction	9.61%	8.73%
Individuals	5.12%	4.01%

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

If LGD increased by 10% for the whole loan portfolio then ECL would have increased by 9% and amounted UZS 2,172,090 million.

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

The Group incorporates forward-looking information into a measurement of ECL when there is a statistically proven correlation between the macro-economic variables and defaults. As at the reporting date the Group has obtained quarterly values for macroeconomic variables: export, import, GDP, CPI, current account balances, unemployment rates, aligned them with quarterly default rates across all loan portfolios and performed statistical tests for correlation considering different time lags. The Management analysed forward-looking information and assessed that effect of macro is not significant. The Management updates its statistical tests for correlation as at each reporting date.

Other borrowed funds. The Group obtains long term financing from government, state and international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets and which may be lower than rates at which the Group could source the funds from local lenders. As a result of this financing, the Group is able to advance funds to specific customers at advantageous rates. The Management has considered whether gains or losses should arise on initial recognition of these instruments and its judgment is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise. In making this judgment the Management also considered that these instruments are a separate market sector.

Fair value measurement and valuation process. In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following amendments became effective from 1 January 2021:

COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. On 31 March 2021, in light of the on-going pandemic, the IASB published additional amendment to extend the date for the concessions from 30 June 2021 to 30 June 2022 (effective for annual periods beginning on or after 1 April 2021).

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Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non-contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Group has elected to early adopt Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16. The amendments have been applied retrospectively, with effect of adoption, if any, recognised in opening retained earnings on 1 January 2020. Comparative amounts have not been restated.

Under these amendments, changes to the basis for determining the contractual cash flows are reflected by adjusting the effective interest rate. No immediate gain or loss is recognised. The same practical expedient exists for lease liabilities. These revisions of effective interest rate are only applicable when the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes result in a modification or derecognition gain or loss. If lease modifications are made in addition to those required by the IBOR reform, the normal requirements of IFRS 16 are applied to the entire lease modification, including the changes required by the IBOR reform.

Effect of IBOR reform. Reform and replacement of various inter-bank offered rates ('IBORs') has become a priority for regulators. Many IBOR rates stopped being published on 31 December 2021, while certain USD LIBOR rates would stop being published by 30 June 2023.

The table below discloses amounts of non-derivative financial assets and liabilities and derivative contracts at 31 December 2021 that would be transitioned to alternative interest rate benchmarks:

<i>In millions of Uzbek Soums</i>	USD LIBOR	Total
NON-DERIVATIVE FINANCIAL ASSETS		
Loans and advances to customers	4 491 877	4 491 877
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	4 491 877	4 491 877
NON-DERIVATIVE FINANCIAL LIABILITIES		
Other borrowed funds	4 620 099	4 620 099
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	4 620 099	4 620 099

The Group is exposed to a risk that the liquidity of the above financial instruments would start to decrease, as the volume of operations with traditional IBOR-based financial instruments is shrinking. The Group is also exposed to a risk of the potential arbitrage differences between IBOR interest rates and the applicable alternative rates.

The Group is working with its customers and other counterparties, such as international financial institutions to perform a transition of legacy IBOR-based financial instruments to alternative benchmark interest rates and develop new financial products for its customers. The Group is also enhancing its IT systems and internal processes to ensure smooth transition from IBOR to alternative benchmark interest rates.

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New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group has not early adopted.

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- **Effective date:** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- **Expected recovery of insurance acquisition cash flows:** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- **Contractual service margin attributable to investment services:** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an ‘investment-return service’ under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- **Reinsurance contracts held – recovery of losses:** When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- **Other amendments:** Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management’s expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current

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if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. ‘Settlement’ is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity’s own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of ‘costs to fulfil a contract’. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there

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had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

6. SEGMENT REPORTING

Operating segments are components of the Group that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision makers (CODM) and for which discrete financial information is available. The CODM of the group is the Management Board. The Management Board regularly uses financial information based on IFRS for operational decision-making and resource allocation.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organized on the basis of two main business segments – corporate banking which represents direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products and retail banking which represents private banking services, private customer current accounts, savings, deposits and debit cards, consumer loans.

(b) Information about reportable segment profit or loss, assets, and liabilities

Segment information for the reportable segments for the period ended 31 December 2021 is set out below:

	31 December 2021		
	Corporate	Individuals	Total
Assets			
Cash and cash equivalents	8,138,305	58,347	8,196,652
Loans and advances to customers	38,370,977	4,166,074	42,537,051
Due from other banks	1,956,303	-	1,956,303
Investment securities measured at amortised cost	1,067,512	-	1,067,512
Total reportable segment assets	49,533,097	4,224,421	53,757,518
Liabilities			
Due to other banks	1,392,977	-	1,392,977
Customer accounts	10,257,754	3,303,786	13,561,540
Other borrowed funds	30,120,024	10,752	30,130,776
Debt securities in issue	3,317,817	-	3,317,817
Total reportable segment liabilities	45,088,572	3,314,538	48,403,110

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Segment information for the reportable segments for the year ended 31 December 2020 is set out below:

	31 December 2020		
	Corporate	Individuals	Total
Assets			
Cash and cash equivalents	5,601,186	-	5,601,186
Loans and advances to customers	34,821,532	4,138,426	38,959,958
Due from other banks	1,859,192	-	1,859,192
Investment securities measured at amortised cost	540,222	-	540,222
Total reportable segment assets	42,822,132	4,138,426	46,960,558
Liabilities			
Due to other banks	1,496,004	-	1,496,004
Customer accounts	9,475,904	2,141,054	11,616,958
Other borrowed funds	25,673,513	9,944	25,683,457
Debt securities in issue	3,273,048	-	3,273,048
Total reportable segment liabilities	39,918,469	2,150,998	42,069,467

The cash management is performed by Treasury Department to support liquidity of the Bank as a whole.

	2021		
	Corporate	Individuals	Total
Interest income			
Interest on Loans and advances to customers	3,311,860	578,566	3,890,426
Interest on balances Due from other banks	142,770	-	142,770
Interest on investment securities measured at amortised cost	154,226	-	154,226
Interest expense			
Interest on balances Due to other banks	(70,794)	-	(70,794)
Interest on Customer accounts	(252,500)	(317,864)	(570,363)
Interest on Other borrowed funds	(1,219,611)	-	(1,219,611)
Interest on Debt securities in issue	(201,107)	-	(201,107)
Interest on subordinated debt	(6,030)	-	(6,030)
Segment results	1,858,814	260,702	2,119,516

	2020		
	Corporate	Individuals	Total
Interest income			
Interest on Loans and advances to customers	2,446,596	603,030	3,049,626
Interest on balances Due from other banks	137,503	-	137,503
Interest on investment securities measured at amortised cost	102,504	-	102,504
Interest expense			
Interest on balances Due to other banks	(130,266)	-	(130,266)
Interest on Customer accounts	(248,195)	(141,775)	(389,970)
Interest on Other borrowed funds	(913,496)	-	(913,496)
Interest on Debt securities in issue	(220,716)	-	(220,716)
Interest on subordinated debt	(13,106)	-	(13,106)
Segment results	1,160,822	461,255	1,622,077

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(c) Reconciliation of income and expenses, assets, and liabilities for reportable segments:

	31 December 2021	31 December 2020
Total reportable segment assets	53,757,518	46,960,558
Financial assets at fair value through other comprehensive income	48,136	38,024
Investment in associates	29,726	993
Premises, equipment and intangible assets	1,276,363	747,232
Deferred tax asset	202,125	167,619
Insurance assets	12,964	5,544
Other assets	356,482	376,520
Non-current assets held for sale	48,602	27,355
Total assets	55,731,916	48,323,845
Total reportable segment liabilities	48,403,110	42,069,467
Insurance liabilities	84,813	44,887
Other liabilities	197,421	128,627
Subordinated debt	101,771	-
Total liabilities	48,787,115	42,242,981

	2021	2020
Segment results	2,119,516	1,622,077
Recovery of / (provision) for credit losses on loans and advances to customers	(420,937)	(1,200,998)
Gain / (loss) on initial recognition on interest bearing assets	8,119	(19,285)
Gains less losses from modification of financial assets measured at amortised cost, that did not lead to derecognition	(52,338)	-
Fee and commission income	386,074	401,784
Fee and commission expense	(110,483)	(81,461)
Net gain on foreign exchange translation	(4,262)	100,467
Net gain from trading in foreign currencies	170,935	72,569
Insurance operations income	80,881	43,444
Insurance operations expense	(36,331)	(17,713)
Change in insurance reserves, net	(32,235)	(26,103)
Dividend income	4,921	5,477
Other operating income	40,866	29,773
Provision for credit losses on other assets	(34,145)	(12,323)
Impairment of assets held for sale	(5,586)	7,233
Administrative and other operating expenses	(1,044,146)	(790,447)
Share of result from associates	722	12
Profit before tax	1,071,571	134,482
Income tax expense	(214,582)	(22,358)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	856,989	112,124
Discontinued operations		
Gain/(Loss) for the period from discontinued operations	-	889
PROFIT FOR THE PERIOD	856,989	113,013

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7. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Correspondent accounts and placements with other banks with original maturities of less than three months	5,154,254	1,954,225
Cash balances with the CBU (other than mandatory reserve deposits)	2,181,792	2,624,648
Cash on hand	861,313	1,022,474
Less: Allowance for expected credit losses	(707)	(161)
Total cash and cash equivalents	8,196,652	5,601,186

Cash balances with the CBU are maintained at a level to ensure compliance with the CBU liquidity ratio. The credit quality of cash and cash equivalents at 31 December 2021 is as follows:

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks with original maturities of less than three months	Total
- Central Bank of Uzbekistan	2,181,792	-	2,181,792
- Rated AA- to A+	-	4,022,030	4,022,030
- Rated Baa	-	56,186	56,186
- Rated Ba	-	1,076,038	1,076,038
Less: Allowance for expected credit losses	(50)	(657)	(707)
Total cash and cash equivalents, excluding cash on hand	2,181,742	5,153,597	7,335,339

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

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks with original maturities of less than three months	Total
- Central bank of Uzbekistan	2,624,648	-	2,624,648
- Rated AA to A-	-	1,666,788	1,666,788
- Rated Baa	-	50,901	50,901
- Rated Ba	-	228,007	228,007
- Rated B	-	8,529	8,529
Less: Allowance for expected credit losses	(69)	(92)	(161)
Total cash and cash equivalents, excluding cash on hand	2,624,579	1,954,133	4,578,712

The credit rating is based on the rating agency Moody's (if available) or the rating agencies Standard & Poor's and Fitch, which are converted to the nearest equivalent value on the Moody's rating scale.

Interest rate analysis of cash and cash equivalents is disclosed in Note 36. Information on related party balances is disclosed in Note 37.

As at 31 December 2021 and 31 December 2020, for the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. There were no transitions between stages in 2021 and 2020. Refer to Note 31 for the ECL measurement approach.

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8. DUE FROM OTHER BANKS

	31 December 2021	31 December 2020
Placements with other banks with original maturities of more than three months	1,688,653	1,458,096
Mandatory cash balances with CBU	184,209	141,437
Restricted cash	118,888	278,088
Less: Allowance for expected credit losses	(35,447)	(18,429)
Total due from other banks	1,956,303	1,859,192

Mandatory deposits with the CBU include non-interest bearing reserves against client deposits. The Group does not have the right to use these deposits for the purposes of funding its own activities.

Restricted cash represents balances on correspondent accounts with foreign banks placed by the Group on behalf of its customers. The Group does not have the right to use these funds for the purpose of funding its own activities.

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

	Mandatory cash balances with CBU	Placements with other banks with original maturities of more than three months	Restrict ed cash	Total
- Central Bank of Uzbekistan	184,209	-	-	184,209
- Rated A- to A+	-	-	-	-
- Rated BBB+	-	-	117,257	117,257
- Rated Ba2	-	-	-	-
- Rated BB-	-	1,119,053	-	1,119,053
- Rated B+	-	-	-	-
- Rated B1	-	101,141	-	101,141
- Rated B2	-	2,641	-	2,641
- Rated B3	-	2,662	-	2,662
- Rated B	-	418,386	-	418,386
- Rated B-	-	36,419	-	36,419
- Rated C	-	8,351	1,631	9,982
Less: Allowance for expected credit losses	-	(35,406)	(41)	(35,447)
Total due from other banks	184,209	1,653,247	118,847	1,956,303

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

	Mandatory cash balances with CBU	Placements with other banks with original maturities of more than three months	Restricted cash	Total
- Central bank of Uzbekistan	141,437	-	-	141,437
- Rated AA to A-	-	-	5,268	5,268
- Rated Baa	-	3,101	272,820	275,921
- Rated Ba2	-	339,281	-	339,281
- Rated BB-	-	145,701	-	145,701
- Rated B+	-	704,271	-	704,271
- Rated B1	-	6,229	-	6,229
- Rated B2	-	225,518	-	225,518
- Rated B	-	29,140	-	29,140
- Rated C	-	4,854	-	4,854
Less: Allowance for expected credit losses	-	(18,155)	(274)	(18,429)
Total due from other banks	141,437	1,439,941	277,814	1,859,192

The credit rating is based on the rating agency Moody's (if available) or the rating agencies Standard & Poor's and Fitch, which are converted to the nearest equivalent value on the Moody's rating scale. The financial instruments with not available credit quality i.e., unrated, as per provision methodology were rated C by the Group.

Refer to Note 34 for the disclosure of the fair value of due from banks and interest rate analysis is disclosed in Note 36. Information on related party balances is disclosed in Note 37.

As at 31 December 2021 and 31 December 2020, for the purpose of ECL measurement due from banks balances are included in Stage 1 and Stage 3. Refer to Note 31 for the ECL measurement approach.

9. LOANS AND ADVANCES TO CUSTOMERS

The Bank uses the following classification of loans:

- Loans to state and municipal organisations - loans issued to clients wholly owned by the Government of the Republic of Uzbekistan and budget organisations;
- Corporate loans - loans issued to clients other than government entities and private entrepreneurs;
- Loans to individuals - loans issued to individuals for consumption purposes, for the purchase of residential houses and flats and loans issued to private entrepreneurs without forming legal entity.

Loans and advances to customers comprise:

	31 December 2021	31 December 2020
Corporate loans	25,902,022	21,938,171
State and municipal organisations	14,278,451	14,562,532
Loans to individuals	4,349,321	4,361,970
Total loans and advances to customers, gross	44,529,794	40,862,673
Less: Allowance for expected credit losses	(1,992,743)	(1,902,715)
Total loans and advances to customers	42,537,051	38,959,958

As at 31 December 2021, the Group granted loans to 13 (31 December 2020: 12) borrowers in the amount of UZS 15,396,167 million (31 December 2020: UZS 12,563,610 million), which individually exceeded 10% of the Group's equity.

In 2021 improvement in the quality of the loan portfolio is observed due to decreased COVID 19 effects on the Group borrowers. During 2020, the Group provided forbearances to customers via restructuring of interest payments by accruing of interest to the loan outstanding principal with final maturities predominantly extended by six months. Such restructuring

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increased the number of loans being classified in Stage 3 as a result significantly increasing the allowance for expected credit losses. During 2021 no additional major restructuring was made by the Group and prior year restructured amounts were mostly repaid influencing the loan and advances to customers balance staging.

The table below represents loans and advances to customer’s classification by stages:

	31 December 2021	31 December 2020
Originated loans to customers	44,273,101	40,423,399
Overdrafts	256,693	439,274
Total loans and advances to customers, gross	44,529,794	40,862,673
Stage 1	32,680,532	26,201,628
Stage 2	9,071,322	11,970,209
Stage 3	2,777,940	2,690,836
Total loans and advances to customers, gross	44,529,794	40,862,673
Less: Allowance for expected credit losses	(1,992,743)	(1,902,715)
Total loans and advances to customers	42,537,051	38,959,958

The following tables discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting period:

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The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting period:

State and municipal organisations	Credit Loss Allowance				Gross Carrying Amount			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
As at 1 January 2021	57,409	61,835	9,713	128,957	7,866,977	6,658,143	37,412	14,562,532
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Changes in the gross carrying amount								
- Transfer from stage 1	(19)	-	19	-	(25 941)	-	25 941	-
- Transfer from stage 2	51,435	(51,435)	-	-	5 327 666	(5 327 666)	-	-
- Transfer from stage 3	1,309	-	(1,309)	-	1 674	-	(1 674)	-
- Change in EAD and risk parameters*	(22,458)	(1,260)	4,413	(19,305)	(1 104 933)	(73 172)	(14 545)	(1 192 650)
New assets issued or acquired	27,164	-	-	27,164	3 258 046	-	-	3 258 046
Matured or derecognized assets (except for write off)	(4,990)	(10,400)	(7,799)	(23,189)	(1 307 340)	(1 330 477)	(34 563)	(2 672 380)
Total movements with impact on credit loss allowance charge for the period	52,441	(63,095)	(4,676)	(15,330)	6 149 172	(6 731 315)	(24 841)	(606 984)
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Recovery of assets previously written off	-	-	-	-	-	-	-	-
Written off assets	-	-	-	-	-	-	-	-
Foreign exchange differences	1,578	1,260	-	2,838	230 131	73 172	19 600	322 903
Loss allowance for ECL and Gross Carrying as at 31 December 2021	111,428	-	5,037	116,465	14,246,280	-	32,171	14,278,451

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Corporate loans	Credit Loss Allowance				Gross Carrying Amount			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
As at 1 January 2021	113,170	134,583	1,302,461	1,550,214	14,751,901	4,950,505	2,235,765	21,938,171
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Changes in the gross carrying amount								
- Transfer from stage 1	(29,292)	20,152	9,140	-	(3,863,755)	2,686,846	1,176,909	-
- Transfer from stage 2	31,101	(59,515)	28,414	-	934,919	(1,699,391)	764,472	-
- Transfer from stage 3	75,976	761,008	(836,984)	-	112,400	1,230,420	(1,342,820)	-
- Change in EAD and risk parameters*	(252,694)	(377,789)	1,082,857	452,374	(4 168 431)	2 608 458	538 287	(1 021 686)
New assets issued or acquired	273,146			273,146	9 933 457			9 933 457
Matured or derecognized assets (except for write off)	(21,367)	(11,064)	(263,708)	(296,139)	(3 218 934)	(915 822)	(577 873)	(4 712 629)
Total movements with impact on credit loss allowance charge for the period	76,870	332,792	19,719	429,381	(270 344)	3 910 511	558 975	4 199 142
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Recovery of assets previously written off	-	-	5,707	5,707	-	-	5 707	5 707
Written off assets	-	-	(346,110)	(346,110)	-	-	(346 110)	(346 110)
Foreign exchange differences	3,822	14,169	35,848	53,839	74 913	23 819	6 380	105 112
Loss allowance for ECL and Gross Carrying as at 31 December 2021	193,862	481,544	1,017,625	1,693,031	14,556,470	8,884,835	2,460,717	25,902,022

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Loans to individuals	Credit Loss Allowance				Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2021	21,179	19,047	183,318	223,544	3,582,749	361,561	417,660	4,361,970
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Changes in the gross carrying amount								
- Transfer from stage 1	(1,278)	616	662	-	(215,002)	103,543	111,459	-
- Transfer from stage 2	11,377	(15,290)	3,913	-	217,446	(285,998)	68,552	-
- Transfer from stage 3	53,719	19,413	(73,132)	-	124,708	45,260	(169,968)	-
- Changes in EAD and risk parameters *	(70,210)	(12,026)	138,413	56,177	(374,211)	(8,641)	58,303	(324,549)
New assets issued or acquired	23,930	-	-	23,930	1,303,052	-	-	1,303,052
Matured or derecognized assets (except for write off)	(4,524)	(1,206)	(67,491)	(73,221)	(760,960)	(29,238)	(153,771)	(943,969)
Total movements with impact on credit loss allowance charge for the period	13,014	(8,493)	2,365	6,886	295,033	(175,074)	(85,425)	34,534
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Recovery of assets previously written off	-	-	1,270	1,270	-	-	1,270	1,270
Written off assets	-	-	(48,453)	(48,453)	-	-	(48,453)	(48,453)
Foreign exchange differences	-	-	-	-	-	-	-	-
Loss allowance for ECL and Gross Carrying as at 31 December 2021	34,193	10,554	138,500	183,247	3,877,782	186,487	285,052	4,349,321

*The line “Changes in EAD and risk parameters” under columns related to Gross Carrying Amount represents changes in the gross carrying amount of loans issued in prior periods which have not been fully repaid during 2021 and transfers of new issued loans between stages.

*The line “Changes in EAD and risk parameters” under columns related to Credit Loss Allowance represents changes in risk parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages, as well as transfers of ECL on new loans originated during the reporting period from Stage 1 to other stages. The information on transfers above reflects the migration of loans from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the loans could be assigned to throughout the reporting period.

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The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances customers between the 1 January 2020 and 31 December 2020:

State and municipal organisations	Credit Loss Allowance				Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2020	48,654	90,841	8,173	147,668	7,473,287	5,499,817	57,264	13,030,368
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Changes in the gross carrying amount								
- Transfer from stage 1	(23,714)	23,614	100	-	(4,581,565)	4,560,441	21,124	-
- Transfer from stage 2	75,525	(75,861)	336	-	4,473,720	(4,526,145)	52,425	-
- Transfer from stage 3	-	-	-	-	-	-	-	-
- Changes in EAD and risk parameters *	(48,945)	17,779	7,044	(24,122)	(1,543,313)	728,500	(62,795)	(877,608)
New assets issued or acquired	8,515	-	-	8,515	2,076,195	-	-	2,076,195
Matured or derecognized assets (except for write off)	(5,979)	(2,460)	(5,940)	(14,379)	(911,524)	(131,211)	(53,324)	(1,096,059)
Total movements with impact on credit loss allowance charge for the period	5,402	(36,928)	1,540	(29,986)	(486,487)	631,585	(42,570)	102,528
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Recovery of assets previously written off	-	-	-	-	-	-	-	-
Written off assets	-	-	-	-	-	-	-	-
Foreign exchange differences	3,353	7,922	-	11,275	880,177	526,741	22,718	1,429,636
Loss allowance for ECL and Gross Carrying as at 31 December 2020	57,409	61,835	9,713	128,957	7,866,977	6,658,143	37,412	14,562,532

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Corporate loans	Credit Loss Allowance				Gross Carrying Amount			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
As at 1 January 2020	85,175	84,741	298,478	468,394	11,026,737	2,740,116	765,282	14,532,135
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Changes in the gross carrying amount								
- Transfer from stage 1	(17,847)	15,589	2,258	-	(2,386,392)	2,155,114	231,278	-
- Transfer from stage 2	11,797	(27,277)	15,480	-	311,307	(748,411)	437,104	-
- Transfer from stage 3	6,982	70,531	(77,513)	-	54,638	77,497	(132,135)	-
- Changes in EAD and risk parameters *	(49,269)	2,486	1,052,431	1,005,648	(1,954,023)	1,198,062	882,523	126,562
New assets issued or acquired	83,207	-	-	83,207	9,073,058	-	-	9,073,058
Matured or derecognized assets (except for write off)	(15,755)	(18,891)	(16,249)	(50,895)	(2,424,067)	(785,306)	(78,044)	(3,287,417)
Total movements with impact on credit loss allowance charge for the period	19,115	42,438	976,407	1,037,960	2,674,521	1,896,956	1,340,726	5,912,203
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Recovery of assets previously written off	-	-	7,476	7,476	-	-	7,476	7,476
Written off assets	-	-	-	-	-	-	-	-
Foreign exchange differences	8,880	7,404	20,100	36,384	1,050,643	313,433	122,281	1,486,357
Loss allowance for ECL and Gross Carrying as at 31 December 2020	113,170	134,583	1,302,461	1,550,214	14,751,901	4,950,505	2,235,765	21,938,171

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Loans to individuals	Credit Loss Allowance				Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
	12-month ECL	Lifetime ECL	Lifetime ECL		12-month ECL	Lifetime ECL	Lifetime ECL	
As at 1 January 2020	3,162	18,246	8,947	30,355	2,675,382	406,065	42,252	3,123,699
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Changes in the gross carrying amount								
- Transfer from stage 1	(305)	120	185	-	(236,061)	105,606	130,455	-
- Transfer from stage 2	7,578	(14,035)	6,457	-	164,772	(295,594)	130,822	-
- Transfer from stage 3	689	1,429	(2,118)	-	4,060	7,851	(11,911)	-
- Changes in EAD and risk parameters *	(77,434)	15,065	172,210	109,841	(658,958)	183,799	134,091	(341,068)
New assets issued or acquired	88,364			88,364	2,478,091			2,478,091
Matured or derecognized assets (except for write off)	(875)	(1,778)	(2,527)	(5,180)	(844,537)	(46,166)	(8,213)	(898,916)
Total movements with impact on credit loss allowance charge for the period	18,017	801	174,207	193,025	907,367	(44,504)	375,244	1,238,107
<i>Movements without impact on credit loss allowance charge for the period:</i>								
Recovery of assets previously written off	-	-	164	164	-	-	164	164
Written off assets	-	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	-	-	-
Loss allowance for ECL and Gross Carrying as at 31 December 2020	21,179	19,047	183,318	223,544	3,582,749	361,561	417,660	4,361,970

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Economic sector risk concentrations within the loans and advances to customer are as follows:

	31 December 2021		31 December 2020	
	Amount	%	Amount	%
Manufacturing	15,849,755	36%	12,165,253	30%
Oil and gas & chemicals	10,704,331	24%	9,999,561	25%
Trade and Services	4,441,329	10%	4,338,733	11%
Individuals	4,349,321	10%	4,361,970	11%
Agriculture	3,745,481	8%	3,616,095	9%
Energy	2,176,801	5%	3,396,794	8%
Transport and communication	2,367,542	5%	2,198,157	5%
Construction	895,234	2%	786,110	2%
Total loans and advances to customers, gross	44,529,794	100%	40,862,673	100%
Less: Allowance for expected credit losses	(1,992,743)		(1,902,715)	
Total loans and advances to customers	42,537,051		38,959,958	

As at 31 December 2021, the Group granted loans to 13 (31 December 2020: 11 borrowers in the amount of UZS 15,615,941 million (31 December 2020: UZS 12,563,610 million), which individually exceeded 10% of the Group's equity. Information about loans and advances to individuals as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Mortgage	3,314,059	2,867,127
Car Loan	448,949	536,708
Microloan	464,727	628,107
Consumer Loans	110,161	256,592
Other	11,425	73,436
Total loans and advances to individuals, gross	4,349,321	4,361,970
Less: Allowance for expected credit losses	(183,247)	(223,544)
Total loans and advances to individuals	4,166,074	4,138,426

Information about collateral as at 31 December 2021 are as follows:

31 December 2021	State and municipal organisations	Corporate loans	Loans to individuals	31 December 2021
Loans guaranteed by letters of surety	2,504,049	8,983,059	599,578	12,086,687
Loans guaranteed by state guarantees	7,314,269	-	-	7,314,269
Loans collateralised by:				
Real estate	136,130	7,334,729	2,844,909	10,315,768
Equipment	679,990	4,459,284	-	5,139,274
Inventory and receivables	2,213,930	1,657,871	181,651	4,053,451
Insurance policy	11,817	3,040,375	263,635	3,315,826
Cash deposits	993,410	22,440	3,246	1,019,096
Vehicles	88,134	404,264	135,967	628,365
Equity securities	150,973	-	-	150,973
Not collateralised	185,749	-	320,336	506,085
Total loans and advances to customers, gross	14,278,451	25,902,022	4,349,321	44,529,794
Less: Allowance for expected credit losses	(116,465)	(1,693,031)	(183,247)	(1,992,743)
Total loans and advances to customers	14,161,986	24,208,991	4,166,074	42,537,051

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Information about collateral as at 31 December 2020 are as follows:

31 December 2020	State and municipal organisations	Corporate loans	Loans to individuals	31 December 2020
Loans guaranteed by letters of surety	2,230,264	7,748,268	804,776	10,783,308
Loans guaranteed by state guarantees	7,871,577	2,179	-	7,873,756
Loans collateralised by:				
Real estate	137,576	6,980,088	2,544,451	9,662,115
Equipment	957,259	4,231,746	-	5,189,005
Inventory and receivables	2,055,641	717,007	1,151	2,773,799
Insurance policy	15,016	1,912,279	348,154	2,275,449
Vehicles	73,101	290,185	236,322	599,608
Equity securities	164,181	-	-	164,181
Cash deposits	1,054,919	52,955	4,623	1,112,497
Not collateralised	2,998	3,464	422,493	428,955
Total loans and advances to customers, gross	14,562,532	21,938,171	4,361,970	40,862,673
Less: Allowance for expected credit losses	(128,957)	(1,550,214)	(223,544)	(1,902,715)
Total loans and advances to customers	14,433,575	20,387,957	4,138,426	38,959,958

Analysis by credit quality of loans to State and municipal organisations, Corporate and Individual customers that are collectively and individually assessed for impairment as at 31 December 2021 are as follows:

31 December 2021	State and municipal organisations	Corporate loans	Loans to individuals	Total
<i>Loans assessed for impairment on a collective basis (gross)</i>				
Not past due loans	14 246 999	23 156 242	3 840 673	41 243 914
Past due loans	-	-	-	-
- less than 30 days overdue	27 616	949 697	185 401	1 162 714
- 31 to 90 days overdue	2 471	539 388	87 801	629 660
- 91 to 180 days overdue	-	271 438	72 755	344 193
- 181 to 360 days overdue	1 365	376 143	128 524	506 032
- over 360 days overdue	-	40 486	34 167	74 653
Total loans assessed for impairment on a collective basis, gross	14,278,451	25,333,394	4,349,321	43,961,166
<i>Loans individually determined to be impaired (gross):</i>				
<i>Restructured loans</i>	-	568 628	-	568 628
Not past due loans	-	422 936	-	422 936
Past due loans	-	-	-	-
1-30 days	-	-	-	-
31-90 days	-	72 759	-	72 759
91-180 days	-	72 933	-	72 933
181-360 days	-	-	-	-
Total loans individually determined to be impaired, gross	-	568,628	-	568,628
- Impairment provisions for individually impaired loans	-	(182,745)	-	(182,745)
- Impairment provisions assessed on a collective basis	(116,465)	(1,510,286)	(183,247)	(1,809,998)
Less: Allowance for expected credit losses	(116,465)	(1,693,031)	(183,247)	(1,992,743)
Total loans and advances to customers	14,161,986	24,208,991	4,166,074	42,537,051

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Analysis by credit quality of loans to State and municipal organisations, Corporate and Individual customers that are collectively and individually assessed for impairment as at 31 December 2020 are as follows:

31 December 2020	State and municipal organisations	Corporate loans	Loans to individuals	Total
<i>Loans assessed for impairment on a collective basis (gross)</i>				
Not past due loans	14,228,723	17,897,823	3,826,146	35,952,692
Past due loans				
- less than 30 days overdue	-	593,668	279,244	872,912
- 31 to 90 days overdue	59,829	1,927,487	193,959	2,181,275
- 91 to 180 days overdue	-	81,407	33,325	114,732
- 181 to 360 days overdue	-	93,052	27,906	120,958
- over 360 days overdue	-	31,439	1,390	32,829
Total loans assessed for impairment on a collective basis, gross	14,288,552	20,624,876	4,361,970	39,275,398
<i>Loans individually determined to be impaired (gross):</i>				
<i>Restructured loans</i>	273,980	1,313,295	-	1,587,275
Not past due loans	273,980	1,230,685	-	1,504,665
Past due loans				
31-90 days	-	82,610	-	82,610
91-180 days	-	-	-	-
Total loans individually determined to be impaired, gross	273,980	1,313,295	-	1,587,275
- Impairment provisions for individually impaired loans	-	(758,997)	-	(758,997)
- Impairment provisions assessed on a collective basis	(128,957)	(791,217)	(223,544)	(1,143,718)
Less: Allowance for expected credit losses	(128,957)	(1,550,214)	(223,544)	(1,902,715)
Total loans and advances to customers	14,433,575	20,387,957	4,138,426	38,959,958

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The credit quality of loans to customers carried at amortised cost is as follows at 31 December 2021:

31 December 2021	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Corporate loans				
Standard	14 556 470	6 984 900	138 149	21 679 519
Substandard	-	1 899 935	741 772	2 641 707
Unsatisfactory	-	-	890 792	890 792
Doubtful	-	-	187 119	187 119
Loss	-	-	502 886	502 886
Gross carrying amount	14 556 470	8 884 835	2 460 718	25 902 022
Credit loss allowance	(193 862)	(481 544)	(1 017 625)	(1 693 031)
Carrying amount	14 362 608	8 403 291	1 443 093	24 208 991
State and municipal organisations				
Standard	14 246 280	-	4 414	14 250 694
Substandard	-	-	-	-
Unsatisfactory	-	-	22 256	22 256
Doubtful	-	-	4 136	4 136
Loss	-	-	1 365	1 365
Gross carrying amount	14 246 280	-	32 171	14 278 451
Credit loss allowance	(111 428)	-	(5 037)	(116 465)
Carrying amount	14 134 852	-	27 134	14 161 986
Loans to individuals				
Standard	3 877 782	106 616	49 809	4 034 207
Substandard	-	79 871	55 966	135 837
Unsatisfactory	-	-	40 105	40 105
Doubtful	-	-	34 015	34 015
Loss	-	-	105 158	105 158
Gross carrying amount	3 877 782	186 487	285 053	4 349 321
Credit loss allowance	(34 193)	(10 554)	(138 500)	(183 247)
Carrying amount	3 843 589	175 933	146 553	4 166 074

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The credit quality of loans to customers carried at amortised cost is as follows at 31 December 2020:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
31 December 2020				
Corporate loans				
Standard	14 340 153	1 139 151	186 209	15 665 512
Substandard	411 749	3 811 354	1 700 656	5 923 759
Unsatisfactory	-	-	181 839	181 839
Doubtful	-	-	46 868	46 868
Loss	-	-	120 193	120 193
Gross carrying amount	14 751 901	4 950 505	2 235 765	21 938 171
Credit loss allowance	(113 170)	(134 583)	(1 302 461)	(1 550 214)
Carrying amount	14 638 731	4 815 922	933 304	20 387 957
State and municipal organisations				
Standard	7 866 977	1 746 664	3 745	9 617 387
Substandard	-	4 911 479	6 163	4 917 642
Unsatisfactory	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	27 503	27 503
Gross carrying amount	7 866 977	6 658 143	37 411	14 562 532
Credit loss allowance	(57 409)	(61 835)	(9 713)	(128 957)
Carrying amount	7 809 568	6 596 308	27 698	14 433 575
Loans to individuals				
Standard	3 575 973	271 406	166 509	4 013 888
Substandard	6 776	90 155	133 817	230 749
Unsatisfactory	-	-	73 309	73 309
Doubtful	-	-	23 522	23 522
Loss	-	-	20 502	20 502
Gross carrying amount	3 582 749	361 561	417 660	4 361 970
Credit loss allowance	(21 179)	(19 047)	(183 318)	(223 544)
Carrying amount	3 561 570	342 514	234 342	4 138 426

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The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralised assets”). The effect of collateral on credit impaired assets at 31 December 2021 and 31 December 2020 are as follows.

	31 December 2021		31 December 2020	
	Under-collateralised		Under-collateralised	
	Carrying Value of the Assets	Value of Collateral	Carrying Value of the Assets	Value of Collateral
Credit Impaired Assets				
<i>Loans to Corporate and State Companies carried at AC</i>				
Manufacturing	1 180 611	625 964	1 167 110	456 105
Agriculture	472 300	210 571	383 766	200 333
Trade	278 063	187 710	146 481	80 423
Services	229 670	81 102	127 454	55 384
Oil and gas & Chemicals	142 065	120 948	327 403	224 181
Construction	129 769	68 944	100 917	51 766
Transport and communication	60 411	44 826	20 044	9 374
<i>Loans to Individuals carried at AC</i>				
Mortgage	212 408	165 451	187 559	153 697
Microloan	28 729	2	87 472	111
Consumer Loans	26 616	2 917	70 109	2 193
Car Loan	16 346	6 768	55 804	23 232
Other	953	348	16 715	16 715

The components of net investment in finance lease as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Not later than one year	165,948	79,270
From one year to five years	351,752	111,817
More than five years	-	-
Minimum lease payments	517,700	191,087
Less: unearned finance income	(67,402)	(36,713)
	450,298	154,374
Less: Allowance for expected credit losses	(8,002)	(1,406)
Net investment in finance lease	442,296	152,968
Current portion	125,532	56,146
Long-term portion	316,764	96,822
Net investment in finance lease	442,296	152,968

As at 31 December 2021, finance lease receivables include four lease agreements for the total amount of UZS 527,297 million (31 December 2020: UZS 172,320 million) with one-year grace period for repayment of principal amounts.

Refer to Note 34 for the disclosure of the fair value of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 36. Information on related party balances is disclosed in Note 37.

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10. INVESTMENT SECURITIES MEASURED AT AMORTISED COST

	Currency	Annual coupon/ interest rate %	EIR %	Maturity date month/year	31 December 2021	31 December 2020
Government Bonds	UZS	14 - 16	14 - 16	Jan 2022 - March 2024	289,361	365,319
CBU Bonds	UZS	14	14	Jan 2022 - April 2022	771,384	174,089
Corporate bonds	UZS	18 - 22	18 - 22	June 2023 - July 2026	8,400	2,503
Less: Allowance for expected credit losses					(1,633)	(1,689)
Total investment securities measured at amortised cost					1,067,512	540,222

As at 31 December 2021, the Group holds government bonds of the Ministry of Finance of the Republic of Uzbekistan in the quantity of 288,970 (31 December 2020: 370 000) with nominal value of UZS 1,000,000 and coupon rate of 14-16% p.a. (31 December 2020: 13-16% p.a.).

As at 31 December 2021, the Group holds bonds of the CBU in the amount of UZS 780,830 million at 14% p.a. coupon rate.

On 29 December 2021 the Group acquired 10 000 bonds of Uzmetkombinat with nominal value of UZS 5,000,000.

As at 31 December 2020, the subsidiary PSB Insurance LLC holds corporate bonds of JSCB “Asia Alliance Bank” in quantity 2,500 with nominal value of UZS 1,000,000 and coupon rate of CBU refinancing rate (14%) + 4% p.a.

31 December 2021	CBU Bonds	Government Bonds	Corporate Bonds	Total
- Rated BB-	289,361	771,384	5,789	1,060,745
- Rated B2	-	-	2,611	2,611
Less: Allowance for expected credit losses	(1,071)	(453)	(109)	(1,633)
Total investment securities measured at amortised cost	288,290	770,931	8,291	1,067,512

31 December 2020	CBU Bonds	Government Bonds	Corporate Bonds	Total
- Rated BB-	174,089	365,319	-	539,408
- Rated B2	-	-	2,503	2,503
Less: Allowance for expected credit losses	(543)	(1,139)	(8)	(1,689)
Total investment securities measured at amortised cost	173,546	364,180	2,495	540,222

As at 31 December 2021 and 31 December 2020, for the purpose of ECL measurement investment in debt securities measured at amortised cost balances are included in Stage 1. There were no transitions between stages in 2021 and 2020. Refer to Note 31 for the ECL measurement approach.

Refer to Note 34 for the disclosure of the fair value of investment securities measured at amortised cost. Interest rate analysis of investment securities measured at amortised cost is disclosed in Note 36. Information on related party balances is disclosed in Note 37.

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11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Ownership	31 December 2021	31 December 2020
Visa Inc.	0.0%	13,613	13,203
JSC "Mortgage Refinancing Company of Uzbekistan"	8.0%	8,000	8,000
JSC "O'zbekiston pochasi"	4.4%	7,500	-
JSC "Republican Currency Exchange"	11.1%	6,109	4,734
JSC "Qurilishmashlizing"	6.5%	5,842	5,577
LLC "Yagona Umumrespublika Protsessing Markazi"	5.9%	2,530	2,530
LLC "Credit information Service CRIF"	8.7%	2,081	2,081
LLC "Credit Information Analytical Center"	3.2%	1,695	-
JSC "Tashkent" Stock Exchange	6.7%	501	478
JSC "UzMed-Leasing"	0.0%	-	357
Other	3.0%	265	1,064
Total financial assets at FVTOCI		48,136	38,024

Financial assets at FVTOCI as at 31 December 2021, other than Visa Inc., include equity securities registered in Uzbekistan and not actively traded. The Group elects at initial recognition to irrevocably designate the above disclosed equity investments at FVOCI which is in line with the Group accounting policy.

As at 31 December 2021 and 2020, Visa Inc. is measured using level 1 hierarchy and investment securities other than Visa Inc. are measured using level 3 hierarchy of fair value measurement.

Starting from 1 January 2018, the fair value of the financial assets at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities. A significant unobservable input used in determining the fair value of financial assets at FVTOCI is WACC. The higher the WACC the lower the fair value of the financial assets at FVTOCI.

Investments to which the dividends valuation approach is not applicable, i.e. dividends were not paid during the period, Management may use the Assets based valuation approach focused on the investment company's net assets value (NAV), or fair market value of its total assets minus its total liabilities, to determine what would cost to recreate the business. The Management believes that such approach accurately reflects the fair value of these securities.

As at 31 December 2021 and 2020, none of the financial assets at FVTOCI were pledged.

The table below represents the movement of financial instruments at FVTOCI for the year ended 31 December 2021:

	31 December 2020	Additions	Disposal	FV Adjustments	31 December 2021
Financial assets at FVTOCI	38,024	7,593	(341)	2,860	48,136

	31 December 2019	Additions	Disposal	FV Adjustments	31 December 2020
Financial assets at FVTOCI	88,714	12,857	(72,272)	8,725	38,024

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12. INVESTMENT IN ASSOCIATES

Name	Principal activity	Country	Ownership interest and carrying amount of investment			
			31 December 2021		31 December 2020	
LLC "SQB Consult"	Consulting	Uzbekistan	0%	-	40%	14
LLC "Khorezm Invest Project"	Asset management	Uzbekistan	34%	29,726	34%	979
Total investment in associates				29,726		993

31 December 2021	LLC "SQB Consult"	LLC "Khorezm Invest Project"	Total associates
Current assets	-	34,635	2,792
Non-current assets	-	53,041	172
Current liabilities	-	(244)	(51)
Revenue	-	(3,961)	147
Net (loss)/ profit for the year	-	2,140	(92)
Total comprehensive (loss)/ income for the year	-	2,140	(92)
Net assets of the associate	-	87,431	87,431
Proportion of the Group's ownership interest	0%	34%	34%
Carrying amount of the Group's Interest in Associate	-	29,726	29,726

31 December 2020	LLC "SQB Consult"	LLC "Khorezm Invest Project"	Total associates
Current assets	52	2,740	2,792
Non-current assets	3	169	172
Current liabilities	(20)	(31)	(51)
Revenue	104	43	147
Net (loss)/ profit for the year	26	(117)	(92)
Total comprehensive (loss)/ income for the year	26	(117)	(92)
Net assets of the associate	35	2,878	2,913
Proportion of the Group's ownership interest	0%	34%	34%
Carrying amount of the Group's Interest in Associate	14	979	993

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13. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and Premises	Office and computer equipment	Construction in progress	Total premises and equipment	Intangible assets	Total
Carrying amount as at 1 January 2020	131,624	163,221	137,756	432,601	2,679	435,280
Additions	306	89,005	269,065	358,376	25,632	384,008
Disposals (net of depreciation)	(13,156)	(1,204)	(5,091)	(19,451)	(278)	(19,729)
Transfers	87,706	48,544	(135,964)	286	(286)	-
Depreciation/amortization charge	(6,472)	(45,355)	-	(51,827)	(500)	(52,327)
Carrying amount as at 31 December 2020	200,008	254,211	265,766	719,985	27,247	747,232
Cost as at 31 December 2019	243,493	393,924	265,766	903,183	37,125	940,308
Accumulated depreciation/amortisation	(43,485)	(139,713)	-	(183,198)	(9,878)	(193,076)
Carrying amount as at 31 December 2020	200,008	254,211	265,766	719,985	27,247	747,232
Additions	-	115,163	462,375	577,538	28,458	605,996
Disposals (net of depreciation)	(29)	(1,555)	(2,023)	(3,607)	(598)	(4,205)
Transfers	84,334	(64,914)	(30,719)	(11,299)	11,299	-
Depreciation/amortization charge	(9,915)	(61,343)	-	(71,258)	(1,402)	(72,660)
Carrying amount as at 31 December 2021	274,398	241,562	695,399	1,211,359	65,004	1,276,363
Cost as at 31 December 2021	327,798	442,618	695,399	1,465,815	76,284	1,542,099
Accumulated depreciation/amortisation	(53,400)	(201,056)	-	(254,456)	(11,280)	(265,736)
Carrying amount as at 31 December 2021	274,398	241,562	695,399	1,211,359	65,004	1,276,363

The increase in PPE was mainly driven by increase in construction in progress. In 2019, the Group has arranged a contract with construction company Shanghai Construction Group Co. Ltd on design and construction of the Headquarters for Group in the amount of USD 136.5 million. As at 31 December 2021, in accordance with the contract, the Group invested USD 63.414 million (equivalent to UZS 703,091 million) of which UZS 589,849 million was recorded in construction in progress.

As at 31 December 2021 and 31 December 2020, premises and equipment of the Group were not pledged.

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14. OTHER ASSETS

	31 December 2021	31 December 2020
Other financial assets		
Security deposit on money transfer systems	10,017	213
Commission income receivable	9,386	11,024
Other receivables	1,057	6,380
Less: Allowance for expected credit losses	(211)	(1,409)
Total other financial assets	20,249	16,208
Other non-financial assets		
Prepayment for construction of building	171,256	245,903
Inventory	7,108	5,716
Prepaid income tax	45,778	58,379
Prepaid expenses and advances	95,299	30,144
Prepayments for equipment and property	7,305	2,026
Tax settlements, other than income tax	4,116	17,907
Repossessed collateral	770	617
Other	4,601	1,259
Less: Provision for impairment	-	(1,639)
Total other non-financial assets	336,233	360,312
Total other assets	356,482	376,520

As at 31 December 2021, the prepayment for construction of building comprises prepayment to Shanghai Construction company in the amount of 107,131 million (equivalent USD 9.88 million) (31 December 2020: UZS 171,227 million (equivalent USD 17.4 million) for construction of Head office in Tashkent city in accordance with the Decree of Cabinet of Ministers #961 dated 27 November 2018. The construction works have started on 20 June 2019 and expected to be completed by the end of 2022.

15. NON-CURRENT ASSETS HELD FOR SALE

	31 December 2021	31 December 2020
Repossessed assets:		
- Buildings held for sale	48,602	27,355
Total repossessed assets	48,602	27,355
Total non-current assets (or disposal groups) held for sale	48,602	27,355

As of 31 December 2021, buildings held for sale include the repossessed property of “Namanganulgurjisavdoinvest” LLC (UZS 25,303 million) and “Beltepa Master Story” LLC (UZS 18,944 million). In December 2021 and 2020, the Group's management approved and initiated active customer search programs within one year. The assets received were measured at the lower of their carrying amount and fair value less costs to sell. As of 31 December 2021, an impairment of reacquired assets classified as held for sale was recognized in the amount of UZS 9,868 million (31 December 2020: UZS 5,255 million).

16. DUE TO OTHER BANKS

	31 December 2021	31 December 2020
Short term placements of other banks	613,405	279,438
Long term placements of other banks	492,583	584,783
Correspondent accounts and overnight placements of other banks	286,989	372,618
Payable to the CBU under repo agreement	-	259,165
Total due to other banks	1,392,977	1,496,004

Refer to Note 34 for the disclosure of the fair value of due to other banks. Interest rate analysis of due to other banks is disclosed in Note 36. Information on related party balances is disclosed in Note 37.

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17. CUSTOMER ACCOUNTS

	31 December 2021	31 December 2020
State and public organisations		
- Current/settlement accounts	4,148,013	3,171,211
- Term deposits	3,019,115	2,705,206
Other legal entities		
- Current/settlement accounts	2,378,852	3,360,112
- Term deposits	711,774	239,375
Individuals		
- Current/demand accounts	949,191	925,599
- Term deposits	2,354,595	1,215,455
Total customer accounts	13,561,540	11,616,958

Economic sector concentrations within customer accounts are as follows:

	31 December 2021		31 December 2020	
	Amount	%	Amount	%
Individuals	3,303,786	24%	2,141,054	18%
Public administration	3,120,451	23%	2,744,161	24%
Oil and gas	2,615,793	19%	2,348,720	20%
Manufacturing	1,592,246	12%	1,363,581	12%
Energy	768,794	6%	1,324,435	11%
Finance	631,942	5%	181,740	2%
Services	336,840	2%	347,780	3%
Construction	299,667	2%	246,051	2%
Trade	291,532	2%	318,599	3%
Communication	261,931	2%	260,275	2%
Engineering	135,083	1%	155,739	2%
Agriculture	79,929	1%	57,036	0%
Transportation	52,233	1%	87,060	1%
Mining	48,056	0%	17,414	0%
Medicine	17,679	0%	16,015	0%
Other	5,578	0%	7,298	0%
Total customer accounts	13,561,540	100%	11,616,958	100%

As at 31 December 2021, the Group had two (31 December 2020: two) customers with a total balance UZS 4,208,043 million (31 December 2020: UZS 4,291,575 million), which individually exceeded 10% of the Group's equity.

Significant change in balances of State and public organizations is associated with payments made by two large state-owned enterprises operating in Oil and gas sector to their counterparties.

Significant change in balances of Other legal entities is associated with increase in balances of the Group's clients operating in Oil and gas sector within their normal course of the business activities.

Significant change in balances of Individuals is associated with implementation of new mobile application "Joyida", which allows the Group's clients to place or withdraw their funds online. Such mobile application is getting popular and the Group's number of clients is significantly increasing.

Refer to Note 34 for the disclosure of the fair value of customer accounts. Information on related party balances is disclosed in Note 37.

18. DEBT SECURITIES IN ISSUE

	31 December 2021			31 December 2020		
	Amount	Nominal interest	Maturity, year	Amount	Nominal interest	Maturity, year
Eurobonds	3,235,127	5.75	2019-2024	3,118,189	5.75	2019-2024
Certificates of deposit	58,749	14-16	2021-2024	76,293	14-16	2021-2024
Bonds	23,941	14-16	2020-2022	78,566	14-16	2020-2022
Total debt securities issued	3,317,817			3,273,048		

In December 2019, the Group has issued Eurobonds in London Stock Exchange with nominal value of USD 300,000 thousand with a discount of USD 3,198 thousand and five years maturity. Amortised cost of Eurobonds equivalent to UZS 3,118,189 million represent the present value of future cash payments discounted using effective interest rate of 6.193%.

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The present value calculation includes all costs directly associated with the issuance and form an integral part of the effective interest rate.

The debt securities issued do not stipulate financial covenants except for Eurobonds, which stipulate the Group is required to comply with certain financial covenants, non-compliance of which may give the lender a right to demand repayment.

19. OTHER BORROWED FUNDS

	31 December 2021	31 December 2020
International financial institutions		
China EXIMBANK	5,102,508	5,167,808
CREDIT Suisse	2,912,645	2,122,431
ICBC (London) plc	1,482,801	671,172
Commerzbank AG	1,480,096	1,632,046
International Bank of Reconstruction and Development	1,430,444	1,298,161
Promsvyazbank PJSC	1,122,664	540,737
European Bank for Reconstruction and Development	1,112,670	517,297
VTB BANK EUROPE	990,079	436,654
Russia EXIMBANK	986,473	995,354
Daryo Finance B.V.	965,082	770,900
Landesbank Baden-Wuerttemberg	833,390	967,246
China Development Bank	715,507	886,739
Asian Development Bank	631,199	584,938
International Development Association of World Bank	592,900	602,590
Raiffeisen Bank International AG	495,013	819,035
Credit Bank of Moscow	472,254	263,233
Citibank N.A. ADGM	442,321	-
Japan International Cooperation Agency (JICA)	347,869	323,180
AK Bars Bank	291,701	162,298
Gazprombank	255,774	789,796
Turk EXIMBANK	218,224	216,946
UniCredit	216,711	-
AKA Ausfuhrkredit-Gesellschaft mbH	195,044	13,811
Baobab Securities Limited	166,135	162,180
OPEC Fund for International Development	131,115	208,719
Sberbank Europe AG	108,598	18,342
OJSB Transcapitalbank	108,402	187,908
Halyk Savings Bank of Kazakhstan JSC	74,637	179,788
Korea EXIMBANK	94,936	141,464
JPMorgan Chase	67,802	-
KfW IPEX-Bank	48,516	57,417
PJSC "Sovcombank"	44,692	-
The Export-Import Bank of the Republic of China	35,699	-
John Deere	29,389	42,822
ODDO BHF	28,247	21,442
European Merchant Bank UAB	25,066	-
Sberbank Kazakhstan	7,183	5,942
International Fund for Agricultural Development	2,138	2,320
International Finance Corporation	1,603	-
Citibank Europe PLC	-	46,110
Aktif Bank	-	54,298
Jusan Bank JSC	-	2,682
The Taipei EXIMBANK	-	2,647
Financial institutions of Uzbekistan		
Long term borrowings from Ministry of Finance	3,498,702	3,233,042
Fund for Reconstruction and Development of Uzbekistan	1,778,851	1,384,626
Uzbekistan Mortgage Refinancing Company (UzMRC)	225,058	61,213
Export Promotion Agency under MIFT	174,623	-
KDB Bank Uzbekistan	93,197	-
Long term borrowings from CBU	63,314	68,358
Preference Shares	10,752	9,944
Young Entrepreneurs Support Fund under MIFT	7,538	-
Khokimiyat of Tashkent Region	5,793	5,927
Other	5,421	3,894
Total other borrowed funds	30,130,776	25,683,457

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On 17 March 2021 the Group and the European Bank for Reconstruction and Development signed an Agreement on attracting a synthetic credit line in the amount of USD 25 million. These loan funds are denominated in the national currency equivalent and are aimed at financing projects and supporting business initiatives implemented by small and medium-sized businesses (SMEs) of the country, thereby providing access to financing and stimulating sustainable growth in the development of the SME segment, in particular, modernizing the business infrastructure, especially during a pandemic caused by the spread of coronavirus infection.

On 19 March 2021 the Group and JSC "KDB Bank Uzbekistan" signed a General Agreement for provision of long-term credit lines to the Group" for the subsequent financing of projects of small and medium-sized businesses in Uzbekistan.

On 19 March 2021 the Group and Citibank N.A. ADGM signed an Agreement in the amount of USD 40 million to finance purchase of busses from China, equipment for textile manufacturing.

On 24 March 2021 the Group and AKA Ausfuhrkredit-Gesellschaft mbH signed an Agreement in the amount of EUR 15 million to finance investment projects of small and medium-sized businesses (SME) of Uzbekistan.

On 18 May 2021 the Group and UniCredit signed an Agreement in the amount of EUR 14 million to finance purchase of equipment from Italy for package manufacturing.

On September 14 2021, the Group and International Finance Corporation (IFC) signed a loan agreement in the amount of USD 75 million to finance climate change mitigation projects (green financing), to increase lending to small and medium-sized enterprises (SMEs) in Uzbekistan and to support the bank's further privatization process.

On September 30, 2021 in order to expand funding opportunities of trade financing, the Group signed an agreement with the Asian Development Bank (ADB) "On the provision of a revolving credit line" in the amount of USD 16.6 million.

On October 8, 2021 the loan agreement was signed on the project of Samarkand England Eco-Medical JV LLC within the framework of the Risk Sharing Facility (RSF) Program of the European Bank for Reconstruction and Development. The aim of the project is to expand the production of tablets and capsules, as well as infusion solutions in the Republic of Uzbekistan.(amount)

December 13, 2021 the Group strengthened cooperation with financial institutions of the Islamic Development Bank group and signed an agreement with the International Islamic Trade and Finance Corporation (a subsidiary of the Islamic Development Bank) Agreement on the allocation of a new financing line in the amount of USD 15 million.

As of 31 December 2020 the Group was not in compliance with the following covenants:

- In 2017 and 2018, the ADB advanced two loans to the Republic of Uzbekistan (the "Republic") in connection with the financing of horticulture projects in Uzbekistan (the "Project"). The Republic on-lent a portion of these loans to the Bank under tripartite subsidiary loan agreements No. 3471-UZB dated April 2017 and No. 3673-UZB dated November 2018 between the Republic, the Rural Restructuring Agency and the Bank (the "Subsidiary Loan Agreements"). In November 2019, the ADB advanced another Subsidiary Loan Agreement to the Republic of Uzbekistan in connection with the financing of livestock value chain development projects in Uzbekistan (the "Project"). The Republic on-lent a portion of this loan to the Bank under subsidiary loan agreements No. L3823 (COL)-UZB dated 10 February 2020 between the Republic, the Agro Industries and Food Security Agency and the Bank. As at 31 December 2020, the Bank was not in compliance with return on average assets ratio stipulated in the Subsidiary Loan Agreements. The Management has received a letter from the Ministry of Finance dated 31 December 2020 confirming that this breach of the covenant is not considered to be an event of default.
- As at 31 December 2020, the Bank was not in compliance with following covenants stipulated in Master Trade Finance Loan Agreement (the 'Master Agreement') dated 15 October 2019 between the Bank and VTB Bank Europe: the percentage of problem loans (Stage 3 loans) in relation to loans and advances to customers (gross), loan loss reserves to problem loans (Stage 3 loans). On 24 March 2021, the Bank received a letter from VTB Bank Europe giving their consent to waive above mentioned financial covenant as of the end of the financial year 2020 with the decision to grant the waiver reached during December 2020. Hence, liquidity has not been adjusted.

As of 31 December 2021, the Group was in compliance with all covenants.

The maturity analysis is disclosed in Note 36. Refer to Note 34 for disclosure of the fair value of other borrowed funds and Note 37 for information on related party balances.

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20. OTHER LIABILITIES

	31 December 2021	31 December 2020
Other financial liabilities		
Trade payables	102,958	29,152
Provision for Bank's guarantees and letters of credit	43,203	22,845
Payable to other creditors	6,562	6,231
Dividends payable	3,032	2,758
Total other financial liabilities	155,755	60,986
Other non-financial liabilities		
Taxes payable other than income tax	25,408	15,852
Unearned income	1,366	3,412
Payable to employees	1,070	35,485
Other	13,822	12,892
Total other non-financial liabilities	41,666	67,641
Total other liabilities	197,421	128,627

As at 31 December 2021, trade payables comprise payables on amount of UZS 61,906 million to Shanghai Construction Group building the Tashkent City office for the Group in accordance to construction contract terms and conditions.

The Group pays income tax on a consolidated basis as a single tax payer at a single rate of 20%. Thus income tax payable and prepayment for income tax are presented on a net basis as at 31 December 2021.

21. SUBORDINATED DEBT

Subordinated debt issued by Fund for Reconstruction and Development of Uzbekistan of UZS 100,000 million on 9 April 2021 carries a fixed interest rate of 9.22 % and matures on 15 April 2041. The debt ranks after all other creditors' claims are fully settled in the case of liquidation.

	Currency	Maturity date	Nominal interest rate %	Effective interest rate %	31 December 2021	31 December 2020
Subordinated debt of Fund for Reconstruction and Development of Uzbekistan	UZS	15 April 2041	9%	9.22%	101,771	-
Total subordinated debt					101,771	-

Refer to Note 34 for the disclosure of the fair value of subordinated debt and Note 37 for information on related party balances.

22. SHARE CAPITAL

	Number of outstanding shares	Ordinary and preference shares	Total
1 January 2020	243,922	4,640,011	4,640,011
31 December 2020	243,922	4,640,011	4,640,011
31 December 2021	243,922	4,640,011	4,640,011

As at 31 December 2021 and 2020, the nominal registered amount of the Bank's issued share capital was UZS 4,634,514 million, prior to restatement of capital contributions to the purchasing power of the UZS in the amount of UZS 12,527 million (effects of hyperinflation in accordance with IAS 29) and UZS 7,030 million adjustment for liability component of preference shares.

As at 31 December 2021 and 2020, the total authorised number of ordinary shares is 243,552 million with a par value of UZS 19 per share. Each share carries one vote. Dividends on preference shares will not be less than dividends on ordinary shares.

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The number of ordinary shares issued but not fully paid in 2021 was Nil (31 December 2020: Nil).

As at 31 December 2021 and 2020, the total authorised number of preference shares is 370 million, with a par value of UZS 19 per share in the amount of UZS 7,030 million.

The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. The preference shares give the holders the right to participate in general shareholders' meetings without voting rights, except in instances where decisions are made in relation to reorganisation and liquidation of the Group, and where changes and amendments to the Group's charter which restrict the rights of preference shareholders are proposed.

In 2020 and 2021, the minimum rate of return of 20% on preference shares remains unchanged.

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below sets out movement in the Group's liabilities from financing activities for each of periods presented. The items of these liabilities are those that are reported as financing activities in the condensed consolidated interim statement of cash flows.

<i>In million Uzbekistan Soums</i>	Liabilities from financing activities				Total
	Other borrowed funds	Debt securities issue	Due to other banks	Subordinated debt	
Net debt at 1 January 2020	16,803,214	2,920,894	465,109	83,332	20,272,549
Proceeds from the issue	13,094,718	168,310	222,218	-	13,485,246
Redemption	(6,488,852)	(94,400)	(46,122)	(80,000)	(6,709,374)
Foreign currency translation	2,199,354	278,819	36,111	-	2,514,284
Other non-cash movements	75,023	(575)	818,688	(3,332)	889,804
Net debt at 31 December 2020	25,683,457	3,273,048	1,496,004	-	30,452,509
Proceeds from the issue	11,826,214	10,000	411,116	100,000	12,347,330
Redemption	(8,391,815)	(81,310)	(381,937)	-	(8,855,062)
Foreign currency translation	992,957	126,637	22,932	-	1,142,526
Other non-cash movements	19,963	(10,558)	(155,138)	1,771	(143,962)
Net debt at 31 December 2021	30,130,776	3,317,817	1,392,977	101,771	34,943,341

24. INTEREST INCOME AND EXPENSE

	2021	2020
Interest income calculated using the effective interest method		
Interest income on assets recorded at amortised cost comprises:		
Interest on loans and advances to customers	3,858,402	3,027,732
Interest on investment securities measured at amortised cost	154,226	102,504
Interest on balances due from other banks	142,770	137,503
Total interest income calculated using the effective interest method	4,155,398	3,267,739
Other similar income		
Finance lease receivables	32,024	21,893
Total other similar income	32,024	21,893
Interest expense		
Interest expense on liabilities recorded at amortised cost comprises:		
Interest on other borrowed funds	(1,219,611)	(913,496)
Interest on customer accounts	(570,363)	(389,970)
Interest on debt securities in issue	(201,107)	(220,716)
Interest on balances due to other banks	(70,794)	(130,267)
Interest on subordinated debt	(6,030)	(13,106)
Total interest expense	(2,067,905)	(1,667,555)
Net interest income before provision on loans and advances to customers	2,119,517	1,622,077

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Significant change in interest income on loan and advances to customers is associated with the increase in the Group's loan portfolio during the year 2021, which in its turn is associated with the gradual improvements of the economic situation and business activity in Uzbekistan caused by COVID-19.

Significant change in interest income on investment securities measured at amortised cost is associated with the significant investments made by the Group in bonds of CBU and Ministry of Finance during the year 2021.

Significant change in interest income on other borrowed funds is associated with the attraction of additional funds from local and international financial institutions.

Significant change in interest income on balances due to other banks is associated with repayments made by the Group to local banks towards borrowings received.

25. FEE AND COMMISSION INCOME AND EXPENSE

	2021	2020
Fee and commission income		
Settlement transactions	220,904	240,987
Foreign currency exchange	64,946	62,945
International money transfers	56,071	41,055
Guarantees issued	30,058	36,746
Letters of credit	10,368	10,879
Services of engineers for conducting control measurements	3,727	8,146
Other	-	1,026
Total fee and commission income	386,074	401,784
Fee and commission expense		
Settlement transactions	(60,567)	(27,803)
Transactions with plastic cards	(31,877)	(25,429)
Foreign currency exchange	(13,217)	(13,919)
Cash collection	(2,760)	(8,195)
Other	(2,062)	(6,115)
Total fee and commission expense	(110,483)	(81,461)
Net fee and commission income	275,591	320,323

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26.INSURANCE OPERATIONS INCOME AND EXPENSE

	Insurance	Reinsurance	Total	Insurance	Reinsurance	Total
Insurance operations income						
Loan insurance	35,305	5,357	40,662	18,493	761	19,254
Property insurance	24,135	4,332	28,467	20,260	1,402	21,662
Civil liability insurance	581	1,159	1,740	346	866	1,212
Obligatory insurance of third party liability of motor vehicle owners (OMTPL)	1,214	40	1,254	455	8	463
Accident insurance	781	8	789	586	11	597
Insurance from other financial risks	7,938	31	7,969	171	85	256
Total insurance operations income	69,954	10,927	80,881	40,311	3,133	43,444
Insurance operations expense						
Loan insurance	(15,242)	(5,668)	(20,910)	(7,529)	-	(7,529)
Property insurance	(8,826)	(280)	(9,106)	(5,290)	-	(5,290)
Obligatory insurance of third party liability of motor vehicle owners (OMTPL)	(664)	(515)	(1,179)	(544)	-	(544)
Civil liability insurance	(783)	-	(783)	(4,340)	-	(4,340)
Accident insurance	(270)	-	(270)	(10)	-	(10)
Insurance from other financial risks	(4,083)	-	(4,083)	-	-	-
Total insurance operations expense	(29,868)	(6,463)	(36,331)	(17,713)	-	(17,713)
Net insurance operations income	40,086	4,464	44,550	22,598	3,133	25,731

27.CHANGE IN INSURANCE RESERVES, NET

	Reinsurance reserve	Insurance reserve	Change in insurance reserves, net
31 December 2019	2 391	15 631	-
Unearned premium reserve	2 903	26 884	(23 981)
Reserves for incurred but not reported losses	250	2 372	(2 122)
31 December 2020	5 544	44 887	(26 103)
Unearned premium reserve	5 745	30 759	(24 742)
Reserves for incurred but not reported losses	1 675	9 168	(7 493)
31 December 2021	12 964	84 813	(58 338)

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28. OTHER OPERATING INCOME

	2021	2020
Gain on disposal of inventory	32,706	1,036
Income from rent of POS terminals	790	776
Gain on disposal of subsidiaries of investment entity	-	25,741
Other	7,370	2,220
Total other operating income	40,866	29,773

The significant increase in gain on disposal of inventory is mainly explained by SQB Construction realized building income on the amount of UZS 27,843 million.

29. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2,021	2,020
Staff costs	607,612	479,119
Social security costs	68,335	53,090
Total staff costs	675,947	532,209
Depreciation and amortisation	72,660	52,327
Charity expenses	56,517	15,914
Security services	41,210	30,304
Taxes other than income tax	30,029	40,219
Membership fees	26,390	14,784
Stationery and other low value items	28,167	18,080
Communication expenses	11,243	6,894
Repair and maintenance of buildings	11,021	7,273
Rent expenses	9,971	4,506
Advertising expenses	9,286	8,056
Legal and audit fees	8,394	6,282
Consultancy fee	7,785	18,689
Travel expenses	7,040	3,265
Utilities expenses	5,844	4,998
Representation and entertainment	2,617	941
Fuel	2,230	1,594
Medical, Dental and Hospitalization	1,079	6,244
Other operating expenses	36,716	17,868
Total administrative and other operating expenses	1,044,146	790,447

Significant change in staff costs is associated with the overall increase of salary rates as well as due to increase in bonuses and other stimulation payments.

30. INCOME TAXES

	2021	2020
Current income tax expense	250,804	205,602
Deferred tax (benefit)/expense:		
- <i>Deferred tax (benefit)/expense</i>	(35,078)	(183,244)
- <i>Deferred tax expense relating to the components of other comprehensive income</i>	572	1,745
Total income tax expense through profit or loss and other comprehensive income	215,154	24,103

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

	2021	2020
IFRS profit before tax	1,071,571	134,482
Theoretical tax charge at the applicable statutory rate - 20% (2019: 20%)	214,314	26,896
- Non deductible expenses (employee compensation, representation and other non-deductible expenses)	21,865	24,451
- Tax exempt income	(28,251)	(23,185)
- Other	6,654	(5,804)
Income tax expense for the year	214,582	22,358

On 1 January 2021 preferential income tax rates for branches with long-term investment financing in the structure of the loan portfolio which considered taxable ranges from 14% till 20% for each branch as a separate tax payer, has expired and in accordance with the new tax legislation, the bank pays income tax on a consolidated basis as a single tax payer at a single rate of 20%.

Tax exempt income includes interest income on government bonds and the CBU bonds.

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

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	2021	(Debited)/ credited to profit or loss	Charged to other comprehensive income	31 December 2020	2020	(Debited)/ credited to profit or loss	Charged to other comprehensive income	31 December 2019
Tax effect of deductible/(taxable) temporary differences								
Cash and cash equivalents	141	145	-	(4)	(4)	(123)	-	119
Due from other banks	527	(3,159)	-	3,686	3,686	265	-	3,421
Loans and advances to customers	196,362	31,703	-	164,659	164,659	181,967	-	(17,308)
Financial assets at fair value through other comprehensive income	(3,533)	-	(572)	(2,961)	(2,961)	(0)	(1,745)	(1,216)
Property, equipment and intangible assets	(4,483)	(9,967)	-	5,484	5,484	5,130	-	354
Investments in associates and subsidiaries	(1,896)	(472)	-	(1,424)	(1,424)	4,981	-	(6,405)
Investment securities measured at amortised cost	452	(2,603)	-	3,055	3,055	2,865	-	190
Other assets	16,158	12,284	-	3,874	3,874	2,104	-	1,770
Non-current assets held for sale	(9,721)	(10,579)	-	858	858	(1,640)	-	2,498
Customer accounts	-	-	-	-	-	458	-	(458)
Debt securities in issue	(2,201)	337	-	(2,538)	(2,538)	738	-	(3,276)
Other borrowed funds	(3,990)	7,653	-	(11,643)	(11,643)	(12,704)	-	1,061
Other liabilities	14,330	9,757	-	4,573	4,573	(131)	-	4,704
Subordinated debt	(21)	(21)	-	-	-	(666)	-	666
Net deferred tax asset/(liability)	202,125	35,078	(572)	167,619	167,619	183,244	(1,745)	(13,880)
Recognised deferred tax asset	206,603	20,418	-	186,185	182,048	182,048	-	14,783
Recognised deferred tax liability	(4,478)	14,660	(572)	(18,566)	1,196	1,196	(1,884)	(28,663)
Net deferred tax asset/(liability)	202,125	35,078	(572)	167,619	183,244	183,244	(1,884)	(13,880)

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31. ALLOWANCES FOR IMPAIRMENT LOSSES

The tables below analyse information about the changes in the gross amount of financial assets other than loans and advances to customers, commitments and other non-financial assets during 2021 and 2020:

	Other financial assets (Note 14)		Cash and cash equivalents (Note 7) Stage 1 12-month ECL	Due from other Banks (Note 8)		Investment securities at amortised cost (Note 10) Stage 1 12-month ECL	Letters of Credit and Guarantees (Note 33)			TOTAL	Other non- financial assets
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Stage 1 12-month ECL	Stage 3 Lifetime ECL		Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
31 December 2020	15 779	1 838	5 601 347	1 877 621	-	541 911	2 367 521	850 710	-	3 244	1 639
- Transfer from stage 1	-	-	-	(31 731)	31 731	-	(42 601)	42 601	-	-	-
- Transfer from stage 2	(81)	81	-	-	-	-	15 017	(15 017)	-	-	-
- Transfer from stage 3	806	(806)	-	-	-	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	(2 790)	(6)	-	-	-	-	(357 043)	148 820	-	(211)	(1 639)
New assets issued or acquired	17 384	69	2 839 884	1 023 303	-	1 014 946	2 011 365	503 762	-	2 538	-
Matured or derecognized assets (except for write off)	(11 135)	(680)	(3 557)	(714 632)	-	(489 645)	(1 147 617)	(632 717)	-	(1 798)	-
Foreign exchange differences	(0)	(0)	(240 315)	(195 625)	1 082	1 933	(2 022)	(860)	-	(2)	-
31 December 2021	19 964	496	8 197 359	1 958 937	32 813	1 069 145	2 844 620	897 300	-	15 020 633	-

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	Other financial assets (Note 14)		Cash and cash equivalents (Note 7) Stage 1 12-month ECL	Due from other Banks (Note 8) Stage 1 12-month ECL	Investment securities at amortised cost (Note 10) Stage 1 12-month ECL	Letters of Credit and Guarantees (Note 33)			TOTAL	Other non-financial assets
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL				Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
31 December 2019	6 404	1 037	2 862 675	2 053 256	85 598	1 870 953	-	-	6 879 924	1 639
- Transfer from stage 1	-	-	-	-	-	(532 917)	532 917	-	-	-
- Transfer from stage 2	(1 546)	1 546	-	-	-	-	-	-	-	-
- Transfer from stage 3	60	(60)	-	-	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	(820)	(436)	-	-	-	(193 231)	20 109	-	(174 379)	-
New assets issued or acquired	15 193	248	1 945 098	805 190	539 408	1 540 552	295 401	-	5 141 089	-
Matured or derecognized assets (except for write off)	(3 500)	(457)	(1 164 498)	(724 941)	(83 095)	(437 092)	-	-	(2 413 500)	-
Foreign exchange differences	(11)	(41)	1 958 073	(255 885)	-	119 256	2 283	-	1 823 675	-
31 December 2020	15 779	1 838	5 601 347	1 877 621	541 911	2 367 521	850 710	-	11 256 809	1 639

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The tables below analyse information about the changes in the ECL amount of financial assets other than loans and advances to customers, commitments and other non-financial assets during 2021 and 2020:

	Other financial assets (Note 14)		Cash and cash equivalents (Note 7)	Due from other Banks (Note 8)		Investment securities at amortised cost (Note 10)	Letters of Credit and Guarantees (Note 33)			TOTAL	Other non- financial assets
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Stage 1 12-month ECL	Stage 1 12- month ECL		Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL		
Loss allowance for ECL as at 31 December 2020	306	1,103	161	18,429	-	1,689	15,651	7,194	-	44,533	1,639
- Transfer from stage 1	-	-	-	(4,149)	4,149	-	(358)	358	-	-	-
- Transfer from stage 2	(2)	2	-	-	-	-	55	(55)	-	-	-
- Transfer from stage 3	550	(550)	-	-	-	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	(629)	(171)	52	(1,536)	16,519	(331)	(2,462)	8,514	-	19,956	(1,639)
New assets issued or acquired	144	4	602	7,935	-	1,540	6,640	2,833	-	19,698	-
Matured or derecognized assets (except for write off)	(185)	(361)	(116)	(6,854)	-	(1,266)	(7,496)	(4,823)	-	(21,101)	-
Foreign exchange differences	-	-	8	954	-	-	(27)	(51)	-	884	-
Loss allowance for ECL as at 31 December 2021	184	27	707	14,779	20,668	1,633	12,003	13,970	-	63,971	-

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	Other financial assets (Note 14)		Cash and cash equivalents (Note 7)	Due from other Banks (Note 8)	Investment securities at amortised cost (Note 10)	Letters of Credit and Guarantees (Note 33)			TOTAL	Other non- financial assets
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL				Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL		
Loss allowance for ECL as at 31 December 2019	1,236	1,043	101	16,166	950	12,077	-	-	31,573	1,639
- Transfer from stage 1	-	-	-	-	-	(126)	126	-	-	-
- Transfer from stage 2	(369)	369	-	-	-	-	-	-	-	-
- Transfer from stage 3	65	(65)	-	-	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	(169)	30	9	(2,002)	30	(4,755)	3,347	-	(3,510)	-
New assets issued or acquired	296	141	92	6,808	1,629	9,607	3,341	-	21,914	-
Matured or derecognized assets (except for write off)	(764)	(457)	(48)	(3,728)	(920)	(1,674)	-	-	(7,591)	-
Foreign exchange differences	11	42	7	1,185	-	522	380	-	2,147	-
Loss allowance for ECL as at 31 December 2020	306	1,103	161	18,429	1,689	15,651	7,194	-	44,533	1,639

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32. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shares by the weighted average number of ordinary shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

According to the charter of the Group, and as described in Note 21, dividend payments per ordinary share cannot exceed the dividends per share on preferred shares for the same period and the minimum dividends payable to the owners of preference shares comprise not less than 20%. Therefore, net profit for the period is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

	2021	2020
Profit for the year attributable to ordinary shareholders	856,988	111,362
Loss for the year from discontinued operations attributable to ordinary shareholders	-	889
Earnings used in calculation of earnings per ordinary share from continuing operations	856,988	110,507
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (millions)	243,922	243,922
From continuing operations		
Basic and diluted EPS per ordinary share in UZS	3.51	0.45
From discontinued operations		
Basic and diluted EPS per ordinary share in UZS	-	0.00
Total basic and diluted earnings per ordinary share (expressed in UZS per share)	3.51	0.46

33. COMMITMENTS AND CONTINGENCIES

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice 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 consolidated financial statements.

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

The Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, as at 31 December 2021, no provision for potential tax liabilities had been recorded (2020: Nil). The Group estimates that it has no potential obligations from exposure to other than remote tax risks.

Capital expenditure commitments. As at 31 December 2021 and 31 December 2020, the Group had contractual capital expenditure commitments for the total amount of UZS 1,033,849 million and UZS 1,033,849 million in respect of premises and equipment, respectively.

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

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exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	31 December 2021	31 December 2020
Guarantees issued	1,834,214	2,424,042
Letters of credit, non post-financing	398,886	336,446
Letters of credits, post-financing with commencement after reporting period end	1,508,819	457,743
Undrawn credit lines	831,415	518,506
Total gross credit related commitments	4,573,334	3,736,737
Less - Cash held as security against letters of credit and guarantees	(275,863)	(155,267)
Less – Provision for expected credit losses	(43,203)	(22,845)
Total credit related commitments	4,254,268	3,558,625

The total outstanding contractual amount of letters of credit, guarantees issued and undrawn credit lines does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded.

34. 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 analysed by level in the fair value hierarchy as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

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

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation model(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2021	31 December 2020				
Equity securities at FVTOCI						
- Visa Inc.	13,613	13,203	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Other	34,523	24,821	Level 3	Discounted cash flows. Discount rate estimated based on WACC	Discount rate	The greater discount- the smaller fair value

The fair value of the equity instruments at fair value through other comprehensive income disclosed in Note 11 were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. A significant unobservable input used in determining the fair value of equity securities at FVTOCI is the Group's WACC. The higher the WACC the lower the fair value of the equity securities at FVTOCI. The Management believes that this approach accurately reflects the fair value of these securities, given they are not traded. Such financial instruments were categorised as Level 3.

Investments to which the dividends valuation approach is not applicable, i.e. dividends were not paid during the period, Management may use the Assets based valuation approach focused on the investment company's net assets value (NAV), or fair market value of its total assets minus its total liabilities, to determine what would cost to recreate the business. The Management believes that such approach accurately reflects the fair value of these securities.

Below is presented the fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required). Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Loans and advances to customers	42,537,051	39,773,366	38,959,958	34,401,244
Due from other banks	1,956,303	1,726,508	1,859,192	1,739,931
Debt securities in issue				
- Eurobonds (Note 18)	3,235,127	3,280,385	3,118,189	3,312,173
Other borrowed funds	30,130,776	31,751,605	25,683,457	26,703,457
Subordinated debt	101,771	97,338	-	-

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	31 December 2021			Total
	Level 1	Level 2	Level 3	
Loans and advances to customers	-	39,773,366	-	39,773,366
Due from other banks	-	1,726,508	-	1,726,508
Debt securities in issue				
- Eurobonds (Note 18)	3,280,385	-	-	3,280,385
Other borrowed funds	-	-	31,751,605	31,751,605
Subordinated debt	-	97,338	-	-

	31 December 2020			Total
	Level 1	Level 2	Level 3	
Loans and advances to customers	-	34,401,244	-	34,401,244
Due from other banks	-	-	1,739,931	1,739,931
Debt securities in issue				
- Eurobonds (Note 18)	3,312,173	-	-	3,312,173
Other borrowed funds	-	-	26,703,457	26,703,457
Subordinated debt	-	-	-	-

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

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

35. CAPITAL RISK MANAGEMENT

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

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% (31 December 2020: 13%). Actual ratio as at 31 December 2021: 15.8% (31 December 2020: 17%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2020: 10%). Actual ratio as at 31 December 2021: 11.9% (31 December 2020: 13.1%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2020: 6%). Actual ratio as at 31 December 2021: 10% (31 December 2020: 10.3%).

The Group and the Bank have complied with all externally imposed capital requirements throughout 2021 and 2020.

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Total capital is based on the Group's reports prepared under Uzbekistan Accounting Legislation and related instructions and comprises:

	31 December 2021 (unaudited)	31 December 2020 (unaudited)
Tier 1 capital	6,223,703	5,543,925
Less: Deductions from capital	(149,023)	(46,485)
Tier 1 capital adjusted	6,074,680	5,497,440
Tier 2 capital	2,024,893	1,619,786
Total regulatory Capital	8,099,573	7,117,226

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, preference shares, retained earnings excluding current year profit and less intangible assets. The other component of regulatory capital is Tier 2 capital, which includes current year profit.

36. RISK MANAGEMENT POLICIES

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

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

Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

Group's internal ratings scale:

Standard 1	Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Sub-standard 2	"Sub-standard" loans are loans, secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are in the present, which raise doubts on the ability of the borrower to repay on time. "Standard" loans with insufficient information in the credit file or missed information on collateral could be also classified as "sub-standard" loans.
Unsatisfactory 3	Unsatisfactory loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "unsatisfactory" loans, the primary source of repayment is not sufficient and the Group has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful 4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as "unsatisfactory" with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable.
Loss 5	Loans classified as "loss" are considered uncollectible and have such little value that their continuance as bankable assets of the Group is not warranted. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that it is not practical or desirable to defer writing off these essentially worthless assets even though partial recovery may be effected in the future and the Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

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

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving

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basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Group's Council.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantee. However, a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

(a) Limits. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Loan applications, along with financial analysis of loan applicant which includes liquidity, profitability, interest coverage and debt service coverage ratios, originated by the relevant client relationship managers are passed on to the relevant credit committee or Bank Council for approval of credit limit.

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

Collateral before being accepted by the Group is thoroughly analysed and physically verified, where applicable. Debt securities, treasury and other eligible bills are generally unsecured.

The principal collateral types for loans and advances as well as finance lease receivables are:

- State guarantees
- Cash deposits;
- Motor vehicle;
- Inventory;
- Letter of surety;
- Residential house;
- Equipment;
- Building; and
- Other assets

(c) Concentration of risks of financial assets with credit risk exposure. The Group's Management focuses on concentration risk:

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

The Bank is required to prepare and submit stand-alone financial information of the Bank to the Central Bank of Uzbekistan on a monthly basis. The consolidated financial statements are prepared under IFRS only once in a year.

In order to monitor credit risk exposures, weekly reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance, which includes overdue balances, disbursements and repayments, outstanding balances and maturity of loan and as well as grade of loan and collateral. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the Management daily. The Management monitors and follows up past due balances.

Impairment and provisioning policies. The internal and external rating systems described above focus on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The Group's policy requires the review of individual financial assets that are above certain materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

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Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) individual financial assets in stage 1 and 2 that are above certain materiality thresholds, by using the available empirical data, experienced judgment and statistical techniques.

The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on 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 Group 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 customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring.

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

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

Off-balance sheet risk. The Group applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages its market risk through risk-based limits established by the Bank Supervisory Board on the value of risk that may be accepted. The risk-based limits are subject to review by the Bank Council on a quarterly basis. Overall Group's position is split between Corporate and Retail banking positions. The exposure of Corporate and Retail banking operations to market risk is managed through the system of limits monitored by the Treasury Department on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Council sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's Treasury Department measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses effect of actual annual appreciation/depreciation of that currency against Uzbekistan Soum to the profit and loss of the Group.

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The Group measures its currency risk by:

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

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of reporting period:

Non-derivative monetary assets and liabilities:

31 December 2021	USD	EUR	Other currencies	UZS	Total
Cash and cash equivalents	5,058,478	480,056	130,815	2,527,303	8,196,652
Due from other banks	843,913	43,387	65,131	1,003,872	1,956,303
Loans and advances to customers	20,739,057	6,883,573	3,305	14,911,116	42,537,051
Investment securities measured at amortised cost	-	-	-	1,067,512	1,067,512
Other financial assets	10,766	6,175	3,308	-	20,249
Total monetary assets	26,652,214	7,413,191	202,559	19,509,803	53,777,767
Due to other banks	1,012,647	44,171	-	336,159	1,392,977
Customer accounts	6,411,546	424,540	114,676	6,610,778	13,561,540
Debt securities in issue	3,235,127	-	-	82,690	3,317,817
Other borrowed funds	16,014,520	7,179,169	3,443	6,933,644	30,130,776
Other financial liabilities	101,305	399	4	54,047	155,755
Subordinated debt	-	-	-	101,771	101,771
Total monetary liabilities	26,775,145	7,648,279	118,123	14,119,089	48,660,636
Net Balance sheet position	(122,931)	(235,088)	84,436	5,390,714	5,117,131
31 December 2020	USD	EUR	Other currencies	UZS	Total
Cash and cash equivalents	3,768,254	138,176	138,499	1,556,257	5,601,186
Due from other banks	944,034	61,634	149,885	703,639	1,859,192
Loans and advances to customers	20,391,586	6,290,620	-	12,277,752	38,959,958
Investment securities measured at amortised cost	-	-	-	540,222	540,222
Other financial assets	646	5,058	-	10,504	16,208
Total monetary assets	25,104,520	6,495,488	288,384	15,088,374	46,976,766
Due to other banks	857,428	180	-	638,396	1,496,004
Customer accounts	6,991,777	237,180	198,854	4,189,147	11,616,958
Debt securities in issue	3,118,189	-	-	154,859	3,273,048
Other borrowed funds	14,643,855	6,147,006	-	4,892,596	25,683,457
Other financial liabilities	21,430	-	29	39,527	60,986
Subordinated debt	-	-	-	-	-
Total monetary liabilities	25,632,679	6,384,366	198,883	9,914,525	42,130,453
Net Balance sheet position	(528,159)	111,122	89,501	5,173,849	4,846,313

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Changes of the possible movement of the currency rates from 2020 to 2021 were associated with the increase in the volatility of the exchange rate. The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of reporting period, with all other variables held constant:

	As at 31 December 2021 Impact on profit or loss	As at 31 December 2020 Impact on profit or loss
US Dollars strengthening by 20% (31 December 2020: 20%)	(24,586)	(105,632)
US Dollars weakening by 20% (31 December 2020: 20%)	24,586	105,632
EUR strengthening by 20% (31 December 2020: 20%)	(47,018)	22,224
EUR weakening by 20% (31 December 2020: 20%)	47,018	(22,224)

The above sensitivity analysis include limitations in terms of the use of hypothetical market movements to demonstrate potential risk that only represent the Group’s view of possible near-term market changes, based on historical change in foreign currency rates, and which cannot be predicted with any certainty.

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

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

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

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The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

31 December 2021	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	650,234	-	-	-	650,234	-	1,300,468
Due from other banks	14,083	24,092	446,058	208,950	257,745	374,560	1,325,488
Loans and advances to customers	2,301,142	7,688,643	5,408,590	11,541,556	7,905,947	7,638,652	42,484,530
Investment securities measured at amortised cost	442,290	493,401	-	125,664	2,442	-	1,063,797
Total % bearing financial assets	3,407,749	8,206,136	5,854,648	11,876,170	8,816,368	8,013,212	46,174,283
Liabilities							
Due to other banks	164,573	433,506	2,469	40,078	401,151	41,480	1,083,257
Customer accounts	310,218	1,818,168	1,350,402	1,802,731	216,880	717,595	6,215,994
Debt securities in issue	3,002	8,600	70,000	3,211,014	-	-	3,292,616
Other borrowed funds	514,743	3,323,382	4,698,344	12,384,059	2,849,198	5,584,698	29,354,424
Subordinated debt	-	-	-	-	3,226	96,774	100,000
Total financial % bearing liabilities	992,536	5,583,656	6,121,215	17,437,882	3,467,229	6,343,773	40,046,291
Net interest sensitivity gap	2,415,213	2,622,480	(266,567)	(5,561,712)	5,349,139	1,669,439	6,127,992

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31 December 2020	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	897,254	-	-	-	-	-	897,254
Due from other banks	4,895	117,251	303,659	621,215	-	392,812	1,439,832
Loans and advances to customers	2,140,336	6,622,391	4,328,945	9,866,727	7,611,236	7,964,099	38,533,734
Investment securities measured at amortised cost	-	405,524	69,561	47,800	-	2,440	525,325
Total % bearing financial assets	3,042,485	7,145,166	4,702,165	10,535,742	7,611,236	8,359,351	41,396,145
Liabilities							
Due to other banks	259,165	315,200	-	19,898	449,146	9,534	1,052,943
Customer accounts	151,475	436,199	237,271	574,422	1,787,025	600,521	3,786,913
Debt securities in issue	30,063	38,750	13,500	70,599	3,095,382	-	3,248,294
Other borrowed funds	1,029,301	3,618,683	4,257,476	9,103,108	2,139,086	4,783,069	24,930,723
Subordinated debt	-	-	-	-	-	-	-
Total financial % bearing liabilities	1,470,004	4,408,832	4,508,247	9,768,027	7,470,639	5,393,124	33,018,873
Net interest sensitivity gap	1,572,481	2,736,334	193,918	767,715	140,597	2,966,227	8,377,272

As at 31 December 2021, if interest rates at that date had been 165 basis points lower (2020: 165 basis points lower) with all other variables held constant, profit for the year would have been UZS 101,012 million higher (2020: UZS 114,093 million higher).

If interest rates had been 165 basis points higher (2020: 165 basis points higher) with all other variables held constant, profit for the year would have been UZS 101,012 million lower (2020: UZS 114,093 million lower).

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

Other price risk. The Group is exposed to prepayment risk through providing loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers. The Group has no significant exposure to equity price risk.

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

31 December 2021	Uzbekistan	OECD	Non-OECD	Russia	Total
Assets					
Cash and cash equivalents	4,007,434	4,124,590	-	64,628	8,196,652
Due from other banks	1,837,456	117,215	1,632	-	1,956,303
Loans and advances to customers	42,537,051	-	-	-	42,537,051
Investment securities measured at amortised cost	1,067,512	-	-	-	1,067,512
Financial assets at fair value through other comprehensive income	34,523	13,613	-	-	48,136
Other financial assets	10,270	9,979	-	-	20,249
Total financial assets	49,494,246	4,265,397	1,632	64,628	53,825,903
Liabilities					
Due to other banks	1,050,532	271,622	70,410	413	1,392,977
Customer accounts	13,171,330	-	390,210	-	13,561,540
Debt securities in issue	82,690	3,235,127	-	-	3,317,817
Other borrowed funds	5,863,247	13,976,515	7,009,055	3,281,959	30,130,776
Other financial liabilities	54,452	-	101,303	-	155,755
Subordinated debt	101,771	-	-	-	101,771
Total financial liabilities	20,324,022	17,483,264	7,570,978	3,282,372	48,660,636
Net balance sheet position	29,170,224	(13,217,867)	(7,569,346)	(3,217,744)	5,165,267
Credit related commitments (Note 33)	4,254,268	-	-	-	4,254,268

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

31 December 2020	Uzbekistan	OECD	Non-OECD	Russia	Total
Assets					
Cash and cash equivalents	3,658,933	1,875,324	-	66,929	5,601,186
Due from other banks	1,581,319	272,594	5,219	60	1,859,192
Loans and advances to customers	38,959,958	-	-	-	38,959,958
Investment securities measured at amortised cost	540,222	-	-	-	540,222
Financial assets at fair value through other comprehensive income	24,821	13,203	-	-	38,024
Other financial assets	16,130	-	78	-	16,208
Total financial assets	44,781,383	2,161,121	5,297	66,989	47,014,790
Liabilities					
Due to other banks	1,221,829	262,437	2,505	9,233	1,496,004
Customer accounts	11,616,958	-	-	-	11,616,958
Debt securities in issue	154,859	3,118,189	-	-	3,273,048
Other borrowed funds	4,767,006	11,146,580	6,830,545	2,939,326	25,683,457
Other financial liabilities	39,556	-	21,430	-	60,986
Subordinated debt	-	-	-	-	-
Total financial liabilities	17,800,208	14,527,206	6,854,480	2,948,559	42,130,453
Net balance sheet position	26,981,175	(12,366,085)	(6,849,183)	(2,881,570)	4,884,337
Credit related commitments (Note 33)	3,558,625	-	-	-	3,558,625

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

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

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

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

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

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

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

31 December 2021	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	473,736	460,908	28,335	142,257	437,562	48,173	1,590,971
Customer accounts	7,628,416	1,989,658	2,312,751	917,524	219,074	721,434	13,788,857
Debt securities in issue	20,964	120,246	174,614	3,593,482	-	-	3,909,306
Other borrowed funds	664,752	4,185,661	5,449,195	13,934,192	3,305,437	6,493,697	34,032,934
Other financial liabilities	155,755	-	-	-	-	-	155,755
Subordinated debt	-	-	-	18,025	21,472	164,089	203,586
Undrawn credit lines	831,415	-	-	-	-	-	831,415
Guarantees issued	1,676,260	-	-	-	-	-	1,676,260
Letters of credit	35,013	1,622,819	48,777	60,264	-	-	1,766,873
Total potential future payments for financial obligations	11,486,311	8,379,292	8,013,672	18,665,744	3,983,545	7,427,393	57,955,957

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

31 December 2020	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	653,958	397,187	27,093	124,181	524,047	10,924	1,737,390
Customer accounts	5,925,986	689,463	418,200	2,727,185	1,933,544	819,946	12,514,324
Debt securities in issue	48,120	149,083	116,301	463,862	3,272,377	-	4,049,743
Other borrowed funds	1,153,167	4,202,521	4,788,640	10,750,559	2,490,447	5,607,441	28,992,775
Other financial liabilities	60,986	-	-	-	-	-	60,986
Undrawn credit lines	518,506	-	-	-	-	-	518,506
Guarantees issued	2,399,195	-	-	-	-	-	2,399,195
Letters of credit	9,946	619,743	11,235	-	-	-	640,924
Total potential future payments for financial obligations	10,769,864	6,057,997	5,361,469	14,065,787	8,220,415	6,438,311	50,913,843

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Group does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

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The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at 31 December 2021:

31 December 2021	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	8,196,652	-	-	-	-	-	8,196,652
Due from other banks	208,322	24,092	877,224	208,950	257,745	379,970	1,956,303
Loans and advances to customers	2,303,397	7,692,692	5,415,340	11,550,168	7,910,452	7,665,002	42,537,051
Investment securities measured at amortised cost	446,005	493,401	-	125,664	2,442	-	1,067,512
Financial assets at fair value through other comprehensive income	-	-	-	48,136	-	-	48,136
Other financial assets	20,249	-	-	-	-	-	20,249
Total financial assets	11,174,625	8,210,185	6,292,564	11,932,918	8,170,639	8,044,972	53,825,903
Liabilities							
Due to other banks	467,396	435,292	2,469	42,430	401,151	44,239	1,392,977
Customer accounts	7,588,430	1,897,559	2,264,066	877,011	216,880	717,594	13,561,540
Debt securities in issue	3,002	33,801	70,000	3,211,014	-	-	3,317,817
Other borrowed funds	560,328	3,670,762	4,931,885	12,437,283	2,875,810	5,654,708	30,130,776
Other financial liabilities	155,755	-	-	-	-	-	155,755
Subordinated debt	-	1,771	-	-	3,226	96,774	101,771
Total financial liabilities	8,774,911	6,039,185	7,268,420	16,567,738	3,497,067	6,513,315	48,660,636
Net liquidity gap	2,399,714	2,171,000	(975,856)	(4,634,820)	4,673,572	1,531,657	5,165,267
Cumulative liquidity gap	2,399,714	4,570,714	3,594,858	(1,039,962)	3,633,610	5,165,267	

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

31 December 2020	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	5,601,186	-	-	-	-	-	5,601,186
Due from other banks	148,127	324,311	372,726	621,215	-	392,813	1,859,192
Loans and advances to customers	2,147,523	6,647,182	4,350,766	9,953,937	7,766,068	8,094,482	38,959,958
Investment securities measured at amortised cost	14,897	405,524	69,561	47,800	-	2,440	540,222
Financial assets at fair value through other comprehensive income	-	-	-	38,024	-	-	38,024
Other financial assets	16,208	-	-	-	-	-	16,208
Total financial assets	7,927,941	7,377,017	4,793,053	10,660,976	7,766,068	8,489,735	47,014,790
Liabilities							
Due to other banks	646,684	370,728	14	19,898	449,146	9,534	1,496,004
Customer accounts	5,900,846	585,060	299,983	2,443,524	1,787,025	600,520	11,616,958
Debt securities in issue	30,095	63,471	13,500	70,600	3,095,382	-	3,273,048
Other borrowed funds	1,066,290	3,798,602	4,386,007	9,392,454	2,164,228	4,875,876	25,683,457
Other financial liabilities	60,986	-	-	-	-	-	60,986
Subordinated debt	-	-	-	-	-	-	-
Undrawn credit lines	48,534	108,872	51,981	164,553	136,384	8,182	518,506
Guarantees issued	48,230	729,985	55,229	-	246,240	1,319,511	2,399,195
Letters of credit	9,946	619,743	11,235	-	-	-	640,924
Total financial liabilities	7,811,611	6,276,461	4,817,949	12,091,029	7,878,405	6,813,623	45,689,078
Net liquidity gap	116,330	1,100,556	(24,896)	(1,430,053)	(112,337)	1,676,112	1,325,712
Cumulative liquidity gap	116,330	1,216,886	1,191,990	(238,063)	(350,400)	1,325,712	

The above analysis is based on remaining contractual maturities.

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

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

The Management believes that in spite of a substantial portion of customer accounts being on demand, the fact that significant portion of these customer accounts are of large state controlled entities which are either the Group's shareholders or its entities under common control and the past experience of the Group, indicate that these customer accounts provide a long-term and stable source of funding for the Group.

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As part of liquidity risk management, the Group maintains a contingency plan, periodically reviewed and adjusted, to be able to withstand any unexpected outflow of customers and to respond to financial stress. The contingency plan is developed primarily on the basis of the Group's ability to access the State resources due to its state ownership and strategic importance to the national banking system of the Republic of Uzbekistan.

As at 31 December 2021, the contingency plan of the Group consisted of the following:

- Attraction of long-term deposits of State funds under the Ministry of Finance – Pension Fund, State Deposit Insurance Fund and others;
- Attraction of budgetary funds up to one year through weekly electronic bidding platform run by the State Treasury under the Ministry of Finance;
- Utilization of the CBU's short-term liquidity loans;
- Attraction of deposits from inter-bank money markets within the limits set by the local commercial banks.

Due to the effects of the pandemic on the Uzbek economy and banking sector, the State has announced and adopted various measures to combat its negative impact. Among the measures taken by the CBU, the following had direct and indirect impact on the Bank's liquidity:

- The commercial banks were provided with additional liquid resources as a result of easing the requirements for mandatory reserves with the CBU. This measure has allowed the Bank to enjoy additional liquidity;
- The CBU made available for the commercial banks a credit line collateralized with mortgage loans and/or loans classified as “standard”;
- For regulatory and statutory purposes, the commercial banks were allowed not to reduce the quality classification of the loans restructured as a result of pandemic, which in turn allowed the banks not to increase their impairment allowances;
- The CBU postponed the introduction of more stringent liquidity requirements (in particular, liquidity coverage ratio – LCR) from mid-2020 to 2021;
- Quarterly contributions to the State Deposit Insurance Fund have been reduced from 0.25% to 0.05% starting from 1 July 2020.

The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap as at 31 December 2021.

37. RELATED PARTY TRANSACTIONS

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

- “Significant shareholders” – legal entities-shareholders which have a significant influence to the Group through Government;
- “Key management personnel” – members of the Management Board and the Council of the Bank;
- “Entities under common control” – entities that are controlled, jointly controlled or significantly influenced by the Government.

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Details of transactions between the Group and related parties are disclosed below:

	31 December 2021		31 December 2020	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and cash equivalents				
- entities under common control	1 746 320	21%	2,636,460	47%
Due from other banks				
- entities under common control	1 483 268	76%	1,327,746	71%
Loans and advances to customers				
- key management personnel	1 176	0%	269	0%
- significant shareholders	3 678 666	9%	6,011,991	15%
- entities under common control	8 157 239	19%	8,550,541	22%
Investment securities measured at amortised cost				
- significant shareholders	288 290	27%	364,378	67%
- entities under common control	770 932	72%	173,401	32%
Financial assets at fair value through other comprehensive income				
- entities under common control	19 952	41,45%	10,788	28%
Other Assets				
- significant shareholders	13 270	4%	9,814	3%
Due to other banks				
- entities under common control	963 175	69%	1,194,253	80%
Customer accounts				
- key management personnel	63	0%	1,204	0%
- significant shareholders	4 258 100	31%	4,698,047	40%
- entities under common control	2 891 164	21%	1,178,370	10%
Debt securities in issue				
- entities under common control	12 604	0%	21,180	1%
- significant shareholders	-	0%	-	0%
Other borrowed funds				
- significant shareholders	5 277 553	18%	4,617,668	18%
- entities under common control	476	0%	145,443	1%
Other liabilities				
- significant shareholders	163	0%	71	0%
- entities under common control	26 774	14%	22,128	17%
Subordinated debt				
- entities under common control	101 771	100%	-	0%

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	2021		2020	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Interest income				
- key management personnel	48	0%	9	0%
- significant shareholders	226 419	5%	125,212	8%
- entities under common control	332 970	8%	208,791	14%
Interest expense				
- key management personnel	(1)	0%	(24)	0%
- significant shareholders	(364 671)	18%	(128,251)	17%
- entities under common control	(85 088)	4%	(135,667)	18%
Provision for/(recovery of) credit losses on loans and advances to customers				
- significant shareholders	(38 049)	9%	(14,116)	3%
Fee and commission income				
- significant shareholders	15 332	4%	17,083	11%
- entities under common control	15 163	4%	24,430	15%
Net gain from trading in foreign currencies				
- significant shareholders	-	0%	17	0%
- entities under common control	-	0%	2,035	8%
Other operating income				
- significant shareholders	246	1%	-	0%
- entities under common control	78	0%	75	4%
Administrative and other operating expenses				
- key management personnel	(10 465)	1%	(1,540)	1%
- entities under common control	(110 189)	11%	(38,142)	14%

The Group enters into transaction with other government related entities in the normal course of business.

Key management compensation is presented below:

	2021	2020
Salaries and other benefits	5,813	2,240
Bonuses	2,519	3,054
State pension and social security costs	2,133	1,353
Total	10,465	6,647

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

In February 2022, due to geopolitical events around Ukraine and Russia, sanctions have been imposed against a number of Russian banks. As of 31 December 2021 and subsequently, the Bank does not have significant assets with these banks (UZS 65 million cash balances, please see note 36). Due to these events, the exchange rate of the national currency, Uzbekistan Soum (UZS) against the US dollar began to weaken. On 18 March 2022, the Central Bank of the Republic of Uzbekistan decided to raise the base rate by 3 percentage points and set it equal to 17%. As of 30 April 2022, the exchange rate of the US dollar against the UZS is 11,162 or the exchange rate of the USD dollar against the UZS has increased by 3% since 31 December 2021 (2021: 3.4% annual). At the same time, the Management of the Bank believes that events after the reporting date do not have significant negative impact on Bank's operations.