Consolidated Financial Statements and Independent Auditor's Report JSCB TBC Bank Group

31 December 2022

CONTENTS

pwc

Independent Auditor's Report

To the Shareholders and Supervisory Board of the Joint Stock Commercial Bank "TBC BANK":

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Joint Stock Commercial Bank "TBC BANK" (the "Bank") and its subsidiary (together – the "Group") as at 31 December 2022, and the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, 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.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 entity 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.

Report on other legal and regulatory requirements

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

Management is responsible for the Bank's compliance with prudential ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Central Bank of the Republic of Uzbekistan.

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

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

These procedures were selected based on our judgment, and were limited to the analysis, inspection of documents, comparison of the Bank's internal policies, procedures and methodologies with the applicable requirements established by the Central Bank of the Republic of Uzbekistan, and recalculations, comparisons and reconciliations of numerical data and other information.

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

Our findings from the procedures performed are reported below.

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

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

- As at 31 December 2022, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.
- The frequency of reports prepared by the Bank's internal audit function during 2022 was in compliance with the requirements of the Central Bank of the Republic of Uzbekistan. The reports were approved by the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems.
- As at 31 December 2022 the Bank has the established Information security function as required by the Central Bank of the Republic of Uzbekistan, and the information security policy was approved by the Bank's management board. Information security function was subordinated to, and reported directly to, the Chairman of the management board.

- Reports by the Bank's Information security function to the Chairman of the management board during 2022 included assessment and analysis of information security risks, and results of actions to manage such risks.
- The Bank's internal documentation, effective on 31 December 2022, establishing the procedures and methodologies for identifying and managing the Bank's significant risks: external-internal fraud risk, process management risk, business disruptions and system failures/IT risk, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.
- As at 31 December 2022, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank capital.
- The frequency of reports prepared by the Bank's risk management and internal audit functions during 2022, which cover the Bank's significant risks management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the Bank's significant risks, risk management system and recommendations for improvement.
- As at 31 December 2022, the Supervisory Board and management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2022, the Supervisory Board and management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

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

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
Central Bank of Uzbekistan

PricewaterhouseCoopers LLC

Audit Organization "PricewaterhouseCoopers" LLC
Tashkent, Uzbekistan
7 April 2023

In thousands of Uzbekistan Soums	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	7	222,385,319	412,036,444
Due from other banks	8	10,138,925	3,593,902
Loans and advances to customers	9	1,393,156,569	345,538,586
Finance lease receivables	10	105,343,001	-
Investment in debt securities	11	139,783,491	167,925,780
Other assets	12	18,791,880	18,892,689
Deferred income tax asset	22	57,846,142	34,054,646
Premises and equipment	13	48,926,661	38,883,783
Intangible assets	13	76,653,161	40,123,237
Right of use assets	14	30,639,290	28,674,986
TOTAL ASSETS		**2,103,664,439**	**1,089,724,053**
LIABILITIES			
Customer accounts	16	1,389,478,445	713,212,634
Other borrowed funds	15	27,974,336	-
Lease liabilities	14	33,688,257	30,265,640
Other liabilities	17	30,801,191	20,717,343
TOTAL LIABILITIES		**1,481,942,229**	**764,195,617**
EQUITY			
Share capital	18	771,707,788	438,202,053
Additional capital	18	75,787,493	26,005,092
Accumulated deficit		(225,773,071)	(138,678,709)
TOTAL EQUITY		**621,722,210**	**325,528,436**
TOTAL LIABILITIES AND EQUITY		**2,103,664,439**	**1,089,724,053**

Approved for issue and signed on behalf of Management Board on 7 April 2023.

Spartak Tetrashvili

Chief Executive Officer

David Gabelashvili

Chief Financial Officer

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHAR "TBC BANK" AKSIYADORLIK TIJORAT BANKI
THE REPUBLIC OF UZBEKISTAN TASHKENT CITY JOINT-STOCK COMMERCIAL BANK "TBC BANK"

In thousands of Uzbekistan Soums	**Note**	**2022**	**2021**
Interest income calculated using the effective interest method	19	387,699,542	63,868,237
Other similar income		23,804,871	-
Interest and similar expense	19	(226,693,514)	(42,711,082)
Net margin on interest and similar income		**184,810,899**	**21,157,155**
Credit loss allowance	7-11	(60,536,429)	(7,449,750)
Net margin on interest and similar income after credit loss allowance		**124,274,470**	**13,707,405**
Fee and commission income	20	12,309,732	2,862,275
Fee and commission expense	20	(6,619,236)	(9,019,197)
Foreign exchange translation gains less losses		42,280	72,689
Losses less gains from trading in foreign currencies		(12,879)	(59,024)
Administrative and other operating expenses	21	(236,851,510)	(152,269,317)
Loss before tax		**(106,857,143)**	**(144,705,169)**
Income tax credit	22	22,237,599	29,575,472
LOSS FOR THE YEAR		**(84,619,544)**	**(115,129,697)**
Other comprehensive loss for the year		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(84,619,544)**	**(115,129,697)**
Loss is attributable to:			
- Owners of the Group		(84,619,544)	(115,129,697)
Loss for the year		(84,619,544)	(115,129,697)
Total comprehensive loss is attributable to:			
- Owners of the Group		(84,619,544)	(115,129,697)
Total comprehensive loss for the year		**(84,619,544)**	**(115,129,697)**

In thousands of Uzbekistan Soums	**Share capital**	**Share premium**	**Retained earnings**	**Total equity**
Balance at 1 January 2021	**221,746,927**	**-**	**(23,549,012)**	**198,197,915**
Loss for the year	-	-	(115,129,697)	(115,129,697)
Total comprehensive loss for the year	-	-	(115,129,697)	(115,129,697)
Share issue (common)	216,455,126	26,005,092	-	**242,460,218**
Balance at 1 January 2022	**438,202,053**	**26,005,092**	**(138,678,709)**	**325,528,436**
Loss for the year	-	-	(84,619,544)	**(84,619,544)**
Total comprehensive loss for the year	-	-	(84,619,544)	**(84,619,544)**
Share issue (Note 18)	333,505,735	49,782,401	-	**383,288,136**
Business combinations (Note 28)	-	-	(2,474,818)	**(2,474,818)**
Balance at 31 December 2022	**771,707,788**	**75,787,493**	**(225,773,071)**	**621,722,210**

In thousands of Uzbekistan Soums	**Notes**	**2022**	**2021**
Cash flows from operating activities			
Interest income calculated using the effective interest method received		368,852,525	56,195,090
Interest paid		(212,341,044)	(38,233,915)
Fees and commission received		12,777,721	2,862,275
Fees and commission paid		(6,619,236)	(13,047,375)
Net loss from trading in foreign currencies		(12,879)	(59,024)
Staff costs paid		(92,829,310)	(61,736,508)
Administrative and other operating expenses paid		(108,766,928)	(59,430,029)
Cash flows from operating activities before changes in operating assets and liabilities		**(38,939,151)**	**(113,449,486)**
Net (increase) / decrease in:			
- loans and advances to customers		(1,179,027,765)	(346,253,165)
- due from other banks		(9,213,622)	(3,592,515)
Financial assets at fair value through profit and loss			
- other assets		727,419	(15,818,686)
Net increase in:			
- customer accounts		666,594,676	710,840,072
Net cash (used in)/from operating activities		**(559,858,443)**	**231,726,220**
Cash flows from investing activities			
Acquisition of investments in debt securities carried at amortised cost		(976,457,153)	(184,219,556)
Proceeds from redemption of debt securities carried at amortised cost		1,008,932,072	109,147,400
Purchase of premises, equipment and intangible assets	13	(65,901,657)	(62,519,129)
Acquisition of subsidiaries, net of cash acquired	28	2,668,600	-
Net cash used in investing activities		**(30,758,138)**	**(137,591,285)**
Cash flows from financing activities			
Proceeds from share issue	18	383,288,136	242,460,218
Proceeds from other borrowed funds	15	28,215,450	-
Repayment of principal of lease liabilities	14	(10,580,410)	(5,459,771)
Net cash from financing activities		**400,923,176**	**237,000,447**
Effect of exchange rate changes on cash and cash equivalents		**42,280**	**72,689**
Net (decrease)/increase in cash and cash equivalents		**(189,651,125)**	**331,208,071**
Cash and cash equivalents at the beginning of the year	7	412,036,444	80,828,373
Cash and cash equivalents at the end of the year	7	**222,385,319**	**412,036,444**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2022 for JSCB "TBC Bank" (the "Bank") and its subsidiaries (the "Group").

The Bank was incorporated and is domiciled in the Republic of Uzbekistan. The Bank is a joint stock commercial bank limited by shares and was set up in accordance with regulations of the Republic of Uzbekistan. In August 2022 the Bank issued 333,505,735 shares with a nominal value of 1,000 Uzbekistan Soums each. TBC Bank Group PLC, The European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation have acquired shares. As of 31 December 2022, and 2021, the Group's immediate and ultimate parents were:

	% of ownership interest held as of 31 December	
Shareholders	**2022**	**2021**
TBC Bank Group PLC	60.18%	60.24%
The European Bank for Reconstruction and Development	19.91%	19.88%
International Finance Corporation	19.91%	19.88%
Total	**100.00%**	**100.00%**

TBC Bank Group PLC (the "TBCG") is a public limited liability company, incorporated in the UK. The shares of TBCG are admitted to the Premium Listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities.

Principal activity. The Group's principal business activity is retail and micro-operations within the Republic of Uzbekistan and universal banking operations that include individuals, corporate, small and medium enterprises ("SME"). The Bank operates under a general banking license issued by the Central Bank of Uzbekistan (the "CBU") on 11 April 2020, which was renewed by the Bank on 17 March 2022.

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

The Group had 10 branches within the Republic of Uzbekistan as of 31 December 2022 (31 December 2021: 9 branches). As at 31 December 2022, This consolidated financial statement includes a subsidiary – TBC Fin Services LLC, 100% acquired in April 2022 (Note 27).

Registered address. The Group's registered address is: 10B Fidokor street, Mirabad district, Tashkent, the Republic of Uzbekistan, 100015.

Presentation currency. These consolidated financial statements are presented thousands of Uzbekistan Soums ("UZS"), unless otherwise stated.

2 Operating Environment of the Group

The Group's operations are primarily located in the Republic of Uzbekistan. Consequently, the Group is exposed to the economic and financial market risks of the Republic of Uzbekistan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Uzbekistan.

COVID-19. In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Republic of 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. Some of those measures were subsequently relaxed, however, as of 31 December 2022, there remains a risk that the authorities may impose additional restrictions in 2023 as a response to possible new variants of the virus.

2 Operating Environment of the Group (Continued)

Influence of geopolitical events in the world. In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility in the currency markets, as well as a volatility of UZS against the US dollar and euro.

This conflict affected some export-import operations of the local entities. However, since the Group's principal activities is a digital retail and micro-operations within the Republic of Uzbekistan that include mainly individuals, these developments did not significantly impact on the operations of the Group. In order to minimize the impact on consumers, the Government of Uzbekistan adopted the relevant regulatory Document. In accordance with this Document, banks were recommended to modify the repayment schedules for corporate loans and advances with "no accrued penalties and fines" and they are not classified as restructured loans for regulatory purposes. These documents have no significant accounting implications for the Group's as there are no corporate loans in the loan portfolio.

In order to reduce the impact of the external environment on the economy of the Republic of Uzbekistan, on 17 March 2022, the Board of the Central Bank of the Republic of Uzbekistan increased the CBU refinancing rate by 3% to 17%. In June 2022 and then in July 2022, after some decrease in the degree of influence of the external environment on the economy, the Board of the Central Bank of Uzbekistan decreased the CBU refinancing rate to 16% and 15% respectively and as at 31 December 2022, it was 15%.

For the purpose of managing the country risk, the Group controls transactions with counterparties within the limits set by the Group's Supervisory board, which are reviewed regularly. The Group continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance. 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. The management is taking necessary measures to ensure sustainability of the Group's operations and to support its employees.

For 12 months 2022, the following key economic indicators are specific to Republic of Uzbekistan:

- Inflation: 12.25% (2021: 9.98%)
- Official exchange rate: 31 December 2022: USD 1 = UZS 11,225.46 (31 December 2021: USD 1 = UZS 10,837.66)
- GDP growth: 5.7% (2021: 6.2%)
- Refinancing rate of the CBU: 15% (2021: 14%)

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 categorised at fair value through profit or loss ("FVTPL") and 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. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from

3 Significant Accounting Policies (Continued)

controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the consolidated financial statements of the combined entity are presented from the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment within equity.

Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment within equity.

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.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a Group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

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 25.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs.

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

Amortised cost ("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.

3 Significant Accounting Policies (Continued)

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.

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps, Foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight-line basis over the term of the currency swaps, Foreign exchange forwards.

The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

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.

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. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

3 Significant Accounting Policies (Continued)

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 reporting period that follows after the change in the business model. The entity did not change its business model during the current 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.

transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards 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 23 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 in Note 23. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 23 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.

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 write-off represents a derecognition event. The latter includes penalties under the local regulation requirements. The loans are collectively assessed for write off based on overdue days criteria or are individually evaluated, depending on the loan segment and product type. 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.

3 Significant Accounting Policies (Continued)

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: change in contract currency, consolidation of two or more loans into one new loan, change in counterparty, loan with no predetermined payment schedule is changed with loan with schedule or vice versa and change in contractual interest rate due to market environment changes.

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

Payment holidays granted by the Group in response to COVID-19 pandemic are treated as contractual modifications of the respective loans and advances. Their impact on the gross carrying amount (modification loss) is presented in profit or loss within.

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.

3 Significant Accounting Policies (Continued)

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 cash on hand, amounts due from the Central Bank of Uzbekistan (CBU), excluding mandatory reserves, and all interbank placements and interbank receivables 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, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

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.

Mandatory cash balances with the Central Bank of Uzbekistan (CBU). Mandatory cash balances with the CBU are carried at AC and represent non-interest-bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Amount of Mandatory cash balances with CBU is insignificant and included within Due from other banks in the consolidated statement of financial position.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Otherwise, they are carried at FV.

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 period. 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.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

3 Significant Accounting Policies (Continued)

Impairment allowances are determined based on the forward-looking ECL models. Note 23 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.

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 Interest 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.

Premises and equipment. Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Cost of premises and equipment of acquired subsidiaries is the estimated carrying value at the date of acquisition.

Premises and equipment are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the period. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings/accumulated deficit when the revaluation surplus is realised on the retirement or disposal of the asset, or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

If there is no market based evidence of fair value, fair value is estimated using an income approach. Management has updated the carrying value of land and buildings measured in accordance with the revaluation model at the end of the reporting period using market based evidence and is satisfied that sufficient market based evidence of fair value is available to support the updated fair values.

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

Leasehold improvements are alterations made to rented properties by the Group to customise it to its particular business needs and preferences. The improvements that are specialised to the Group's intended use of the property are treated as own assets for accounting purposes.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, 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 period to the extent it exceeds the previous revaluation surplus in equity.

3 Significant Accounting Policies (Continued)

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the period (within other operating income or expenses).

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

	Useful lives in years
Premises	5 to 33 years
Office and computer equipment	3 to 8 years
Motor vehicles	4 to 5 years
Right-of-use assets	Shorter of useful life and the term of the underlying lease
Leasehold improvements	Shorter of useful life and the term of the underlying lease

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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Group's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software and licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Intangible assets is amortised on a straight line basis over expected useful lives of 2 to 15 years.

Accounting for leases by the Group as a lessee. The Group leases office, branches and service centre premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to

pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;

3 Significant Accounting Policies (Continued)

- any initial direct costs, and
- restoration costs.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at AC. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

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

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.

Other borrowed funds. Other borrowed funds include obligations to return funds borrowed from financial institutions. Other borrowed funds are carried at AC.

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 /credit comprises current tax and deferred tax and is recognised in profit or loss for the period, except if it is recognised in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income.

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill that is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period that are expected to apply to the extent of time when the temporary differences will reverse, or the tax loss carry forwards will be utilised.

Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or

3 Significant Accounting Policies (Continued)

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

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Group controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

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

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at AC.

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 or options 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.

Ordinary shares issued to a lender (who is not an owner of the entity) in order to settle a financial liability are recorded at the fair value of the shares issued when the settlement in shares was not part of the original terms and conditions of the borrowing. A gain or loss on the negotiated early extinguishment of the debt is recognised in profit or loss.

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.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, 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. The Group does not have Interest income on debt instruments at FVTPL.

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

3 Significant Accounting Policies (Continued)

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.

All other fees, commissions and other income and expense items are generally recorded when earned by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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, premium service package fees, portfolio and other asset management advisory and service fees, wealth management and financial planning services, or fees for servicing loans on behalf of third parties, 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.

Sales and purchases of foreign currencies and currency conversion. The Group sells and purchases foreign currencies through the Group accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Group, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Group rates are recognised as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

Foreign currency translation. The consolidated financial statements are presented in UZS, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the reporting date. Income and expenses arising from translation of transactions in foreign currencies are recognised in the statement of profit and loss as "Net Income from Foreign Currency Transactions Revaluation of Foreign Exchange Items". Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3 Significant Accounting Policies (Continued)

At 31 December 2022 the closing rate of exchange used for translating foreign currency balances was USD 1 = 11,225.46; EUR 1 = 11,961.85. (2021: USD 1 = 10,837.66; EUR 1 = 12,224.88)

At report issue date the closing rate of exchange used for translating foreign currency balances was USD 1 = 11,374.00; EUR 1 = 12,407.90.

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. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

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 period.

Staff costs and related contributions. Wages, salaries, bonuses, contributions to the State pension and social insurance funds of the Republic of Uzbekistan, 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.

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 23 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 23.

	31 December 2022			**31 December 2021**		
	Amounts expected to be recovered or settled			**Amounts expected to be recovered or settled**		
In thousands of Uzbekistan Soums	**Within 12 months after the reporting period**	**Beyond 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**Beyond 12 months after the reporting period**	**Total**
ASSETS						
Premises, equipment	-	48,926,661	48,926,661	-	38,883,783	38,883,783
Right of use assets	-	30,639,290	30,639,290	-	28,674,986	28,674,986
Intangible assets	-	76,653,161	76,653,161	-	40,123,237	40,123,237
Deferred income tax asset	-	57,846,142	57,846,142	-	34,054,646	34,054,646
Other non-financial assets	18,791,880	-	18,791,880	18,892,689	-	18,892,689
TOTAL ASSETS	**18,791,880**	**214,065,254**	**232,857,134**	**18,892,689**	**141,736,652**	**160,629,341**
LIABILITIES						
Other non-financial liabilities	25,065,372	-	25,065,372	18,230,011	-	18,230,011
TOTAL LIABILITIES	**25,065,372**	**-**	**25,065,372**	**18,230,011**	**-**	**18,230,011**

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Going concern. Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of recent macro-economic developments on future operations of the Group.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. In assessment of recoverability of deferred tax assets, the management obtained the list of key assumptions from the budget. Based on this assessment the management believes that the deferred tax assets from tax losses will be fully recovered within 2024-2025.

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 23. The following components have a major impact on credit loss allowance:

- determination of a level of ECL assessment on an individual instrument basis or on a collective basis;
- definition of default applied by the Group;
- development and application of internal credit grading models, which assigns PDs to the individual credit risk grades;
- development and application of internal models used to estimate exposure at default ("EAD") for financial instruments;
- assessment of loss given default ("LGD");
- criteria for assessing if there has been a significant increase in credit risk;
- selection of forward-looking macroeconomic scenarios and their probability weightings.

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.

A 10% increase or decrease in PD estimates would result in an increase or decrease in total expected credit loss allowances of UZS 3,231,704 thousand at 31 December 2022. A 10% increase or decrease in LGD estimates would result in an increase or decrease in total expected credit loss allowances of UZS 5,195,813 thousand at 31 December 2022.

In 2021, the Group purchased a historical statistical data from the credit bureau based on which modelled PD and LGD data due to insufficient own historical information. Whereas in 2022, the Group used the bank's own two-year-old accumulated historical loan data to develop PD and LGD estimates for ECL measurement. This is change in estimate of current year and the change impacted overall ECL for 2022. Although the PD rates were fairly comparable with 2021 (e.g., stg. 1 - 3.33%, stg. 2 - avg. 39.26% and 2021 stg. 1 - 3.99%, stg. 2 - avg. 36.15%), LGD rates, on the other hand, are higher for 2022 (stg. 1 and 2 - 51.13%, stg 3 - avg. 71.58%, 2021: stg. 1 and 2 - 27.09%, stg 3 - avg. 81.23%). This is associated with the fact that the Bank's loan products are relatively new in the market, and they are all digital and unsecured, based on only individuals' payroll records.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

the end of the reporting period. The Group considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level.

Predecessor accounting for business combination under common control. The TBC Bank Group management selected predecessor accounting method to account for the acquisition of under common control entity - TBC Fin Services LLC (Note 28). The following main factors were considered that reflects the substance of the business combination:

- Existence of non-controlling interests: there was No NCI, as there was 100% ownership transferred, so no NCI impacted upon acquisition, hence this fact points towards predecessor accounting being an appropriate policy.
- Consideration for the transfer / economic substance: Although the fair value for TBC Fin services LLC is paid full in cash, the transaction was due to the Group accounting policy requirement on Related parties (that should be at commercial terms). Furthermore, the consideration paid amount is similar to net book value of net assets.
- Management of combining entities: due to the small size of the Acquiree to TBC Bank Group Plc, there is not much change from management perspective, as it was already practically managed by Acquirer before the combination and now being managed officially after the combination.
- Purpose of the transaction: the transaction was undertaken for internal simplification purposes and there was no IPO nor other change in control and no significant change in ownership expected that also points towards the predecessor accounting method.

5 Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2022:

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,

5 Adoption of New or Revised Standards and Interpretations (Continued)

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.

The application of the amendments had no significant impact on the Group's consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 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. The Group expects to apply the standard to certain performance guarantees that it issues and that do not meet the definition of a loan commitment and is currently assessing the impact of the new standard on its financial statements. Potential impact on insurance products embedded in loans and similar instruments is also under consideration.

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

6 New Accounting Pronouncements (Continued)

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 consolidated 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 consolidated 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.

Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

The Group is currently assessing the impact of IFRS 17 and related amendments on its financial statements.

6 New Accounting Pronouncements (Continued)

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 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. The Group is currently assessing the impact of the amendments on its financial statements.

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 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. The Group is currently assessing the impact of the amendments on its financial statements.

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. The Group is currently assessing the impact of the amendments on its financial statements.

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.

The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures The Group is currently assessing the impact of the amendments on its financial statements.

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

7 Cash and Cash Equivalents

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Cash balances with the CBU (other than mandatory reserve deposits)	181,338,569	384,627,082
Placements with other banks with original maturity of less than three months	-	20,000,000
Correspondent accounts and overnight placements with other banks	41,052,780	7,423,708
Less credit loss allowance	(6,030)	(14,346)
Total cash and cash equivalents	**222,385,319**	**412,036,444**

As at 31 December 2022, cash and cash equivalents in the amount of UZS 222,385,319 thousand (100%) (2021: UZS 412,036,444 thousand) was placed in 4 commercial banks and Central Bank of Uzbekistan. The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades as at 31 December 2022. Refer to Note 23 for the description of the Group's credit risk grading system. Refer to Note 25 for the estimated fair value of cash and cash equivalents.

In thousands of Uzbekistan Soums	Cash balances with the CBU	Correspondent accounts and overnight placements	Placements with other banks with original maturity of less than three months	Total
Neither past due nor impaired				
Ba3 (Moody's rated)	181,338,569	896,241	-	**182,234,810**
B1 (Moody's rated)	-	6,752,747	-	**6,752,747**
B2 (Moody's rated)	-	33,403,793	-	**33,403,793**
Less credit loss allowance	(3,578)	(2,452)	-	**(6,030)**
Total cash and cash equivalents	**181,334,991**	**41,050,328**	-	**222,385,319**

The credit quality of cash and cash equivalents balances based on credit risk grades as at 31 December 2021 is as follows.

In thousands of Uzbekistan Soums	Cash balances with the CBU	Correspondent accounts and overnight placements	Placements with other banks with original maturity of less than three months	Total
Neither past due nor impaired				
B1 (Moody's rated)	384,627,082	937,350	-	**385,564,432**
BB- (S&P rated)	-	32,556	-	**32,556**
B2 (Moody's rated)	-	6,453,802	20,000,000	**26,453,802**
Less credit loss allowance	(12,969)	(336)	(1,041)	**(14,346)**
Total cash and cash equivalents, excluding cash on hand	**384,614,113**	**7,423,372**	**19,998,959**	**412,036,444**

For the purpose of ECL measurement cash and cash equivalents balances included in Stage 1 due to absence of SICR and default events. Refer to Note 23 for the ECL measurement approach.

8 Due from Other Banks

Amounts due from other banks include Mandatory cash balances with CBU and placements with original maturities of more than three months that are not collateralised and represent neither past due nor impaired amounts. 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.

In thousands of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Mandatory cash balances with CBU	10,138,925	3,593,902

The credit quality of due from other banks based on credit risk grades as at 31 December 2022 is Ba3 and B1 in 2021 (Moody's rated).

Refer to Note 25 for the disclosure of the fair value of due from banks and Refer to Note 23 for the ECL measurement approach.

9 Loans and Advances to Customers

In thousands of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Gross carrying amount of loans and advances to individuals at AC	1,447,576,210	326,300,180
Gross carrying amount of loans and advances to legal entities at AC	-	26,620,548
Less credit loss allowance	(54,419,641)	(7,382,142)
Total carrying amount of loans and advances to customers	**1,393,156,569**	**345,538,586**

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes as of 31 December 2022 and 31 December 2021 are disclosed in the table below:

	31 December 2022			**31 December 2021**		
In thousands of Uzbekistan Soums	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
Loans to corporate customers	**-**	**-**	**-**	**26,620,548**	**(946,563)**	**25,673,985**
Loans to SME	-	-	-	26,620,548	(946,563)	25,673,985
Loans to individuals	**1,447,576,210**	**(54,419,641)**	**1,393,156,569**	**326,300,180**	**(6,435,579)**	**319,864,601**
Consumer loans	1,444,990,785	(54,364,106)	1,390,626,679	326,234,896	(6,434,874)	319,800,022
Car loans	2,585,425	(55,535)	2,529,890	65,284	(705)	64,579
Total carrying amount of loans at AC	**1,447,576,210**	**(54,419,641)**	**1,393,156,569**	**352,920,728**	**(7,382,142)**	**345,538,586**

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers including finance lease receivables carried at amortised cost between the beginning and the end of the reporting and comparative periods:

9 Loans and Advances to Customers (Continued)

In thousands of Uzbekistan Soums	**Credit loss allowance** Stage 1 (12-months ECL)	Total	**Gross carrying amount** Stage 1 (12-months ECL)	Total
Loans to SMEs	**(946,563)**	**(946,563)**	**26,620,548**	**26,620,548**
At 31 December 2021	-	-	-	-
Derecognised during the period	946,563	946,563	(26,620,548)	(26,620,548)
Total movements with impact on credit loss allowance charge for the period	-	-	-	-
At 31 December 2022	-	-	-	-

In thousands of Uzbekistan Soums	**Credit loss allowance** Stage 1 (12-months ECL)	Total	**Gross carrying amount** Stage 1 (12-months ECL)	Total
Loans to SMEs				
At 31 December 2020	-	-	-	-
New originated or purchased	(946,563)	(946,563)	26,620,548	26,620,548
Total movements with impact on credit loss allowance charge for the period	**(946,563)**	**(946,563)**	**26,620,548**	**26,620,548**
At 31 December 2021	**(946,563)**	**(946,563)**	**26,620,548**	**26,620,548**

	Credit loss allowance				**Gross carrying amount**			
In thousands of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Consumer loans								
At 31 December 2021	**(3,417,734)**	**(629,882)**	**(2,387,258)**	**(6,434,874)**	**316,407,552**	**6,430,977**	**3,396,367**	**326,234,896**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	57,338,088	(57,338,088)	-	-	(108,385,370)	108,385,370	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	43,896,587	(43,896,587)	-	-	(54,910,975)	54,910,975	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(7,056)	6,362	694	-	414,472	(373,721)	(40,751)	-
New originated or purchased	(84,606,360)	-	-	(84,606,360)	1,509,683,442	-	-	1,509,683,442
Derecognised during the period	7,432,772	5,063,801	15,228,737	27,725,310	(351,737,227)	(14,624,906)	(15,613,602)	(381,975,735)
Total movements with impact on credit loss allowance charge for the period	**(23,260,289)**	**(9,001,220)**	**(31,054,415)**	**(63,315,924)**	**1,366,382,868**	**44,906,746**	**42,652,989**	**1,453,942,603**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	8,951,818	8,951,818	-	-	(8,951,818)	(8,951,818)
At 31 December 2022	**(23,260,289)**	**(9,001,220)**	**(22,102,597)**	**(54,364,106)**	**1,366,382,868**	**44,906,746**	**33,701,171**	**1,444,990,785**

The increase in ECL is mainly driven by the fact that Bank's has applied own historical credit data to develop ECL risk parameters in 2022 whereas the Bank used average market data from Credit bureau in 2021. Refer to Note 4 for critical judgements applied by the Bank in determining models for PD and LGD using their own data

9 Loans and Advances to Customers (Continued)

In thousands of Uzbekistan Soums	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Consumer loans								
At 31 December 2020	**-**	**-**	**-**	**-**	**15,051**	**-**	**-**	**15,051**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	13,798	(629,882)	-	(616,084)	(9,827,344)	9,827,344	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	326,326	(2,441,261)	(2,060,932)	-	(3,396,367)	3,396,367	-
New originated or purchased	(6,298,362)	-	-	(6,298,362)	583,136,322	-	-	583,136,322
Derecognised during the period	2,866,830	(326,326)	-	2,540,504	(256,916,477)	-	54,003	(256,862,474)
Total movements with impact on credit loss allowance charge for the period	**(3,417,734)**	**(629,882)**	**(2 441 261)**	**(6,434,874)**	**316,407,552**	**6,430,977**	**3,450,370**	**326,288,899**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	54,003	54,003	-	-	(54,003)	(54,003)
At 31 December 2021	**(3,417,734)**	**(629,882)**	**(2,387,258)**	**(6,434,874)**	**316,353,549**	**6,430,977**	**3,396,367**	**326,234,896**

In thousands of Uzbekistan Soums	Credit loss allowance			Gross carrying amount		
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Total**
Car loans						
At 31 December 2021	**(705)**	**-**	**(705)**	**65,284**	**-**	**65,284**
- to lifetime (from Stage 1 to Stage 2)	12,580	(12,580)	-	(62,119)	62,119	-
New originated or purchased	(53,585)	-	(53,585)	2,594,119	-	2,594,119
Derecognised during the period	(1,245)	-	(1,245)	(73,978)	-	(73,978)
Total movements with impact on credit loss allowance charge for the period	**(42,955)**	**(12,580)**	**(55,535)**	**2,523,306**	**62,119**	**2,585,425**
At 31 December 2022	**(42,955)**	**(12,580)**	**(55,535)**	**2,523,306**	**62,119**	**2,585,425**

In thousands of Uzbekistan Soums	Credit loss allowance		Gross carrying amount	
	Stage 1 (12-months ECL)	**Total**	**Stage 1 (12-months ECL)**	**Total**
Car loans				
At 31 December 2020	**-**	**-**	**-**	**-**
New originated or purchased	(705)	(705)	65,284	65,284
Total movements with impact on credit loss allowance charge for the period	**(705)**	**(705)**	**65,284**	**65,284**
At 31 December 2021	**(705)**	**(705)**	**65,284**	**65,284**

9 Loans and Advances to Customers (Continued)

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 23. The main movements in the table are described below:

Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Write-offs of allowances related to assets that were written off during the period.

The following tables contain analyses of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans. The credit quality of loans to customers carried at amortised cost is as follows at 31 December 2022:

In thousands of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Consumer loans				
- Excellent	1,309,811,405	-	-	1,309,811,405
- Good	56,571,463	-	-	56,571,463.00
- Satisfactory	-	37,461,894	-	37,461,894.00
- Special monitoring	-	7,444,852	-	7,444,852.00
- Default	-	-	33,701,171	33,701,171.00
Gross carrying amount	**1,366,382,868**	**44,906,746**	**33,701,171**	**1,444,990,785**
Credit loss allowance	(23,260,289)	(9,001,220)	(22,102,597)	(54,364,106)
Carrying amount	**1,343,122,579**	**-**	**-**	**1,390,626,679**

In thousands of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Car Loans				
- Excellent	2,523,306	-	-	2,523,306
- Satisfactory	-	62,119	-	62,119
Gross carrying amount	**2,523,306**	**62,119**	**-**	**2,585,425**
Credit loss allowance	(42,955)	(12,580)	-	(55,535)
Carrying amount	**2,480,351**	**49,539**	**-**	**2,529,890**

9 Loans and Advances to Customers (Continued)

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

In thousands of Uzbekistan Soums	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Loans to SMEs				
- Excellent	26,620,548	-	-	26,620,548
Gross carrying amount	**26,620,548**	**-**	**-**	**26,620,548**
Credit loss allowance	(946,563)	-	-	(946,563)
Carrying amount	**25,673,985**	**-**	**-**	**25,673,985**
Consumer loans				
- Excellent	300,920,878	-	-	300,920,878
- Good	15,400,403	-	-	15,400,403
- Satisfactory	86,271	4,238,338	-	4,324,609
- Special monitoring	-	2,192,639	-	2,192,639
- Default	-	-	3,396,367	3,396,367
Gross carrying amount	**316,407,552**	**6,430,977**	**3,396,367**	**326,234,896**
Credit loss allowance	(3,417,734)	(629,882)	(2,387,258)	(6,434,874)
Carrying amount	**312,989,818**	**5,801,095**	**1,009,109**	**319,800,022**
Car Loans				
- Excellent	65,284	-	-	65,284
Gross carrying amount	**65,284**	**-**	**-**	**65,284**
Credit loss allowance	(705)	-	-	(705)
Carrying amount	**64,579**	**-**	**-**	**64,579**

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. Collateral held for loans and advances to customers must be equal to or greater than 130% of the SMEs loan and 120% of the Car loans. Consumer loans do not require collateral. All loans in stage 3 without collateral. Loans to SMEs collateralised with the insurance policy and car loans by vehicles. Consumer loans are unsecured.

The financial effect of collateral is presented by disclosing the collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the assets' carrying value ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the assets' carrying value ("under-collateralised assets").

9 Loans and Advances to Customers (Continued)

The effect of collateral as at 31 December 2022:

In thousands of Uzbekistan Soums	Over-collateralised Assets		Under-collateralised Assets	
	Carrying value of the assets	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Consumer loans	-	-	1,390,626,679	-
Car loans	2,529,890	3,221,999	-	-
Total	**2,529,890**	**3,221,999**	**1,390,626,679**	**-**

The effect of collateral as at 31 December 2021:

In thousands of Uzbekistan Soums	Over-collateralised Assets		Under-collateralised Assets	
	Carrying value of the assets	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Loans to SME	25,673,985	34,606,712	-	-
Consumer loans	-	-	319,800,022	-
Car loans	64,579	65,000	-	-
Total	**25,738,564**	**34,671,712**	**319,800,022**	**-**

10 Finance Lease Receivables

In thousands of Uzbekistan Soums	**31 December 2021**	**31 December 2020**
Finance lease receivables	112,762,817	-
Less credit loss allowance	(7,419,816)	-
Total carrying amount of Finance lease receivables	**105,343,001**	**-**

The table below contains an analysis of the credit risk exposure of financial lease receivables. The carrying amount of other financial assets at AC at 31 December 2022 below also represents the Group's maximum exposure to credit risk on these assets:

In thousands of Uzbekistan Soum	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
- Excellent	102,582,579	-	-	102,582,579
- Good	1,316,899	-	-	1,316,899
- Satisfactory	-	965,856	-	965,856
- Special monitoring	-	682,161	-	682,161
- Default	-	-	7,215,322	7,215,322
Gross carrying amount	**103,899,478**	**1,648,017**	**7,215,322**	**112,762,817**
Credit loss allowance	(1,767,246)	(327,400)	(5,325,170)	(7,419,816)
Carrying amount	**102,132,232**	**1,320,617**	**1,890,152**	**105,343,001**

10 Finance lease receivables (Continued)

Movements in the credit loss allowance and in the gross amortised cost amount of finance lease receivables were as follows.

	Credit loss allowance				Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
In thousands of Uzbekistan Soums	**(12-months ECL)**	**(lifetime ECL for SICR)**	**(lifetime ECL for credit im-paired)**		**(12-months ECL)**	**(lifetime ECL for SICR)**	**(lifetime ECL for credit im-paired)**	
Finance lease receivables								
At 31 December 2021	**(421,833)**	**(96,947)**	**(2,165,083)**	**(2,683,863)**	**39,052,486**	**1,046,537**	**2,287,377**	**42,386,400**
Movements with impact on credit loss allowance charge for the period:								-
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	4,019,438	(4,019,438)	-	-	(6,740,578)	6,740,578		-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	3,707,960	(3,707,960)	-		(5,505,828)	5,505,828	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(431,452)	28,643	402,809	-	729,410	(309,205)	(420,205)	-
New originated or purchased	(5,587,873)	-	-	(5,587,873)	97,854,891		-	97,854,891
Derecognised during the period	654,474	52,382	145,064	851,920	(26,996,731)	(324,065)	(157,678)	(27,478,474)
At 31 December 2022	**(1,767,246)**	**(327,400)**	**(5,325,170)**	**(7,419,816)**	**103,899,478**	**1,648,017**	**7,215,322**	**112,762,817**

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In thousands of Uzbekistan Soum	**Due within 1 year**	**Due between 1 and 2 years**	**Total**
Finance lease payments receivable at 31 December 2022	**114,200,788**	**33,976,271**	**148,177,059**
Unearned finance income	(28,374,088)	(7,040,154)	(35,414,242)
Credit loss allowance	(6,878,237)	(541,579)	(7,419,816)
Present value of lease payments receivable at 31 December 2022	**78,948,463**	**26,394,538**	**105,343,001**

The effect of collateral as at 31 December 2022:

	Over-collateralised Assets		**Under-collateralised Assets**	
In thousands of Uzbekistan Soums	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Finance lease receivables	-	-	105,343,001	-
Total	**-**	**-**	**105,343,001**	**-**

11 Investments in Debt Securities

In thousands of Uzbekistan Soums	**2022**	**2021**
Debt securities at AC	139,783,491	167,925,780
Total investments in debt securities	**139,783,491**	**167,925,780**

The table below discloses investments in debt securities at 31 December 2022 by measurement categories and classes:

In thousands of Uzbekistan Soums	**Debt securities at AC**	**Total**
The CBU bonds (gross carrying value)	139,786,249	**139,786,249**
Credit loss allowance	(2,758)	**(2,758)**
Total investments in debt securities at 31 December 2022 (carrying value)	**139,783,491**	**139,783,491**

The table below discloses investments in debt securities at 31 December 2021 by measurement categories and classes:

In thousands of Uzbekistan Soums	**Debt securities at AC**	**Total**
CBU bonds	167,931,429	**167,931,429**
Credit loss allowance	(5,649)	**(5,649)**
Total investments in debt securities at 31 December 2021 (carrying value)	**167,925,780**	**167,925,780**

The debt securities at AC are not collateralised. The counterparty is not allowed to sell further or repledge the investments. For the purpose, of ECL measurement investment in debt securities balances are included in Stage 1.

12 Other Assets

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Prepaid subscription expenses	7,132,864	11,376,858
Plastic cards	3,615,705	5,102,545
Prepayments for purchase of leasing assets	2,350,817	-
Inventory	2,216,523	1,635,261
Cashback from partners	1,602,128	-
Prepayment for taxes other than income tax	311,808	-
Other	1,562,035	778,025
Total other non-financial assets	**18,791,880**	**18,892,689**
Total other assets	**18,791,880**	**18,892,689**

13 Premises and Equipment, and Intangible Assets

In thousands of Uzbekistan Soums	Buildings and Premises	Office and computer equipment	Total premises and equipment	Intangible Assets	Lease holding improvements	Total
Carrying amount at 1 January 2021	**673,172**	**16,816,411**	**17,489,583**	**7,107,551**	**-**	**24,597,134**
Cost at 1 January 2021	738,352	17,448,477	18,186,829	7,406,673	-	25,593,502
Accumulated depreciation/ amortisation	(65,180)	(632,066)	(697,246)	(299,122)	-	(996,368)
Additions	-	15,474,297	15,474,297	36,051,212	10,993,620	62,519,129
Net transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation/ amortization charge	(147,672)	(3,897,533)	(4,045,205)	(3,035,526)	(1,028,512)	(8,109,243)
Carrying amount at 31 December 2021	**525,500**	**28,393,175**	**28,918,675**	**40,123,237**	**9,965,108**	**79,007,020**
Cost at 31 December 2021	738,352	32,922,774	33,661,126	43,457,885	10,993,620	88,112,631
Accumulated depreciation/ amortisation	(212,852)	(4,529,599)	(4,742,451)	(3,334,648)	(1,028,512)	(9,105,611)
Additions	305,692	17,085,219	17,390,910	45,581,436	2,763,856	65,736,202
Net transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation/ amortization charge	(188,429)	(7,089,912)	(7,278,341)	(9,051,512)	(2,833,547)	(19,163,400)
Carrying amount at 31 December 2022	**642,763**	**38,388,482**	**39,031,244**	**76,653,161**	**9,895,417**	**125,579,822**
Cost at 31 December 2022	1,044,044	50,007,993	51,052,036	89,039,321	13,757,476	153,848,833
Accumulated depreciation/ amortisation	(401,281)	(11,619,511)	(12,020,792)	(12,386,160)	(3,862,059)	(28,269,011)

14 Right of Use Assets and Lease Liabilities

The Group leases head office, branch, and several warehouses. Rental contracts are typically made for fixed periods of 12 months to 5 years but may have extension options as described below.

All leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

The right of use assets by class of underlying items is analysed as follows:

In thousands of Uzbekistan Soums	**Buildings**	**Total**
Carrying amount at 1 January 2021	**8,286,616**	**8,286,616**
Additions	25,210,019	25,210,019
Depreciation/amortisation charge	(4,821,649)	(4,821,649)
Carrying amount at 31 December 2021	**28,674,986**	**28,674,986**
Additions	10,622,710	10,622,710
Disposals	(893,598)	(893,598)
Depreciation/amortisation charge	(7,764,808)	(7,764,808)
Carrying amount at 31 December 2022	**30,639,290**	**30,639,290**

Interest expense on lease liabilities was UZS 4,393,595 thousand (2021: UZS 3,178,247 thousand) and cash outflow for rent payments was UZS 10,580,410 thousand (2021: UZS 5,459,771 thousand).

Expenses relating to short-term leases (included in in administrative and other operating expenses) and to leases of low value assets that are not shown as short-term leases are included in administrative and other operating expenses.

15 Reconciliation of Liabilities Arising from Financing Activities

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

In thousands of Uzbekistan Soums	**Other borrowed funds**	**Lease liabilities**	**Total**
Liabilities from financing activities at 1 January 2021	-	**7,341,667**	**7,341,667**
Cash flows	-	(5,459,771)	(5,459,771)
Other non-cash movements	-	28,383,744	28,383,744
Liabilities from financing activities at 31 December 2021	-	**30,265,640**	**30,265,640**
Cash flows	28,215,450	(10,580,410)	(10,580,410)
Other non-cash movements	(241,114)	14,003,027	14,003,027
Liabilities from financing activities at 31 December 2022	**27,974,336**	**33,688,257**	**33,688,257**

Other borrowed funds represent fundings borrowed on 22 December 2022 from FMO (NEDERLANDSE FINANCIERINGS-MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN) for 2.5 bln USD denominated (fixed) in Uzbek soum, maturing in November 2026, at 21.09% (Base rate + 4.5%) per annum. The loans were borrowed to finance new loan products for small business sector in 2023.

16 Customer Accounts

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Individuals		
- Term deposits	1,182,225,602	271,092,986
- Current/settlement accounts	186,351,934	442,119,648
Other legal entities		
- Term deposits	19,990,184	-
- Current/settlement accounts	910,725	-
Total customer accounts	**1,389,478,445**	**713,212,634**

Current/settlement accounts represent retail customers' current, and savings accounts held with the Group for daily banking needs. Saving accounts represent UZS 129,433,388 thousand (2021: UZS 424,536,951 thousand) bearing 18% annual interest rate (2021: 18% p.a), the remaining amount of UZS 56,918,546 (2021: UZS 17,582,697 thousand) represents balances on plastic card accounts. Refer to Note 25 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 23. Information on related party balances is disclosed in Note 27.

17 Other Liabilities

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Other financial liabilities		
Accounts payable for goods and services	8,716,662	2,487,332
Total financial liabilities	**8,716,662**	**2,487,332**
Other non-financial liabilities		
Bonus and salary accrual	15,222,230	14,492,352
Deferred cash award	4,410,011	1,758,100
Advances received under financial contracts lease	2,401,284	-
Taxes Payable	17,104	1,304,073
Other	33,900	675,486
Total other non-financial liabilities	**22,084,529**	**18,230,011**
Total other liabilities	**30,801,191**	**20,717,343**

Deferred cash award. The Group operates a top management compensation scheme. According to the scheme, each year, subject to the performance and service conditions, the Bank grants to the top management for service of the 3 years. The scheme is accounted for under IAS 19, via recognition of staff costs and respective liability throughout the period. The individual performance indicators are set on an individual basis and are used to calculate the award amount provided to each employee.

In thousands of Uzbekistan Soums	31 December 2022	31 December 2021
Liability at the beginning of the period	**1,758,100**	**242,550**
Remeasurement of PY award	1,808,188	391,955
Current year award	4,069,423	5,808,464
Unwinding for present value discount	(2,236,100)	(4,684,869)
Total expense recognized as staff cost during the period	**3,641,511**	**1,515,550**
Paid amount during the period	(989,600)	-
Deferred liability at the end of the period	**4,410,011**	**1,758,100**

18 Share Capital

In thousands of Uzbekistan Soums except for number of shares	**Number of outstanding shares**	**Ordinary shares**	**Share premium**	**Total**
At 1 January 2021	**221,746,927**	**221,746,927**	**-**	**221,746,927**
New shares issued	42,240,000	42,240,000	-	42,240,000
New shares issued	174,215,126	174,215,126	26,005,092	200,220,218
At 31 December 2021	**438,202,053**	**438,202,053**	**26,005,092**	**464,207,145**
New shares issued	333,505,735	333,505,735	49,782,401	383,288,136
At 31 December 2022	**771,707,788**	**771,707,788**	**75,787,493**	**847,495,281**

The total authorised number of ordinary shares is 771,707,788 thousand shares (2021: UZS 438,202 thousand), with a par value of UZS 1,000 per share (2021: UZS 1,000 per share). All ordinary shares are fully issued and paid. On 5 August 2022 the Group issued 333,505,735 new shares to immediate and ultimate parents with nominal value UZS 1,000 per share.

Share premium represents the excess of contributions received over the nominal value of shares issued: 1,149.27 UZS per share, with 149.27 UZS premium per share.

19 Interest Income and Expense

In thousands of Uzbekistan Soums	**2022**	**2021**
Interest income calculated using the effective interest method		
Loans and advances to customers	361,188,576	43,245,730
Due from other banks	20,294,169	13,870,370
Debt securities at AC	30,021,668	6,752,137
Total interest income calculated using the effective interest method	**411,504,413**	**63,868,237**
Interest expense on financial liabilities calculated using the effective interest method		
Customer accounts	221,326,762	39,358,177
Lease liabilities	4,393,595	3,178,247
Other borrowed funds	479,288	-
Due to other banks	493,869	174,658
Total interest expense calculated using the effective interest method	**226,693,514**	**42,711,082**
Net interest income	**184,810,899**	**21,157,155**

20 Fee and Commission Income and Expense

In thousands of Uzbekistan Soums	**Retail banking 2022**	**Corporate banking 2022**	**Total 2022**	**Retail banking 2021**	**Corporate banking 2021**	**Total 2021**
Fee and commission income not relating to financial instruments at FVTPL:						
Settlement transactions	12,309,732	-	12,309,732	2,862,275	-	2,862,275
Total fee and commission income	**12,309,732**	**-**	**12,309,732**	**2,862,275**	**-**	**2,862,275**
Fee and commission expense not relating to financial instruments at FVTPL:						
Settlement transactions	6,368,651	-	6,368,651	7,564,061	109,372	7,673,433
Other	250,585	-	250,585	1,345,764	-	1,345,764
Total fee and commission expense	**6,619,236**	**-**	**6,619,236**	**8,909,825**	**109,372**	**9,019,197**
Net fee and commission expense	**5,690,496**	**-**	**5,690,496**	**(6,047,550)**	**(109,372)**	**(6,156,922)**

21 Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	**2022**	**2021**
Staff costs	98,985,241	71,449,595
Advertising costs	35,254,984	33,477,631
Depreciation of premises and equipment	27,189,135	12,926,370
Consulting services	18,691,898	4,028,178
Membership fees	9,971,792	2,747,310
Plastic cards expenses	9,309,970	4,881,584
Subscription expenses	9,238,728	6,314,212
Professional services	6,675,111	3,896,763
Communication expenses	5,171,617	2,940,222
Representation expenses	4,555,187	2,988,578
Business trip and travel expenses	3,459,911	259,523
Office supplies	3,203,723	2,522,676
Short term lease expenses	1,925,160	2,036,990
Repairs and maintenance	1,426,927	693,630
Security service costs	563,527	157,215
Taxes other than income tax	407,451	633,229
Charity and sponsorship	359,283	100,000
Utilities	193,410	102,176
Insurance	143,652	16,667
Fuel	116,790	76,768
Other	8,014	20,000
Total administrative and other operating expenses	**236,851,510**	**152,269,317**

Included in staff costs are mandatory social contributions of UZS 8,494,684 thousand (2021: UZS 5,986,753 thousand). Included in staff costs is the amount of UZS 3,641,512 thousand (2021: UZS 1,515,550 thousand), which represents deferred management remuneration provided to the Group's personnel.

22 Income Taxes

Components of income tax expense / (benefit)

Income tax credit recorded in profit or loss for the period comprises the following:

In thousands of Uzbekistan Soums	**2022**	**2021**
Deferred tax	(22,237,599)	(29,575,472)
Total income tax credit for the year	**(22,237,599)**	**(29,575,472)**

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

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

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

The Group is subject to income tax in the Republic of Uzbekistan. In accordance with the Presidential Decree #4086 dated 26 December 2018 “On the forecast of major macroeconomic indicators and parameters of the State budget of the Republic of Uzbekistan for 2019 and budget guidelines for 2020-2021”, corporate income tax rate for banks was set at 20% effective from 1 January 2019. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Uzbekistan Soums	**2022**	**2021**
Loss before tax	**106,857,143**	**144,705,169**
Theoretical tax credit at the applicable statutory rate – 15-20%	(21,334,912)	(28,941,034)
- Income which is exempt from taxation	(6,022,360)	(1,366,763)
- Non-deductible expenses	5,119,673	732,325
Income tax credit for the year	**(22,237,599)**	**(29,575,472)**

Deferred taxes analysed by type of temporary difference

Differences between IFRS and the tax legislation of the Republic of Uzbekistan result in certain temporary differences between carrying amount of a number of assets and liabilities for the purpose of the consolidated financial statements and their tax base. The tax effect of movements in these temporary differences is detailed below and recognized at 20% rate.

22 Income Taxes (Continued)

In thousands of Uzbekistan Soums	2022	Business combi-nations	(Charged)/ credited to profit or loss	2021
Tax effect of deductible/(taxable) temporary differences				
Tax losses carry forwards	56,661,902	1,082,631	24,129,054	31,450,217
Lease liabilities	6,729,330	24,964	651,238	6,053,128
Bonus and salary accrual	4,386,649	(110,897)	1,060,924	3,436,622
Finance lease receivables	562,960	582,142	(19,182)	-
Premises and equipment	280,906	-	185,245	95,661
Cash and cash equivalents	1,227	21	(9,718)	10,924
Investment securities held to maturity	552	-	(578)	1,130
Finance lease receivables	(6,152,822)	(24,964)	(392,861)	(5,734,997)
Right-of-use assets	(4,507,355)	-	(3,079,955)	(1,427,400)
Loans and advances	(117,207)	-	(286,568)	169,361
Net deferred tax asset	**57,846,142**	**1,553,897**	**22,237,599**	**34,054,646**
Recognised deferred tax asset	68,981,700	1,689,758	26,026,461	41,265,481
Recognised deferred tax liability	(11,135,558)	(135,861)	(3,788,862)	(7,210,835)
Net deferred tax asset	**57,846,142**	**1,553,897**	**22,237,599**	**34,054,646**

Refer to Note 4 for critical judgements applied by the Group for the deferred tax assets.

23 Financial Risk Management

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

Credit risk. The Group exposes itself 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 meet an obligation.

Exposure to credit risk arises as a result of the Group’s lending and other transactions with counterparties, giving rise to financial assets. The Group’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. In order to ensure high-quality formation of the loan portfolio and prevent the concentration of risks, the Group introduces the restrictions on lending and sets the economic standards as follows:

- The maximum amount of risk per a borrower or group of related borrowers (including loans, guarantees, uncovered funds and guarantees, letters of credit with defined payment, factoring and leasing operations, off-balance sheet liabilities and accrued interest) shall not exceed 25% of the Bank's tier I capital at the time of issuing the loan, subject to availability of collateral;
- The maximum amount of risk per a borrower or group of related borrowers for blank (trust) loans shall not exceed 5% of the Bank's tier I capital.

23 Financial Risk Management (Continued)

- The total amount of all loans granted by the Bank to all related parties shall not exceed 10% of the Bank's tier I capital.
- The total amount of all major Bank's loans (with size of 3% or more versus the Bank's tier I capital) shall not exceed 100% of the Bank's tier I capital.

Credit Approval. The Group established a credit committee that is responsible for approving all scoring card rules and other models in the "Automated decision-making system and Automated verification system" systems, including changes in the credit product processes.

Decision-making, scoring, and verification procedures - Decision-making on the loan is performed with using software (Systems): Automated Verification System (further - AVS) and Automated Decision-Making System (ADMS). AVS compares and collates of available images of the client's (potential client's) face and his/her data (details of documents and other data) with information, images and data available in Databases (obtained from state databases and available in the Group). The AVS is capable to verify the client by establishing the similarity (partial and complete match of data) of the entered data (photos, details, information, etc.) with those available in the Group's Databases.

Credit risk grading system. Depending on the type of financial asset the Group may utilize different sources of asset credit quality information including credit ratings assigned by the international rating agencies (Standard & Poor’s, Fitch), credit scoring information from credit bureau and internally developed credit ratings. Financial assets are classified in an internally developed credit quality grades by taking into account the internal and external credit quality information in combination with other indicators specific to the particular exposure (e.g. delinquency). The Group defines following credit quality grades:

Master scale credit risk grade	Risk	Corresponding PD interval
Excellent	Very low risk	0.01% – 3.99%
Good	Low risk	0.01% – 3.99%
Satisfactory	Moderate risk	4.00% – 38.86%
Special monitoring	High risk	38.86% – 99.9%
Default	Default	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Very low risk* – exposures demonstrate strong ability to meet financial obligations;
- *Low risk* – exposures demonstrate adequate ability to meet financial obligations;
- *Moderate risk* – exposures demonstrate satisfactory ability to meet financial obligations;
- *High risk* – exposures that require closer monitoring, and
- *Default* – exposures in default, with observed credit impairment.

The rating models are regularly reviewed by the Credit Risk Department, back tested on actual default data and updated, if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default (“PD”), Exposure at Default (“EAD”), Loss Given Default (“LGD”) and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest. PD an estimate of the likelihood of default to occur over a given time period. 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, including from any collateral. It is usually expressed as a percentage of the EAD. The expected

23 Financial Risk Management (Continued)

losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period.* The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. As a matter of exception from determining the lifetime exposure based on contractual maturity based on internal statistics.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these consolidated financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is past due on and more than 90 days its contractual payments;
- the Group has sold the borrower's debt or its portion at a loss due to credit deterioration;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:
  - the Group was forced to restructure the debt;
  - the borrower is deceased;
  - the borrower is insolvent;
  - the borrower is in breach of financial covenant(s);
  - it is becoming likely that the borrower will enter bankruptcy; and
  - the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For loans issued to corporate entities, interbank loans and debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. For loans issued to individuals and other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Bank's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted. The Group decided not to use the low credit risk assessment exemption for investment grade

23 Financial Risk Management (Continued)

financial assets. Hence, even assets of an investment grade are assessed whether there has been a SICR.

The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met. The Group uses both quantitative and qualitative indicators of SICR.

Quantitative criteria

On a quantitative basis the Group assess change in probability of default parameter for each particular exposure since initial recognition and compares it to the predefined threshold. When absolute change in probability of default exceeds the applicable threshold, SICR is deemed to have occurred and exposure is transferred to Stage 2. Quantitative indicator of SICR is applied to consumer loans segment, where the Group has sufficient number of observations.

Qualitative criteria

Financial asset is transferred to Stage 2 and lifetime ECLs is measured if at least one of the following SICR qualitative criteria is observed:

- delinquency period of more than 30 days on contractual repayments;
- exposure is restructured, but is not credit impaired;
- borrower is classified as “watch”.

The Group has not rebutted the presumption that there has been significant increase in credit risk since origination when financial asset becomes more than 30 days past due. This qualitative indicator of SICR together with debt restructuring is applied to all segments. Particularly for corporate and SME segment the Group uses downgrade of risk category since origination of the financial instrument as a qualitative indicator of SICR. Based on the results of the monitoring borrowers are classified across different risk categories. In case there are certain weaknesses present, which if materialized may lead to loan repayment problems, borrowers are classified as “watch” category. Although watch borrowers’ financial standing is sufficient to repay obligations, these borrowers are closely monitored and specific actions are undertaken to mitigate potential weaknesses. Once the borrower is classified as “watch” category it is transferred to Stage 2. If any of the SICR indicators described above occur financial instrument is transferred to Stage 2. Financial asset may be moved back to Stage 1, if SICR indicators are no longer observed.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset’s effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognises the cumulative changes in lifetime expected credit losses.

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Group performs an assessment on an individual basis for the following types of loans: loans with unique credit risk characteristics, individually significant loans. The Group performs an assessment on

23 Financial Risk Management (Continued)

a portfolio basis for the following types of loans: consumer loans and loans issued to SMEs, when no borrower-specific information is available. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

The Group also performs an assessment on a portfolio basis for loans issued to corporate customers (standard lending, specialised lending, loans to leasing companies, etc.), interbank loans, retail loans and loans issued to SMEs.

The Group performs assessments based on external ratings for interbank loans, debt securities issued by banks and certain blue chip corporate customers, loans issued to sovereigns and loans issued to SMEs.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Group defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers from the Credit Risk and Non-Performing Loan Management Department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a Group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as wholesale or retail), product type, credit risk rating, date of initial recognition, term to maturity, and the quality of collateral. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of Baking's is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future 12-month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument.

The Group uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data and gradual convergence of long-term PD with the long-term default rate.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

23 Financial Risk Management (Continued)

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Group calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings, and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to government and blue-chip corporate bonds exposures.

Forward-looking information incorporated in the ECL models. The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This assessment is also based on external information.

The Group has identified and documented key drivers of credit risk and credit losses and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. GDP, CPI, unemployment, exchange rate forecasts were designated as the key factor. However, this analysis did not reveal a significant dependency of the portfolio default rate on GDP.

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed at least once a year.

The results of back testing the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

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

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

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

	At 31 December 2022			**At 31 December 2021**		
In thousands of Uzbekistan Soums	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
UZS	1,870,738,607	1,434,284,648	436,453,959	922,608,354	745,965,606	176,642,748
US Dollars	68,451	27,974,336	(27,905,885)	5,835,064	-	5,835,064
Euros	246	-	246	643,732	-	643,732
Other	-	-	-	7,562	-	7,562
Total	**1,870,807,305**	**1,462,258,984**	**408,548,321**	**929,094,712**	**745,965,606**	**183,129,106**

Derivatives presented above are monetary financial assets or monetary financial liabilities but are presented separately in order to show the Group's gross exposure.

23 Financial Risk Management (Continued)

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

In thousands of Uzbekistan Soums	**At 31 December 2022 Impact on profit or loss**	**At 31 December 2021 Impact on profit or loss**
US Dollars strengthening by 10%	(2,790,588)	583,506
US Dollars weakening by 10%	2,790,588	(583,506)
Euro strengthening by 10%	25	64,373
Euro weakening by 10%	(25)	(64,373)
Other strengthening by 10%	-	756
Other weakening by 10%	-	(756)

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

The 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:

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
31 December 2022					
Total financial assets	421,905,930	316,780,329	327,006,744	794,975,378	1,860,668,380
Total financial liabilities	211,257,856	99,888,850	531,252,762	619,859,516	1,462,258,984
Net interest sensitivity gap as of 31 December 2022	**210,648,074**	**216,891,479**	**(204,246,018)**	**175,115,862**	**398,409,396**
31 December 2021					
Total financial assets	493,788,058	169,667,862	69,060,437	192,984,453	925,500,810
Total financial liabilities	443,695,937	2,107,453	3,829,582	293,845,302	743,478,274
Net interest sensitivity gap as of 31 December 2021	**50,092,121**	**167,560,409**	**65,230,855**	**(100,860,849)**	**182,022,536**

The risk of changes in interest rate arises from the possibility that changes interest rates will effect future cash flows or the fair value of financial instruments. The Group believes that the impact is insignificant due to the fact that all financial assets and liabilities have fixed interest rates.

23 Financial Risk Management (Continued)

The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	2022				2021			
In % p.a.	UZS	USD	Euro	Other	UZS	USD	Euro	Other
Assets								
Cash and cash equivalents	0-17	0	0	0	0-16	0	0	0
Investments in debt securities	13-15	-	-	-	13-15	-	-	-
Due from other banks	0-16	-	-	-	0	-	-	-
Loans and advances to customers	29-49	-	-	-	29-45	-	-	-
Liabilities								
Customer accounts								
- current and settlement accounts	0-18	0	0	0	0-17	0	0	0
- term deposits	21-27	-	-	-	24-27	-	-	-
Other borrowed funds	21	-	-	-	0	-	-	-
Lease liabilities	18	-	-	-	18	-	-	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2022 is set out below:

In thousands of Uzbekistan Soums	Uzbekistan	OECD	Total
Assets			
Cash and cash equivalents	221,532,556	852,763	222,385,319
Due from other banks	10,138,925	-	10,138,925
Loans and advances to customers, including finance lease receivables	1,498,499,570	-	1,498,499,570
Investment in debt securities	139,783,491	-	139,783,491
Total financial assets	**1,869,954,542**	**852,763**	**1,870,807,305**
Liabilities			
Customer accounts	1,389,478,445	-	1,389,478,445
Other borrowed funds	-	27,974,336	27,974,336
Lease liabilities	33,688,257	-	33,688,257
Other financial liabilities	11,117,946	-	11,117,946
Total financial liabilities	**1,434,284,648**	**27,974,336**	**1,462,258,984**
Net balance sheet position as 31 December 2022	**435,669,894**	**(27,121,573)**	**408,548,321**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with Uzbekistan counterparties actually outstanding to/from offshore companies of these Uzbekistan counterparties, are allocated to the caption "Uzbekistan". Cash on hand have been allocated based on the country in which they are physically held. The geographical concentration of the Group's financial assets and liabilities at 31 December 2021 is set out below:

23 Financial Risk Management (Continued)

In thousands of Uzbekistan Soums	Uzbekistan	Total
Assets		
Cash and cash equivalents	412,036,444	412,036,444
Due from other banks	3,593,902	3,593,902
Loans and advances to customers, including finance lease receivables	345,538,586	345,538,586
Investment in debt securities	167,925,780	167,925,780
Total financial assets	**929,094,712**	**929,094,712**
Liabilities		
Customer accounts	713,212,634	713,212,634
Lease liabilities	30,265,640	30,265,640
Other financial liabilities	2,487,332	2,487,332
Total financial liabilities	**745,965,606**	**745,965,606**
Net balance sheet position as 31 December 2021	**183,129,106**	**183,129,106**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations at 31 December 2022.

Liquidity risk. Liquidity risk is 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 and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Group.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and debt securities. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires consideration of 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 liquidity ratios against regulatory requirements. The Group calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratios are (unaudited):

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 0.04 at 31 December 2022 (2021: 0.12);
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 0.19 at 31 December 2022 (2021: 0.62);
- Net stable funding ratio, which is calculated as the amount of Available Stable Funding (ASF) divided by the amount of Required Stable Funding (RSF) over a one-year horizon. The ratio was 1.2 at 31 December 2022 (2021: 2.2).

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.

23 Financial Risk Management (Continued)

The tables below show liabilities at 31 December 2022 and 2021 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

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.

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

The maturity analysis of financial instruments at 31 December 2022 is as follows:

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	222,385,319	-	-	-	**222,385,319**
Due from other banks	10,138,925	-	-	-	**10,138,925**
Loans and advances to customers, including finance lease receivables	79,327,868	297,189,581	327,006,744	794,975,378	**1,498,499,570**
Investment in debt securities	120,192,743	19,590,748	-	-	**139,783,491**
Total financial assets	**432,044,855**	**316,780,329**	**327,006,744**	**794,975,378**	**1,870,807,305**
Liabilities					
Customer accounts	203,051,578	104,454,671	619,532,725	700,970,658	**1,628,009,631**
Other borrowed funds		-	-	33,848,947	**33,848,947**
Lease liabilities	1,366,523	8,074,568	5,437,803	27,997,578	**42,876,473**
Other financial liabilities	11,117,946	-	-	-	**11,117,946**
Total financial liabilities	**215,536,047**	**112,529,239**	**624,970,527**	**762,817,183**	**1,715,852,997**
Net liquidity gap	**216,508,807**	**204,251,090**	**(297,963,784)**	**32,158,195**	**154,954,308**
Cumulative liquidity gap as of 31 December 2022	**216,508,807**	**420,759,897**	**122,796,113**	**154,954,308**	

The Group is subject to certain covenants primarily relating to its Other borrowings funds. Non-compliance with such covenants may result in negative consequences for the Group including. Management believes that the Group was in compliance with covenants at 31 December 2022.

23 Financial Risk Management (Continued)

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

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	412,036,444	-	-	-	**412,036,444**
Due from other banks	3,593,902	-	-	-	**3,593,902**
Loans and advances to customers, including finance lease receivables	22,128,668	61,365,028	69,060,437	192,984,453	**345,538,586**
Investment in debt securities	59,622,946	108,302,834	-	-	**167,925,780**
Total financial assets	**497,381,960**	**169,667,862**	**69,060,437**	**192,984,453**	**929,094,712**
Liabilities					
Customer accounts	443,418,568	-	1,210,525	401,805,069	**846,434,162**
Lease liabilities	932,825	3,693,880	4,846,705	31,606,370	**41,079,700**
Other financial liabilities	2,487,332	-	-	-	**2,487,332**
Total financial liabilities	**446,838,725**	**3,693,880**	**6,057,230**	**433,411,439**	**890,001,274**
Net liquidity gap	**50,543,235**	**165,973,982**	**63,003,207**	**(240,426,986)**	**39,093,438**
Cumulative liquidity gap as of 31 December 2021	**50,543,235**	**216,517,217**	**279,520,424**	**39,093,438**	

The Group does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Group monitors expected maturities and the resulting expected liquidity gap as follows:

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	222,385,319	-	-	-	**222,385,319**
Due from other banks	10,138,925	-	-	-	**10,138,925**
Loans and advances to customers, including finance lease receivables	79,327,868	297,189,581	327,006,744	794,975,378	**1,498,499,570**
Investment in debt securities	120,192,743	19,590,748	-	-	**139,783,491**
Total financial assets	**432,044,855**	**316,780,329**	**327,006,744**	**794,975,378**	**1,870,807,305**
Liabilities					
Customer accounts	199,200,371	93,597,375	527,711,009	568,969,690	**1,389,478,445**
Other borrowed funds	-	-	-	27,974,336	**27,974,336**
Lease liabilities	939,539	6,291,475	3,541,752	22,915,490	**33,688,257**
Total financial liabilities	**200,139,910**	**99,888,850**	**531,252,761**	**619,859,516**	**1,451,141,038**
Net liquidity gap	**231,904,944**	**216,891,478**	**(204,246,017)**	**175,115,861**	**419,666,267**
Cumulative liquidity gap as of 31 December 2022	**231,904,944**	**448,796,423**	**244,550,406**	**419,666,267**	

23 Financial Risk Management (Continued)

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

In thousands of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	412,036,444	-	-	-	**412,036,444**
Due from other banks	3,593,902	-	-	-	**3,593,902**
Loans and advances to customers, including finance lease receivables	22,128,668	61,365,028	69,060,437	192,984,453	**345,538,586**
Investment in debt securities	59,622,946	108,302,834	-	-	**167,925,780**
Total financial assets	**497,381,960**	**169,667,862**	**69,060,437**	**192,984,453**	**929,094,712**
Liabilities					
Customer accounts	443,418,568	-	982,067	268,811,999	**713,212,634**
Lease liabilities	277,369	2,107,453	2,847,515	25,033,303	**30,265,640**
Total financial liabilities	**443,695,937**	**2,107,453**	**3,829,582**	**293,845,302**	**743,478,274**
Net liquidity gap	**53,686,023**	**167,560,409**	**65,230,855**	**(100,860,849)**	**185,616,438**
Cumulative liquidity gap as of 31 December 2021	**53,686,023**	**221,246,432**	**286,477,287**	**185,616,438**	

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 Group does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Group monitors expected maturities and the resulting expected liquidity gap as follows:

The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of the portfolio's realisability.

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

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

24 Management of Capital

In the management of capital, the Group has the following objectives: compliance with capital requirements established by the CBU and, in particular, the requirements of the deposit insurance system; ensuring the Group's ability to function as a going concern and maintaining the capital base at the level necessary to ensure the compliance of the capital adequacy ratio with the requirements of the CBU. The compliance with the capital adequacy ratio established by the CBU is monitored monthly according to the forecast and actual data containing the relevant calculations, which are verified and vetted by the Group's Management.

According to the Regulation on the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 registered by the Ministry of Justice on 6 July 2015 and its supplement, the following requirements are set for banks:

- The minimum level of K1 is set at 13%;
- Banks are required to ensure a minimum level of K2 of 10%, taking into account the capital conservation buffer of 3% of risk-weighted assets.

According to the supplement dated 23 October 2017 No. 2693-2, the requirement is set for existing banks to increase the minimum share capital to UZS 100 billion.

As at 31 December 2022, the Group met the requirements to regulatory capital set by the Regulation of the CBU On the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 (hereinafter referred to as "the CBU Regulation No. 2693") dated July 6, 2017.

The following table provides an analysis of the Bank's regulatory capital calculated based on the CBU Regulation No. 2693 (unaudited).

In thousands of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Fully paid shares	771,707,788	438,202,053
Additional paid-in capital	75,787,493	26,005,092
Retained earnings	(275,845,397)	(159,711,198)
Intangible assets	(16,830,922)	(12,657,797)
Investment in subsidiaries	(23,222,467)	-
Adjusted Tier I capital	**531,596,495**	**291,838,150**
Adjusted Tier II capital	11,631,962	-
Adjusted total amount of capital based on risk	**543,228,457**	**291,838,150**
The amount of on- and off-balance sheet assets, risk-weighted	3,027,050,827	757,820,127
Operational risk	(3,541,935)	3,398,169
Market risk	23,440,721	5,730,430
Adjusted total assets, risk-weighted	**3,046,949,613**	**766,948,726**
Capital adequacy ratios:		
Tier I capital	17.45%	38.05%
Tier II capital	17.83%	38.05%

25 Fair Value Disclosures

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

Assets and liabilities not measured at fair value but for which fair value is disclosed:

Fair values analysed by level in the fair value hierarchy not measured at fair value are as follows:

	31 December 2022			
In thousands of Uzbekistan Soums	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents				
- Cash balances with the CBU	181,338,569	-	-	**181,338,569**
- Correspondent accounts and overnight placements with other banks	-	41,035,216	-	**41,035,216**
Due from other banks				
- Mandatory reserve	-	10,138,925	-	**10,138,925**
- Placements with other banks with original maturities of more than three months	-	11,534	-	**11,534**
Loans issued to customers				
Consumer loans	-	-	1,390,626,679	**1,390,626,679**
Finance lease receivables	-	-	105,343,001	**105,343,001**
Car loans	-	-	2,529,890	**2,529,890**
Investment in debt securities				
CBU Bonds	-	139,783,491	-	**139,783,491**
TOTAL	**181,338,569**	**190,969,166**	**1,498,499,570**	**1,870,807,305**

	31 December 2022			
In thousands of Uzbekistan Soums	**Level 1**	**Level 2**	**Level 3**	**Total**
Customer accounts				
- Term deposits of individuals	-	-	1,182,225,602	**1,182,225,602**
- Current/demand accounts of individuals	-	-	186,351,934	**186,351,934**
- Term deposits of other legal entities	-	-	19,990,184	**19,990,184**
- Current/settlement accounts of other legal entities	-	-	910,725	**910,725**
Other financial liabilities				
- Other borrowed funds	-	-	27,974,336	**27,974,336**
- Other financial liabilities	-	-	8,716,662	**8,716,662**
TOTAL	**-**	**-**	**1,426,169,443**	**1,426,169,443**

25 Fair Value Disclosures (Continued)

Fair values analysed by level in the fair value hierarchy not measured at fair value are as follows:

	31 December 2021			
In thousands of Uzbekistan Soums	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents				
- Cash balances with the CBU	384,627,082	-	-	**384,627,082**
- Correspondent accounts and overnight placements with other banks	-	7,409,362	-	**7,409,362**
- Placements with other banks with original maturities of less than three months		20,000,000		**20,000,000**
Due from other banks				
- Mandatory reserve	-	3,593,902	-	**3,593,902**
Loans issued to customers				
Consumer loans	-	-	318,627,269	**318,627,269**
Loans to SME	-	-	25,673,985	**25,673,985**
Car loans	-	-	64,579	**64,579**
Investment in debt securities				
CBU Bonds	-	167,925,780	-	**167,925,780**
TOTAL	**384,627,082**	**198,929,044**	**344,365,833**	**927,857,380**

	31 December 2021			
In thousands of Uzbekistan Soums	**Level 1**	**Level 2**	**Level 3**	**Total**
Customer accounts				
- Current/demand accounts of individuals	-	-	714,615,440	**714,615,440**
Other financial liabilities				
- Trade payables	-	-	2,487,332	**2,487,332**
TOTAL	**-**	**-**	**717,102,772**	**717,102,772**

Cash and cash equivalents, due from other banks and investment in debt securities. Cash is measured at amortised cost and classified at Level 1. The fair value of these funds is equal to their carrying amount.

Loans issued to customers, customer accounts lease liabilities. Estimated fair value of all loans to customers, customer accounts and lease liabilities is based on estimated future cash flows expected to the received discounted at current interest rate for new instruments with similar credit risk and remaining maturities. These financial instruments are classified by the Group's management as Level 3 in the fair value hierarchy.

Trade payables. Trade payables is measured at amortised cost and classified at Level 3. The fair value of these funds is equal to their carrying amount due to short term.

26 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category. All of the Group's financial assets fell in the financial assets carried at AC measurement category except for financial derivatives. All of the Group's financial liabilities except for derivatives were carried at AC. Derivatives belonged to the FVTPL measurement category.

27 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. The number of key managements at 31 December 2022 was 6 (2021: 6).

At 31 December 2022, the outstanding balances with related parties were as follows:

In thousands of Uzbekistan Soums	**Key management personnel**
Customer accounts (contractual interest rate - 0-27%)	3,719,047
Other liabilities	7,625,888
Cash based compensation	4,410,011

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

In thousands of Uzbekistan Soums	**Key management personnel**	**Entities under common control**
Loans and advances to customers, including finance lease receivables (contractual interest rate - 25%)	-	25,673,985
Customer accounts (contractual interest rate - 0-27%)	347,167	714
Other liabilities	6,630,093	-
Cash based compensation	1,758,100	-

The table below shows expenses with related parties and for the period 2022:

In thousands of Uzbekistan Soums	**Key management personnel**	**Entities under common control**
Payroll and related expenses	18,442,497	-
Social security contributions	2,213,100	-
Professional services	-	3,434,644
Interest expense	391,413	-

The table below shows expenses with related parties and for the period 2021:

In thousands of Uzbekistan Soums	**Key management personnel**	**Entities under common control**
Payroll and related expenses	9,835,433	-
Social security contributions	1,180,252	-
Professional services	-	1,084,099
Interest income	-	921,720
Interest expense	1,031	-
Fee and commission income	-	852,490

28 Business Combinations

On 26 April 2022, the Bank acquired 100% of the share capital of TBC Fin Service LLC (under common control entity) from TBC Bank Group PLC and obtained control through its ability to cast a majority of votes in the general meeting of shareholders. TBC Fin Service LLC's principal business activity is a retail finance lease and instalment services within the Republic of Uzbekistan. The acquired subsidiary will increase the Group's penetration of its chosen retail and corporate markets and is expected to improve profitability through the economies of scale. Refer to Note 3 and 4 for the details of accounting policy for the business combinations under common control.

The acquisition-date total purchase consideration and its components are as follows:

In thousands of UZS	**At 26 April 2022**
Cash consideration paid	2,702,467
Total consideration transferred	**2,702,467**

The consideration paid by the Group was based on results of an external appraisal of the acquiree's business taken as a whole.

Details of the predecessor accounting amounts of assets and liabilities acquired are as follows:

In thousands of UZS	**Attributed carrying value**
Cash and cash equivalents	5,371,067
Property, plant and equipment & Intangible assets	1,558,623
Finance lease receivables	57,128,495
Other assets	1,615,510
Deferred tax assets	1,553,897
Intergroup borrowings from TBC Bank Uzbekistan	(26,572,603)
Borrowings excluding those from TBC Bank Uzbekistan	(14,430,868)
Accounts payable	(4,027,634)
Other liabilities	(1,441,868)
Carrying value of identifiable net assets of subsidiary	**20,754,619**
Further capital contribution at acquisition	(20,520,000)
Difference between consideration and carrying value of net assets before capital contribution	2,467,848
Total purchase consideration in the acquiree	**2,702,467**
Less: Cash and cash equivalents of subsidiary acquired	5,371,067
Inflow of cash and cash equivalents on acquisition	**2,668,600**

The acquired subsidiary contributed revenue of UZS 14,847,156 thousand and loss of UZS 105,857 thousand to the Group for the period from the date of acquisition to 31 December 2022. If the acquisition had occurred on 1 January 2022, Group revenue for 2022 would have been UZS 22,910,839 thousand, and loss for 2022 would have been UZS 3,226,501 thousand.

29 Events after the End of the Reporting Period

Other borrowed funds. On 23 November 2022, the Group signed an agreement with FMO according to which FMO granted a term loan facility in the local currency to the Group consisting of USD 7 500 000 committed tranche (3 Loans) and USD 7 500 000 uncommitted tranche. On 19 January 2023 and 8 February 2023, the Group received the second and the third loans of the committed tranche.

Increase in charter capital. During extraordinary General Meeting of Shareholders conducted on 6 February 2023, it was decided to increase the charted capital of the Group and on 6 March 2023 the charted capital of the Group was increased by placing additional ordinary registered uncertified shares in the amount of 294 447 780 pcs with a nominal value of UZS 1 000 and to issue additionally ordinary registered uncertified shares in the amount of 294 447 780 pcs with a nominal value of UZS 1 000.

Change in refinancing rate. On March 16, 2023, the Board of the Central Bank of Uzbekistan decided to lower the policy rate refinancing rate by 1 percentage point and set it at the 14 percent per annum.

Current market events in the banking sector. In March 2023, due to recent events that led to higher interest rates in both Europe and the US, California-based Silicon Valley Bank filed for bankruptcy, the second largest bankruptcy in US history since the closure of Washington Mutual in 2008. Silicon Valley Bank was one of the 16 largest US banks and specialized in working with start-ups. The risks of the impact of the local crisis in the US on the banks of the Eurozone led to a fall in the value of shares of the Swiss bank Credit Suisse. In recent days, global events are reflected in the domestic foreign exchange market. There is an increase in volatility and a weakening of the national currency against the US dollar, which is complicated by the fall in oil prices to $73-74 per barrel. At the same time, the impact of local crises in US and Eurozone banks on the financial market of Uzbekistan is limited. The Group has no assets in US and Eurozone banks. As of the date of issue of these financial statements, the management of the Group does not observe the impact of these events on the Group, and the Group regularly conducts stress testing, which allows to predict the potential effect of such events on the financial position of the Group. According to the results of the latest stress testing, the margin of safety is sufficient and in the event of such scenarios, the Group's prudential standards will not be violated.

30 Abbreviations

The list of the abbreviations used in these consolidated financial statements is provided below:

Abbreviation	Full name
AC	Amortised Cost
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective interest rate
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX, Forex	Foreign Currency Exchange
IFRS	International Financial Reporting Standard
IRB system	Internal Risk-Based system
LGD	Loss Given Default
PD	Probability of Default
POCI financial assets	Purchased or Originated Credit-Impaired financial assets
ROU asset	Right of use asset
SICR	Significant Increase in Credit Risk
SME	Small and Medium-sized Enterprises
SPPI	Solely Payments of Principal and Interest
SPPI test	Assessment whether the financial instruments' cash flows represent Solely Payments of Principal and Interest