KAPITALBANK

JOINT-STOCK COMMERCIAL BANK KAPITALBANK
Financial Statements for the year ended December 31, 2020
and Independent Auditors' Report

Contents

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Joint-Stock Commercial Bank Kapitalbank (the "Bank"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan and we have fulfilled our other ethical responsibilities in accordance with this requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Measurement of expected credit losses ("ECL") on loans to customers

See Note 8 to the financial statements.

The key audit matter	How the matter was addressed in our audit
Loans to customers make up 65% of assets and are recognized net of ECL, which is regularly reviewed and sensitive to assumptions used.	We analyzed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including involvement of financial risks management specialists.
To estimate ECL the Bank's management needs to apply professional judgement and to make assumptions related to the following key areas:	To analyze the adequacy of professional judgement and assumptions made by the management in relation to allowance for ECL estimate, we performed the following audit procedures:
- Timely identification of significant increase in credit risk and default events related to loans to customers (Stages 1, 2 and 3 in accordance with the IFRS 9);	- For loans to corporate customers we tested the design and operating effectiveness of internal controls for timely classification of loans to Stages of credit risk; - For the sample of corporate loans, the potential change in ECL estimate on which may have a significant impact on the financial statements, we tested whether stages are correctly assigned by the Bank by analyzing financial and non-financial information on selected borrowers, as well as assumptions and professional judgments applied by the Bank.
- Estimate of probability of default (PD) and loss given default (LGD);	- For the selected loans to corporate customers, we checked the correctness of the original data used in the calculation of PD, LGD and EAD. - For loans to customers classified to Stages 1 and 2, for which the Bank assessed ECL on a collective basis, we tested the principles of appropriate models and reconciled the inputs of models to supporting documents on a sample basis.

- Expected cash flows forecast on loans to customers classified to Stage 3.	- For a sample of loans classified to Stage 3, where ECL allowances assessed on an individual basis, we critically assessed assumptions used by the Bank in calculating future cash flows forecasts, including estimated proceeds from realizable collaterals and their expected disposal terms, based on our understanding and publicly available market information. We focused on loans to customers which may potentially have the most significant impact on the financial statements. - In respect of loans to individuals, we have checked completeness and accuracy of the inputs used to calculate the ECL, the timely recognition of delinquencies and repayments in the respective systems and the allocation of loans by stages. On a sample basis, we compared the original model data with primary documents.
Due to the increased uncertainty in judgment and estimates resulting from COVID-19, there is an increased risk of material misstatement of the ECL allowance this year. Due to the significant volume of loans issued to customers, as well as the inherent uncertainty in estimating the ECL allowance, this issue is a key audit matter.	We have assessed the overall accuracy of the economic forecasts by comparing the Bank's forecasts with our own modeled forecasts. As part of this work, we critically examined the validity of the Bank's assumptions about the economic uncertainty associated with COVID-19. We have assessed the overall predictive power of the model and have verified that the disclosures in the financial statements adequately reflect the Bank's exposure to credit risk.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

Saidov S.K.
Engagement Director
General Director of
Audit organization "KPMG Audit" LLC

A.A. Kuznetsov
Engagement Partner

Qualification certificate of bank auditor #16/3 dated 1 February 2020, issued by the Central Bank of the Republic of Uzbekistan.

Audit organization "KPMG Audit" LLC
Tashkent, the Republic of Uzbekistan

21 May 2021

Joint-Stock Commercial Bank "Kapitalbank"

Statement of financial position as at December 31, 2020

(In thousands of USD)	Note	December 31, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents	6	133 281	106 778
Amounts due from credit institutions	7	17 636	46 167
Loans to customers	8	446 694	328 336
Investment securities at amortised cost	9	17 882	-
Assets held for sale	10	413	846
Investment financial assets		7	7
Property and equipment	11	60 850	68 567
Income tax prepayments		1 057	1 587
Intangible assets	11	7 287	1 486
Deferred tax assets	23	1 202	962
Other assets	12	1 912	10 143
TOTAL ASSETS		**688 221**	**564 879**
LIABILITIES			
Amounts due to credit institutions	13	18 950	10 688
Amounts due to customers	14	586 485	480 395
Finance lease liabilities	15	-	564
Other borrowed funds	16	11 105	15 121
Other liabilities	17	724	513
TOTAL LIABILITIES		**617 264**	**507 281**
EQUITY			
Share capital	18	49 480	47 671
Additional paid-in capital		5 847	187
Revaluation reserve for property and equipment		2 191	2 250
Retained earnings		107 312	95 269
Foreign currency translation reserve		(93 873)	(87 779)
TOTAL EQUITY		**70 957**	**57 598**
TOTAL LIABILITIES AND EQUITY		**688 221**	**564 879**

Approved and signed on behalf of the Bank's Management:

Mirzayev A.A.
The Chairman of the Management
Board of the Bank
May 21, 2021

Allayorova D.N.
Chief Accountant of the Bank

The accompanying notes are an integral part of these financial statements.

Joint-Stock Commercial Bank "Kapitalbank"

Statement of profit or loss and other comprehensive income for 2020

(In thousands of USD)	Note	2020	2019
Interest income calculated using the effective interest rate	19	56 787	51 956
Other interest income	19	112	1 074
Interest expenses	19	(30 590)	(28 267)
Net interest income		**26 309**	**24 763**
Charge for expected credit losses on loans to customers, due from credit institutions and cash and cash equivalents	6, 7, 8, 9	(6 351)	(7 427)
Net interest income after charge for expected credit losses on interest bearing assets		**19 958**	**17 336**
Fee and commission income	20	28 410	29 882
Fee and commission expense	20	(7 131)	(5 586)
Net foreign exchange gain	21	2 792	48
(Losses) gain arising from impairment of other financial assets and credit-related commitments, other provisions		(227)	89
Loss from revaluation of buildings		-	(3 612)
Other income		735	564
Personnel and other operating expenses	22	(29 297)	(26 837)
Profit before income tax expenses		**15 240**	**11 884**
Income tax expense	23	(3 256)	(2 579)
NET PROFIT FOR THE PERIOD		**11 984**	**9 305**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of buildings		-	2 020
Foreign currency translation reserve		(6 094)	(7 026)
Other comprehensive income, net of tax		**5 890**	**4 299**
Total comprehensive income for the period		**5 890**	**4 299**

Approved and signed on behalf of the Bank's Management:

Mirzayev A.A.

The Chairman of the Management Board of the Bank

Allayorova D.N.

Chief Accountant of the Bank

May 21, 2021

The notes are an integral part of these financial statements.

Joint-Stock Commercial Bank "Kapitalbank"

Statement of changes in equity for 2020

(In thousands of USD)	Share capital	Additional paid-in capital	Revaluation reserve for property and equipment	Retained earnings	Foreign currency translation reserve	Total equity
Balance as at January 1, 2019	**42 022**	**187**	**230**	**85 964**	**(80 753)**	**47 650**
Net profit for the period	-	-	-	9 305	-	9 305
Total items that will not be reclassified to profit or loss:						
Revaluation of buildings	-	-	2 020	-	-	2 020
Foreign currency translation reserve	-	-	-	-	(7 026)	(7 026)
Share issue	5 649	-	-	-	-	5 649
Balance as at December 31, 2019	**47 671**	**187**	**2 250**	**95 269**	**(87 779)**	**57 598**
Net profit for the period	-	-	-	11 984	-	11 984
Total items that will not be reclassified to profit or loss:						
Foreign currency translation reserve	-	-	-	-	(6 094)	(6 094)
Share issue	1 809	5 660			-	7 469
Transfer of revaluation reserve for property and equipment	-	-	(59)	59	-	-
Balance as at December 31, 2020	**49 480**	**5 847**	**2 191**	**107 312**	**(93 873)**	**70 957**

Approved and signed on behalf of the Bank's Management:

Mirzayev A.A.
The Chairman of the Management Board of the Bank

May 21, 2021

Allayorova D.N.
Chief Accountant of the Bank

The notes are an integral part of these financial statements.

(In thousands of USD)	**2020**	**2019**
Cash flows from operating activities		
Interest received	56 458	50 461
Interest paid	(30 059)	(27 697)
Fees and commissions received	28 824	30 125
Fees and commissions paid	(7 131)	(5 586)
Net receipts on foreign currency transactions	2 162	1 436
Other operating income received	583	563
Personnel expenses paid	(15 292)	(13 915)
Administrative and other operating expenses paid	(7 290)	(8 835)
Cash flows from operating activities before changes in operating assets and liabilities	**28 255**	**26 552**
Net decrease (increase) in:		
-Amounts due from credit institutions	25 100	15 772
-Loans to customers	(152 591)	(81 443)
- Assets held for sale	799	1 869
-Other assets	153	300
Net increase (decrease) in:		
-Amounts due to credit institutions	9 176	(7 399)
-Amounts due to customers	145 862	39 522
- Debt securities issued	-	(522)
-Other liabilities	(21)	(181)
Cash flows from (used in) operating activities before changes income tax paid	**56 733**	**(5 530)**
Income tax paid	(3 199)	(3 999)
Total net cash flows from operating activities	**53 534**	**(9 529)**
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(4 209)	(29 547)
Proceeds from disposal of property and equipment and intangible assets	1 652	1 283
Purchased investment securities	(18 342)	-
Total net cash flows used in investing activities	**(20 899)**	**(28 264)**

(In thousands of USD)	2020	2019
Cash flows from financing activities		
Proceeds from other borrowed funds	3 926	10 112
Repayment of other borrowed funds	(6 629)	(85)
Repayment of finance lease	(533)	(42)
Increase in share capital	7 468	5 649
Total net cash flows from financing activities	**4 232**	**15 634**
Effect of movements in exchange rates on cash and cash equivalents	1 010	1 066
Net increase (decrease) in cash and cash equivalents	**37 877**	**(21 093)**
Cash and cash equivalents at the beginning of the year	106 778	135 786
Effect of changes in expected credit losses on cash and cash equivalents	(5)	-
Effect of foreign currency translation reserve	(11 369)	(7 915)
Cash and cash equivalents at the end of the year	**133 281**	**106 778**

Approved and signed on behalf of the Bank's Management:

Mirzayev A.A.
The Chairman of the Management
Board of the Bank

May 21, 2021

Allayorova D.N.
Chief Accountant of the Bank

The notes are an integral part of these financial statements.

(in thousands of USD)

Notes to the financial statements

1 Introduction

Principal activities

Joint-Stock Commercial Bank "Kapitalbank" (hereinafter referred to as the "Bank") was established in the city of Tashkent, the Republic of Uzbekistan on May 15, 2000 in the form of a Private open joint- stock commercial bank in accordance with the legislation of the Republic of Uzbekistan.

The Bank is registered in the Republic of Uzbekistan for carrying out banking activities in accordance with the updated banking license No. 69 of October 21, 2017 issued by the Central Bank of the Republic of Uzbekistan (hereinafter referred to as the "CBU").

The main activity of the Bank is to carry out commercial banking operations, transactions with securities, foreign currency, provision of loans and guarantees. The Bank accepts deposits from the public and issues loans, makes payments on the territory of the Republic of Uzbekistan and abroad, as well as provides other banking services to legal entities and individuals.

As at December 31, 2020, the Bank carries out banking activities through the Head Office and has 15 branches, two bank services centers, as well as 24 mini-banks in the Republic of Uzbekistan (2019: 17 branches, two bank services centers and 23 mini-banks).

The legal and current address of the Bank's Head Office: 100047, Republic of Uzbekistan, Tashkent city, Sayilgoh street, 7.

The total number of the Bank's employees as at December 31, 2020 was 1 664 persons (2019: 1 619 persons).

The structure of the Bank's shareholders is presented in the following table:

Share (%)	**December 31, 2020**	**December 31, 2019**
Shareholders		
Legal entities		
Promadik Invest LLC	38.81	38.81
Continent Insurance LLC	19.88	19.88
Start Leasing LLC	14.11	14.11
Leasing Group LLC	5.83	5.83
Optima Invest LLC	2.20	2.20
Markaz yog LLC	0.23	0.23
SPRL East West Invest	-	-
Optima Leasing LLC	-	-
Total legal entities	**81.06**	**81.06**
Individuals		
Abdusamadov Makhsudchon Abduvalievich	9.87	9.87
Abdusamadov Ravshan Abduvalievich	9.07	9.07
Olimov Kakhramonjon Anvarovich	-	-
Golovanov Kirill Gennadyevich	-	-
Other individuals	0.00	0.00
Total individuals	**18.94**	**18.94**
Total	**100.00**	**100.00**

As at December 31, 2020, the total number of shareholders of the Bank was 8, of which 6 shareholders are legal entities and 2 shareholders are individuals, who own 163 928 486 shares. There were no changes in the structure of the Bank's shareholders during 2020. The Bank has no ultimate controlling party.

In September 2018, subsidiaries Delta Leasing LLC and Chicken Domain LLC were sold by the Bank to a third party. The contractual value of sale of the subsidiary Delta Leasing LLC is USD 697 thousand. As at December 31, 2020 the remaining amount receivable is USD 247 thousand and will be paid to the Bank within the next year.

Business environment

The Bank's operations are primarily located in the Republic of Uzbekistan. Consequently, the Bank is exposed to the economic and financial markets 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.

During 2019 significant reforms initiated by the President, within implementation of the *Strategy of Actions for the Further Development of the Republic of Uzbekistan in 2017 - 2021*, occurred in Uzbekistan. Recently, main limitations on currency conversion and mandatory sale of foreign currency received from export sales were cancelled, settlement period for export transactions was increased, unified system of state services have been introduced, and other positive changes are implemented.

The financial statements reflect the management's assessment of the impact of the business environment of the Republic of Uzbekistan on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

The Bank's financial position and operating results will be affected by political and economic changes in the Republic of Uzbekistan, including application of current and future legislation and tax regulations that have a significant impact on the financial markets of the Republic of Uzbekistan and economy as a whole. The Bank's management is unable to predict all changes that could affect the banking sector as a whole and the Bank's financial position in particular.

For 12 months 2020 the following key economic indicators are specific to Republic of Uzbekistan:

- Inflation: 11.1 % (2019: 15.2%);
- GDP growth 0.6% (2019: 5.7%);
- Refinancing rate of the CBU: 14.0% (2019: 16.0%)

On March 11, 2020, the World Health Organization announced that the spread of a new coronavirus infection has become a pandemic. In response to the potentially serious threat posed to public health by the COVID-19 virus, the state authorities of the Republic of Uzbekistan have taken measures to curb the spread of coronavirus infection, including the introduction of restrictions on crossing the borders of the Republic of Uzbekistan, restrictions on the entry of foreign citizens, as well as recommendations to enterprises on transfer of employees to remote work mode. During March 2020, local governments gradually introduced additional measures to ensure social distancing, including the closure of schools, higher education institutions, restaurants, cinemas, theaters, museums, and sports facilities. To ensure the sanitary and epidemiological well-being of the population, the Special Republican Commission introduced restrictive measures (quarantine) until August 1, 2020.

In April 2020, there was a significant decrease in business activity, primarily associated with restrictive measures and a deterioration in the situation on world markets. A partial suspension of production and a decrease in household incomes led to a decrease in aggregate demand in the economy.

The monetary policy of the Central Bank of Uzbekistan in 2020 was quite effective and did not allow the occurrence of structural deficits and surpluses in the liquidity market. The introduced money market mechanisms (REPO, SWAP, GSTB, etc.) made it possible to effectively control the level of liquidity and prevent the emergence of risks for the stability of the payment system

Based on publicly available information as of the date of approval of these financial statements, management has analyzed possible scenarios and the expected impact on the Bank and the economic environment in which the Bank operates, including measures already taken by the Government of the Republic of Uzbekistan, and is taking all necessary measures to minimize negative influence and ensuring the sustainability of the Bank's activities in the current circumstances.

In 2020, these events did not entail significant changes in the financial position of the Bank; their impact on profit, capital and asset quality is assessed by the Bank's management as insignificant. Management is in the process of assessing the future impact of these events on the Bank's operations in 2021.

To assess the impact of the economic downturn and the volatility of the Uzbek market on the quality of the Bank's loan portfolio, management analyzed the potential change in credit risk for on-balance sheet and off-balance sheet instruments exposed to credit risk in a stressful situation.

(in thousands of USD)

Based on the results of the analysis, taking into account the assumptions made by the category of loan quality, the availability of collateral and the industry sector of borrowers, according to management, the potential additional creation of reserves for possible losses in accordance with the Regulation of the Central Bank of Uzbekistan on commitments to extend loans and credit lines will generally not have a significant negative impact on the Bank's ability to comply with capital adequacy ratios and other regulatory indicators.

2 Basis of preparation

Statement of compliance

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

Several new standards and amendments came into force for annual periods beginning on or after January 1, 2020 and did not have a significant impact on the Bank's financial statements.

These financial statements are based on accounting records prepared according to the accounting legislation of the Republic of Uzbekistan, adjusted and reclassified to comply with IFRS.

The principles of accounting policies applied in the preparation of these financial statements are disclosed in Note 3. These policies have been consistently applied to all periods presented in the financial statements, unless otherwise stated.

Basis of measurement

The financial statements are prepared on the historical cost basis, except that buildings are stated at revalued amount.

Functional and presentation currency

The national currency of the Republic of Uzbekistan is Uzbek sum (hereinafter referred to as "UZS"), which is the Bank's functional currency. The Bank has prepared and issued the financial statements for the year ended December 31, 2020 in UZS on April 29, 2021.

At the request of the shareholders these financial statements and related disclosures of the Bank are presented in the United States dollar (hereinafter referred to as "USD").

All financial information presented in USD has been rounded to the (nearest) thousand, unless otherwise stated.

The assets and liabilities balances are translated to USD at the closing spot exchange rates at the date of respective statement of financial position.

The statement of profit or loss and other comprehensive income and the statement of cash flows translated to USD at the average exchange rate for the period.

Capital transactions and components of equity are translated into USD using the exchange rate at the date of the transaction.

Reclassification adjustments are translated into the presentation currency using the exchange rate at the date on which the gain or loss is reclassified from other comprehensive income to profit or loss with the effect of any difference between this rate and the historical rate included in retain earnings.

Resulting net exchange differences are recognized in other comprehensive income and are presented within the foreign currency translation reserve in equity.

The table below shows rates of the Uzbek sums used in relation to the US dollar and set by the CBU:

Date	2020	2019
Assets and liabilities (reporting date)	10 476.92	9 507.56
Income and expense (average exchange rate)	10 064.73	8 851.36

Use of estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

-classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3.

- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 4.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended December 31, 2020 is included in the following notes:

- impairment of loans to customers: establishing criteria for assessing whether there has been a significant increase in the credit risk of a financial asset since its initial recognition, determining a methodology for including forward-looking information in estimating expected credit losses, and selecting and approving the models used to estimate expected credit losses – Note 3, 4, 8.

- estimates of fair values of financial assets and liabilities – Note 27.

- estimates of fair values of property and equipment – Note 11.

Going concern

These financial statements reflect the management's assessment of those impacts that affect the Bank's operations and financial position. The future development of the economy of the Republic of Uzbekistan depends to a large extent on the effectiveness of measures taken by the Government of the Republic of Uzbekistan and other factors, including legislative and political events that are not controlled by the Bank. The Bank's management is not able to predict the consequences of the impact of these factors on the financial position in the future. These financial statements did not include adjustments related to this risk.

These financial statements were prepared under the assumption that the Bank is a going concern and will continue to operate for the foreseeable future.

In order to maintain the required level of liquidity, the Bank is able to attract additional funds in the interbank lending market. Diversification of liquidity sources allows minimizing the Bank's dependence on any source and ensuring full performance of its obligations. The Bank's accumulated current liquidity reserves and available sources of additional funds allow the Bank to continue to operate continuously in the long term.

Revaluation of property and equipment

The Bank estimates its buildings at fair value, with changes in fair value recognized in other comprehensive income (OCI). The Bank's management performed analysis of market fair value of buildings as at December 31, 2020. To determine the market value of buildings in Tashkent, comparative approach was used. The property was valued based on market data using comparable prices, adjusted for specific factors (technical data, location and condition of the property). For real estate in other regions, the income approach was used. This is due to the lack of market information on the sales market due to the absence of an active market for sales of comparable real estate.

The fair value of the properties was determined using the market comparison method. This means that the valuation is based on market transaction prices, substantially adjusted for differences in the nature, location, or condition of property. The fair value of real estate is based on estimates under IFRS 13 "Fair Value Measurement". A comparative analysis of the market value of similar buildings as at December 31, 2020 showed that prices on the market remained at the same level as compared to December 31, 2019 and there were no significant changes.

Taxation

Uzbek tax legislation is subject to varying interpretations and frequent changes. Management's interpretation of this legislation as applied to the operations and activities of the Bank may be challenged by the relevant local and state authorities. The tax authorities can take a more assertive position in the interpretation of legislation and in the verification of tax calculations. Therefore, tax authorities may challenge transactions and accounting methods that they did not dispute previously. As a result, significant additional taxes, penalties and interest may be assessed. Tax audits may cover five calendar years of activity immediately preceding the year of audit. Under certain conditions, earlier periods may be subject to audit. As at December 31, 2020, management of the Bank believes that it adheres to an adequate interpretation of the relevant legislation, and the Bank's tax position will be supported.

3 Significant accounting policies

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' measured at amortized cost is the amortized cost of a financial asset before adjusting for any expected loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.

However, for financial assets that became credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to a gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortized cost;
- interest on debt instruments measured at FVOCI.

Other interest income presented in the statement of profit or loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investments in finance leases.

Interest expenses presented in the statement of profit or loss and other comprehensive income include:

- Interest expenses on financial liabilities measured at amortized cost.

Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the remainder of the contract.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Financial assets and liabilities

Classification of financial instruments

Upon initial recognition, financial assets are classified as measured either at amortized cost or at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated by the Bank as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated by the Bank as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognized in other comprehensive income, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest income calculated using the effective interest method;
- expected credit losses (ECL) and their reversal; and
- foreign exchange gains or losses.

When a debt financial asset measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This choice is made for each investment separately.

For such equity instruments, profits and losses are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition the Bank may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – business model assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The following information is to be considered during the assessment:

-The stated policies and objectives for the portfolio and the operation of those policies in practice. This includes Management's strategy for earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of financial assets to the duration of liabilities that are funding those assets, or expected cash outflows, or realizing cash flows through the sale of assets.

-How the performance of the portfolio is evaluated and reported to the Bank's management;

-The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);

-The frequency, volume and timing of financial assets sales in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties under transactions that do not meet the criteria for derecognition are not considered as sales for this purpose, and the Bank continues to recognize such assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that the financial asset would not meet this condition. In making the assessment, the Bank considers:

– contingent events that would change the amount and timing of cash flows;

– conditions that may adjust the coupon rate provided by the contract, including variable rate terms;

– prepayment and extension terms; and

– terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

An early settlement feature is consistent with the SPPI criterion if the early settlement amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, early settlement feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the early settlement amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and fair value of the early settlement feature is insignificant at initial recognition.

Financial assets – subsequent measurement and gains and losses

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss for the period.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Investments in debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss for the period.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of a part of the investment cost. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss for the period.

Non-recourse loans

In some cases, the loans issued by the Bank, and secured by collateral by the borrower limit the Bank's claim to cash flows from the specified collateral (non-recourse loans). The Bank applies judgment when measuring compliance of non-recourse loans with SPPI criterion. When forming the judgment, the Bank generally analyzes the following:

- whether the relevant contract determines the specified amounts and terms for loan payments;
- fair value of pledged collateral regarding the financial asset pledged;
- borrower's ability or willingness to continue making the contractual payments, despite the cost decrease of pledged collateral;
- whether the borrower is an individual or an entity actually operating, or a special purpose entity;
- risk of loss on pledged financial asset on a limited recourse basis in comparison with the loan issued to the borrower on a full recourse basis;
- the extent to which the collateral represents all or a significant portion of the borrower's assets; and
- whether the Bank will gain benefit from an increase in cost of underlying asset(s).

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is classified as held for sale, is a derivative or it is designated by the entity at its own discretion as such upon initial recognition. Financial liabilities at FVTPL are measured at fair value, and net amounts of profit and loss, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Bank has bank loans with a fixed rate, giving the banks the right to change interest rates due to changes in the key rate of the CBU. The Bank has the right to prepay the loan at par without significant penalty. The Bank considers such instruments as in essence floating-rate instruments.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank assesses whether cash flows related to such modified asset significantly differ. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in the amount of cash flows related to existing financial assets or liabilities are not treated as modification if they arise from the current terms of the agreement, for example, changes of interest rates by the Bank due to the change of the key rate by the CBU, if the related loan agreement permits the Bank to change interest rates.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Bank performs quantitative and qualitative assessment of whether modification is significant analyzing qualitative factors, quantitative factors and the overall effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. Similarly, in performing this assessment the Bank acts in line with the requirements with regard to the derecognition of financial liabilities.

The Bank concludes that a modification is significant based on the following qualitative factors:

- change in the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of a financial asset that lead to non-compliance with the SPPI criterion (e.g. inclusion of conversion feature) (applicable from January 1, 2018).

If the modification of cash flows is related to financial difficulties of the borrower, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is caused by a financial distress of the borrower, the related profit or loss is presented in impairment losses. In other cases, the related profit or loss is presented in interest income calculated using the effective interest method.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Bank performs quantitative and qualitative assessment of whether modification is significant analyzing qualitative factors, quantitative factors and the overall effect of qualitative and quantitative factors. The Bank concludes that a modification is significant based on the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment 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 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Impairment

The Bank recognizes loss allowances for ECLs on:

-financial assets measured at amortized cost;

-debt investments in debt financial instruments at FVOCI.

-financial guarantees.

The Bank measures loss allowances at an amount equal to lifetime ECLs, except for the following, for which they are measured as 12-month ECLs:

-debt securities that are determined to have low credit risk at the reporting date; and

-other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and an analysis based on the Bank's historical experience and a reasonable credit assessment, including forward-looking information.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Bank considers a financial asset to be in default when:

-the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realization of collateral (if any is held); or

-the financial asset is more than 90 days past due.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Measurement of ECLs

ECLs are a default probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantees: as the present value of the expected payments to reimburse the holder's credit losses less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized, and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).

- If the expected restructuring results in the derecognition of the existing asset, then the expected fair value of the new asset is considered as the final cash flow from the existing asset at the time of its derecognition. This amount is included in the calculation of cash shortfalls under the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets recognized at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

In making the assessment for credit impairment of investments in government bonds (other financial assets), the debtor of which is the State, the Bank considers the following factors:

- market assessment of solvency as reflected in the bond's yield;
- assessments of solvency performed by rating agencies;
- the country's ability to access capital markets to issue new debt;
- probability of the debt restructuring leading to the holders suffering losses due to a voluntary or forced forgiveness of the debt;
- availability of international support mechanisms allowing to provide required support to such country as a "lender of last resort" and a publicly announced intent of state institutions and agencies to use such mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the

political intent, whether there is a capacity to fulfill the required criteria.

Presentation of allowance for ECL in the statement of financial position

Amounts of loss allowance for expected credit losses are presented in the statement of financial position in the following way:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantees: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECLs on the loan commitment component separately from those on the drawn component (loan issued): the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the expected credit loss allowance is disclosed and recognized in the revaluation reserve for changes in fair value.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on debt financial assets" in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities of the Bank in order to comply with the Bank's procedures for recovery of amounts due.

Loans to customers

The "Loans to customers" item of the statement of financial position includes loans to customers measured at amortized cost (see Note 8). They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

Investment financial assets

The item "Investment financial assets" in the statement of financial position includes debt investment securities measured at amortized cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

Fair value through profit or loss

- Trading assets are assets that are acquired by the Bank or arise principally for the purpose of selling or repurchasing in the near future or are part of a portfolio in which the assets are managed together for generating short-term profits. Trading assets are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss.

- Assets classified at the discretion of the Bank. Some investment securities are classified at the discretion of the Bank as at fair value through profit or loss with immediate recognition of changes in fair value in profit or loss.

Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued, and subordinated liabilities are initially measured at fair value minus related transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

When the Bank classifies a financial liability at its own discretion into the fair value through profit or loss measurement category, the amount of changes in the fair value of a financial liability caused by changes in its own credit risk under such liability is presented in other comprehensive income as a reserve for changes in the fair value of financial liabilities caused by changes in its own credit risk. On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with

- the impact on profit or loss of expected changes in fair value of the related instruments.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities on financial guarantee contracts or the commitments to loans extent, which were issued with a yield below market, are initially recognized at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The Bank has no loan commitments that are measured at FVTPL.

For other loan commitments:

- The Bank recognizes allowance for expected credit losses.

Liabilities arising from financial guarantees and loan commitments are included in provisions.

Cash and cash equivalents

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

Amounts due from credit institutions

In the normal course of business, the Bank maintains advances for various periods of time in credit institutions. Amounts due from other banks are not held for immediate or short-term sale and are recognized at amortized cost using the effective interest method if they have fixed maturity terms. Amounts without fixed maturity terms are recognized at amortized cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Mandatory cash balances with the CBU represent funds deposited with the CBU and not intended to finance current operations of the Bank. Mandatory cash balances with the CBU are included in amounts due from credit institutions for the purpose of preparing a statement of cash flows.

Amounts due to credit institutions are recorded when cash or other assets are advanced to the Bank by counterparty banks. These non-derivative financial liabilities are recognized at amortized cost.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Uzbekistan and of the cities in which the Bank's branches are located.

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

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

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

Property and equipment

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

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

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluation surplus is credited to other comprehensive income, except for the recovery amounts related to the previous decrease in the amount of this asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. In this case, the increase in asset cost is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, the amount included in revaluation reserve is transferred to retained earnings.

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

	Years
Buildings	33
Furniture and fixtures	6-7
Computers and office equipment	5-7
Vehicles	5

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, as appropriate, at each reporting year-end.

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

Intangible assets

Intangible assets include software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition. Subsequent to initial recognition, intangible assets are recognized at cost less accumulated amortization and any accumulated impairment losses. The useful life of an intangible asset is either finite or indefinite. Intangible assets with a finite useful life are amortized over their useful life and are analyzed for impairment if any indicators of a possible impairment exist. The useful life and amortization methods of intangible assets with indefinite useful lives are analyzed at least once per year, at the end of each reporting year.

	Years
Software	3-5

Transition to IFRS 16 Leases

The new accounting policies adopted by the Bank in connection with the application of IFRS 16 used from January 1, 2019.

The Bank recognizes right-of-use assets and lease liabilities in respect of leases previously classified as operating leases, except for short-term leases and leases where the underlying asset is of low value.

Right-of-use assets

The Bank recognizes right-of-use assets from the date of lease commencement (i.e. from the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment taking into account revaluation of lease liabilities. The value of the right-of-use assets includes the amount of the recognized lease liabilities and lease payments made at or before the commencement of the lease, any initial direct costs incurred by the lessee in connection with the conclusion of the lease agreement. The Bank does not apply materiality to the amount of initial direct costs incurred by the lessee. If it is not reasonably certain that the Bank will obtain ownership of the leased asset at the end of the lease term, recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term.

Lease liabilities

Upon inception of lease the Bank recognizes lease liability at the present value of lease payments to be made during the lease term. Lease payments include fixed payments (including substantive fixed payments) less incentive payments, variable lease payments based on an index or rate and amounts expected to be paid at the residual value guarantee, and termination penalties if the lease term reflects the lessee's potential exercise of the termination option. Variable lease payments that are not dependent on an index or rate are recognized as expenses in the period in which the event or condition giving rise to such payments occurs. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the inception of the lease if the interest rate implicit in the lease agreement cannot be easily determined. The amount of lease liabilities after the date of lease commencement is increased to reflect interest accrued and decreased to reflect lease payments made. In addition, the carrying amount of lease liabilities is revalued when the agreement is modified or the lease term is changed or the fixed lease payments are changed substantially or the value is changed for the purpose of obtaining the underlying asset.

Component Accounting

In relation to vehicles and office real estate lease agreements, simplifications of practical nature are applied, according to which the Bank does not separate components that are not leases from components that are leases, but instead takes into account each component of the lease and respective components that are not leases as one component of the lease, provided that under such agreements there are no embedded derivatives that meet the criteria of IFRS 9 clause 4.3.3.

The agreement may include the amount payable by the lessee for the activities and costs that do not transfer the goods or services to the lessee: administrative fees or other costs (e.g. property tax, insurance fees) that the lessor bears in connection with the lease that do not transfer the goods or services to the lessor. Such amounts payable do not constitute a separate component of the agreement, but are considered part of the total refund, which is allocated to the separately identified components of the agreement. The Bank assesses whether such payments are fixed (or substantive fixed) lease payments or variable lease payments.

Short-term leases and leases of low value assets

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

The Bank applies the exception for recognition of short-term leases to its short-term leases of premises, office equipment (i.e. leases expiring within 12 months from the date of initial application and not subject to a call option). The Bank also applies an exception for the recognition of low value assets to leases of premises, office equipment, which are considered as low value assets. Short-term lease payments and low value assets lease payments are recognized as expenses on a straight-line basis over the lease term and included into general and administrative expenses. The Bank excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Impairment of right-of-use assets

Right-of-use asset is subject to an assessment for impairment at the end of each reporting year.

IAS 36 is applied to determine whether the right-of-use asset is impaired. If there is an impairment, an impairment loss is recognized. Depreciation will then be charged to the revised carrying amount.

Amounts due to customers

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

Borrowings

Borrowings are non-derivative liabilities received from government and financial organizations and are carried at amortized cost.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only if there is a legally enforceable right to offset the reported amounts, as well as the intention either to offset, or simultaneously realize the asset and settle the liability.

Repossessed collateral

Repossessed collateral represents financial and non-financial assets received by the Bank when settling overdue loans. The assets are initially recognized at fair value when received and included in property and equipment or other non-financial assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

Prepayment

Prepayment is a non-financial asset that is initially measured at cost less accumulated impairment losses.

Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of future economic benefits will be required to settle the obligation which can be reliably estimated.

Share capital

Ordinary shares and non-redeemable preferred shares with rights to discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date, provided they have been declared on or before the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of shares outstanding during the reporting year.

Contingent assets and liabilities

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

Remuneration of employees and deductions to social insurance funds

On the territory of the Republic of Uzbekistan the Bank implements deductions for a single social tax. These deductions are also reflected on an accrual basis. The single social tax includes contributions to the Pension fund. The Bank does not have its own pension scheme. Salaries, contributions to the state Pension fund and social insurance fund, paid annual leave and sick leave, bonuses and non- monetary benefits are accrued as the services are provided by the Bank's employees.

Segment reporting

Operating segments are allocated on the basis of internal reports on the components of the Bank that are regularly checked by the chief executive officer responsible for making decisions on operating activities in order to allocate resources to the segments and evaluate the performance of their activities.

The Bank evaluates information on the reporting segments in accordance with IFRS. The reporting operating segment is allocated when one of the following quantitative requirements is met:

- its revenue from sales to external customers and from operations with other segments is at least 10 percent of total revenue - external and internal - of all operating segments; or
- the absolute profit or loss ratio is at least 10 percent of the largest of (i) the cumulative profit of all operating segments without a loss, and (ii) the cumulative loss of all operating segments with a loss; or

- its assets are at least 10 percent of the total assets of all operating segments;
- its assets and liabilities are at least 10 percent of total capital.

If the total revenue from external sales, represented by the operating segments, is less than 75 percent of the Bank's revenue, additional operating segments are allocated as reportable (even if they do not meet the quantitative criteria given above) until the reporting segments will include at least 75 percent of the Bank's revenues.

Foreign currency translation

The financial statements are presented in Uzbek sum, which is the Bank'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 recognized 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.

The difference between the contractual exchange rate for a transaction in foreign currency and the official exchange rate of the CBU at the date of the transaction is included in income less expenses for transactions in foreign currency.

4 Financial risk review

This Note presents information about the Bank's exposure to financial risks.

Credit risk - Amounts arising from ECL

Significant increase in credit risk

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. The assessment includes both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

Corporate exposure	All exposures (corporate and retail clients)
• Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.	• Payment record – this includes overdue status
• Data from credit reference agencies, press articles, changes in external credit ratings	• Utilization of the granted limit • Requests for and granting of forbearance
• Quoted bond and credit default swap (CDS) prices for the borrower where available	• Existing and forecast changes in business, financial and economic conditions.
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information received from external credit reference agencies is also used.

The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. The criterion of significance is different for different types of lending, in particular, for corporate clients and individuals.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due which is applicable to all segments except for accounts receivable, transactions with financial institutions and issuers of securities; 1 day – for transactions with banks and issuers of securities, 2 days – for transactions with other financial institutions. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

An increase in the credit risk may be considered significant if it is indicated by qualitative features associated with the Bank's credit risk management process, the effect of which cannot be fully detected in a timely manner as part of the quantitative analysis. This applies to those credit risk positions that meet certain high risk criteria, such as being on a watch list. The assessment of these qualitative factors is based on professional judgment and considering relevant past experience.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;

- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable.
- exposures are not generally transferred directly from 12-month ECL (Stage 1) measurement to credit-impaired (Stage 3).
- there is no unjustified volatility in loss allowance from transfers between 12-month ECL (Stage 1) and lifetime ECL measurements (Stage 2).

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative – e.g. breaches of covenants;
- quantitative – e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank 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 Bank uses expert judgment in assessment of forward-looking information. This assessment is also based on external information.

The Bank 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 forecasts were designated as the key factor. However, this analysis did not reveal a significant dependency of the portfolio default rate on GDP.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in Note 3.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects the comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3). A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are adjusted for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For loan commitments, the EAD comprises potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantee contracts, the EAD value is the amount payable at the time the financial guarantee is executed. For some financial assets, the EAD is determined by modeling the range of possible positions exposed to credit risk at various points in time using scenarios and statistical methods.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or financial guarantee.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and

(in thousands of USD)

- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. Examples of portfolios for which external benchmark information is used as a source for estimating expected credit losses are presented below.

	Exposure as at December 31, 2020	PD
Cash and cash equivalents	80 363	Moody's default statistics
Amounts due from credit institutions	17 591	
Investment financial assets	7	

5 Adoption of new or revised standards and interpretations

The following revised standards became mandatory for the Bank from January 1, 2020, but did not have a significant impact on the Bank:

• Base Interest Rate Reform - Amendments to IFRS 9, IFRS 7 (issued on September 26, 2019 and effective for annual periods beginning on or after January 1, 2020);

• Determination of Materiality - Amendments to IAS 1 and IAS 8 (issued on October 31, 2018 and effective for annual periods beginning on or after January 1, 2020);

• Definition of a Business - Amendments to IFRS 3 (issued on October 22, 2018, and effective for annual periods beginning on or after January 1, 2020).

A number of new standards and clarifications have been published that are mandatory for annual periods beginning on or after January 1, 2021, or after this date, and which the Bank has not yet early adopted.

The adoption of the following other new accounting policies is not expected to have a material impact on the Bank:

• Amendments to IAS 1: Classification of Liabilities as Current or Non-current (issued on July 15, 2020, and effective for annual periods beginning on or after January 1, 2023);

• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture (issued on September 11, 2014, and effective for annual periods beginning on to be determined by the IASB or after that date);

• "Interest Rate Reform" - Phase II amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on August 27, 2020, and effective for annual periods beginning on or after January 1, 2021).

The Bank is currently assessing the impact of the above standards on its financial statements.

(in thousands of USD)

6 Cash and cash equivalents

Cash and cash equivalents comprise:

(thousand USD)	December 31, 2020	December 31, 2019
Cash on hand	52 918	26 584
Current accounts with the CBU	73 607	49 276
Current accounts with other credit institutions	6 774	20 151
Term deposits with credit institutions up to 90 days	-	10 779
Allowance for ECL	(18)	(12)
Total cash and cash equivalents	**133 281**	**106 778**

As at December 31, 2020, balances on current accounts with the CBU in USD 10 460 thousand (2019: USD 149 thousand) and EUR 4 220 thousand (2019: EUR 2 930 thousand) equivalent to USD 5 150 thousand (2019: USD 3 274 thousand).

As at December 31, 2020, the Bank does not have term deposits with credit institutions placed for up to 90 days. (2019: USD 10 779 thousand, in one bank, at 5.5% per annum).

As at December 31, 2020, the Bank has no counterparties, except for the CBU, with balances exceeding 10% of the Bank's capital.

The table below shows movements in allowance for ECL, all cash balances belong to the 1st stage:

	2020		2019	
(thousand USD)	Stage 1	Total	Stage 1	Total
Balance as at January 1	**12**	**12**	**14**	**14**
Net charge/ (recovery) of allowance for ECL	8	8	-	-
Effect of translation to presentation currency USD	(2)	(2)	(2)	(2)
Balance as at December 31	**18**	**18**	**12**	**12**

The table below shows an analysis of cash and cash equivalents for credit quality as at December 31, 2020 and December 31, 2019:

(thousand USD)	December 31, 2020	December 31, 2019
Cash on hand	52 918	26 583
Nostro accounts with the CBU	73 607	49 276
Nostro accounts with other banks:		
Rated from AA+ to AA-	-	3
Rated from A+ to A-	1 465	9 955
Rated from BBB+ to BBB-	3 551	5 645
Rated from BB+ to BB-	171	212
Rated from B+ to B-	1 087	2 159
Not rated	500	2 178
Deposits with banks with an initial maturity of less than 90 days:		
Rated from A+ to A-	-	770
Rated from BB+ to BB-	-	10 009
Allowance for ECL	(18)	(12)
Total cash and cash equivalents	**133 281**	**106 778**

Counterparty ratings are based on Fitch, Moody's and Standard&Poor's rating systems.

(in thousands of USD)

7 Amounts due from credit institutions

Amounts due from credit institutions include the following items:

(thousand USD)	December 31, 2020	December 31, 2019
Deposits with banks:		
Mandatory reserve with the CBU	9 547	26 119
Term deposits with original maturity over 90 days	1 716	12 207
Restricted cash in relation to letters of credit and insurance deposits	6 420	7 897
Allowance for ECL	(47)	(56)
Total due from credit institutions	**17 636**	**46 167**

The table below shows movements in allowance for ECL, all balances in credit institutions belong to the 1st stage:

	2020		2019	
	Stage 1	Total	Stage 1	Total
Balance as at January 1	**56**	**56**	**61**	**61**
Net (recovery) charge of allowance for ECL	(4)	(4)	3	3
Effect of translation to presentation currency USD	(5)	(5)	(8)	(8)
Balance as at December 31	**47**	**47**	**56**	**56**

As at December 31, 2020, term deposits placed for more than 90 days amounted to USD 1 716 thousand (2019: USD 12 207 thousand), represented by term deposits placed in local and foreign banks at an interest rate of 4% per annum on foreign currency deposits, and at 10% and 17% per annum on UZS deposits (2019: 4% and 6% per annum on foreign currency deposits, and at 10% and 16% per annum on UZS deposits).

As at December 31, 2020 and 2019, the balance of the mandatory reserve in the CBU amounted to USD 9 547 thousand and USD 26 119 thousand, respectively. According to the legislation of the Republic of Uzbekistan, the Bank is obliged to deposit mandatory reserves in the CBU on an ongoing basis, for which no interest is accrued and which are part of the obligations of the Bank with a limited ability to use them.

As at December 31, 2020, restricted cash comprises balances on correspondent accounts with foreign banks placed by the Bank in respect of letters of credit and amounts to USD 3 010 thousand (2019: USD 7 897 thousand).

As at December 31, 2020, the Bank had cash balances of accounts and deposits with one bank (2019: one bank) that exceed 10% of the Bank's capital each. The total amount of the funds was USD 1 899 thousand (2019: USD 17 308 thousand).

Analysis by credit quality of amounts due from credit institutions as at December 31, 2020 and December 31, 2019 is as follows:

(thousand USD)	December 31, 2020	December 31, 2019
Deposits with banks:		
Deposits in the CBU	9 547	26 119
Rated from A1 to A3, Moody's	6 395	8 507
Rated from Ba1 to Ba3, Moody's	-	10 049
Rated from B1 to B3, Moody's	1 741	1 548
Allowance for ECL	(47)	(56)
Total due from credit institutions	**17 636**	**46 167**

(in thousands of USD)

8 Loans to customers

Loans to customers include the following items:

(thousand USD)	December 31, 2020	December 31, 2019
Loans to legal entities	336 426	241 114
Loans to individuals	119 435	96 299
Loans to state and municipal institutions	463	616
Loans to private entrepreneurs	6 579	1 718
Net investment in finance lease	131	339
Total loans to customers	**463 034**	**340 086**
ECL allowance	(16 340)	(11 750)
Total loans to customers less allowance for ECL	**446 694**	**328 336**

The Bank uses the following classification of loans by classes:

- Loans to legal entities - loans granted to customers with an organizational and legal form of ownership of joint-stock companies and limited liability companies;
- Loans to individuals - loans granted to individuals that include:
  - o Mortgage loans;
  - o Consumer loans;
  - o Education loans;
  - o Other.
- Loans to state and municipal institutions - loans granted to state-controlled customers;
- Loans to private entrepreneurs - loans granted to individual entrepreneurs;
- Net investment in finance lease - loans granted to legal entities that meet the definition of finance lease.

Below is an analysis of the changes in the allowance for expected credit losses.

			2020		
Loans to customers measured at amortised cost	**Stage 1** 12-month ECLs	**Stage 2** Lifetime ECLs for assets that are not credit-impaired	**Stage 3** Lifetime ECLs for assets that are credit-impaired	**Purchased or originated credit-impaired financial assets (POCI assets)**	**Total**
Balance as at January 1	**3 548**	**943**	**7 259**	**-**	**11 750**
Transfer from Stage 1	(164)	36	128	-	-
Transfer from Stage 2	8	(156)	149	-	-
Transfer from Stage 3	-	152	(152)	-	-
Net change in allowance for expected credit losses	(410)	1 854	4 247	320	6 011
New financial assets originated or purchased	3 317	-	-	-	3 317
Financial assets fully repaid	(1 139)	(278)	(1 610)	-	(3 027)
Write-offs	-	-	(1 147)	-	(1 147)
Unwinding of discount on present value of ECL	-	-	413	-	413
Changes in exchange rates and other changes	54	74	214	-	342
Effect of translation to presentation currency USD	(394)	(153)	(759)	(13)	(1 320)
Balance as at December 31	**4 820**	**2 472**	**8 741**	**307**	**16 340**

(in thousands of USD)

	2019				
Loans to customers measured at amortised cost	**Stage 1** 12-month ECLs	**Stage 2** Lifetime ECLs for assets that are not credit-impaired	**Stage 3** Lifetime ECLs for assets that are credit-impaired	**Purchased or originated credit-impaired financial assets (POCI assets)**	**Total**
Balance as at January 1	**3 703**	**494**	**3 388**	**-**	**7 585**
Transfer from Stage 1	(1 668)	311	1 357	-	-
Transfer from Stage 2	34	(93)	60	-	-
Transfer from Stage 3	-	463	(463)	-	-
Net change in allowance for expected credit losses	(362)	247	7 287	-	7 172
New financial assets originated or purchased	3 624	-	-	-	3 624
Financial assets fully repaid	(1 439)	(394)	(1 540)	-	(3 373)
Write-offs	-	-	(2 706)	-	(2 706)
Unwinding of discount on present value of ECL	-	-	342	-	342
Changes in exchange rates and other changes	132	14	268	-	414
Effect of translation to presentation currency USD	(477)	(98)	(734)	-	(1 309)
Balance as at December 31	**3 547**	**944**	**7 259**	**-**	**11 750**

The analysis of movements in gross carrying amount of loans is presented below:

	2020				
Loans to customers measured at amortised cost	**Stage 1** 12-months expected credit losses	**Stage 2** Lifetime expected credit losses for assets that are not credit impaired	**Stage 3** Lifetime expected credit losses for assets that are credit-impaired	**Purchased or originated credit-impaired financial assets (POCI assets)**	**Total**
Balance as at January 1	**312 169**	**7 578**	**19 127**	**1 212**	**340 086**
Transfer from Stage 1	(30 301)	24 086	6 215	-	-
Transfer from Stage 2	670	(2 056)	1 387	-	-
Transfer from Stage 3	-	767	(767)	-	-
New financial assets originated or purchased	281 951	-	-	-	281 951
Financial assets fully repaid	(101 857)	(1 756)	(4 655)	-	(108 268)
Other changes (effect of exchange rate, partial repayment)	(9 857)	(807)	(2 100)	-	(12 764)
Discount release on the present value of ECL	-	-	966	-	966
Write-offs	-	-	(1 147)	-	(1 147)
Effect of translation to presentation currency USD	(34 415)	(1 497)	(1 766)	(112)	(37 790)
Balance as at December 31	**418 360**	**26 314**	**17 260**	**1 100**	**463 034**

(in thousands of USD)

2019

Loans to customers measured at amortised cost	Stage 1 12-months expected credit losses	Stage 2 Lifetime expected credit losses for assets that are not credit impaired	Stage 3 Lifetime expected credit losses for assets that are credit-impaired	Purchased or originated credit-impaired financial assets (POCI assets)	Total
Balance as at January 1	**278 444**	**3 558**	**17 301**	**-**	**299 303**
Transfer from Stage 1	(20 588)	7 630	12 958	-	-
Transfer from Stage 2	314	(730)	416	-	-
Transfer from Stage 3	323	3 056	(3 379)	-	-
New financial assets originated or purchased	276 193	-	-	1 302	277 495
Financial assets fully repaid	(150 134)	(2 869)	(4 461)	-	(157 464)
Other changes (effect of exchange rate, partial repayment)	(33 139)	(2 301)	699	-	(34 741)
Discount release on the present value of ECL	-	-	718	-	718
Write-offs	-	-	(2 706)	-	(2 706)
Effect of translation to presentation currency USD	(39 243)	(768)	(2 418)	(90)	(42 519)
Balance as at December 31	**312 170**	**7 576**	**19 128**	**1 212**	**340 086**

The structure of the loan portfolio by types of customers is as follows:

	December 31, 2020	December 31, 2019
Industrial production	126 666	106 721
Individuals	119 435	96 299
Trade and services	84 247	71 165
Financial services	43 681	25 618
Agriculture	15 380	13 404
Construction	19 327	7 967
Textile industry	833	4 961
Transport and communications	15 727	9 535
Other sectors	37 738	4 416
Total loans to customers	**463 034**	**340 086**

(in thousands of USD)

As at December 31, 2020 and 2019, all loans were provided to companies operating in the Republic of Uzbekistan. The following table provides information on collateral:

December 31, 2020	Gross carrying amount of loans to customers	Fair value of collateral - for collateral estimated as at the reporting date	Fair value at the date of recognition/Fair value is not determined
Loans which are not credit-impaired			
Real estate	275 018	-	275 018
Vehicles	87 816	-	87 816
Insurance policies	37 182	-	37 182
Equipment	24 548	-	24 548
Guarantees and sureties	13 916	-	13 916
Goods in turnover	1 955	-	1 955
Guarantee deposits	1 177	-	1 177
Other collateral	3 020	-	3 020
Total loans which are not credit-impaired	**444 632**	**-**	**444 632**
Credit-impaired loans			
Real estate	14 166	14 166	-
Vehicles	687	687	-
Insurance policies	3 434	3 434	-
Guarantees and sureties	165	165	-
Guarantee deposits	1	1	-
Other collateral	5	-	5
Total credit-impaired loans	**18 458**	**18 453**	**5**

(in thousands of USD)

December 31, 2019	Gross carrying amount of loans to customers	Fair value of collateral - for collateral estimated as at the reporting date	Fair value at the date of recognition/ Fair value is not determined
Loans which are not credit-impaired			
Real estate	151 987	-	151 987
Vehicles	46 299	-	46 299
Insurance policies	56 236	-	56 236
Equipment	27 519	-	27 519
Guarantees and sureties	23 832	-	23 832
Goods in turnover	8 884	-	8 884
Guarantee deposits	3 253	-	3 253
Securities	26	-	26
Other collateral	1 711	-	1 711
Total loans which are not credit-impaired	**319 747**	**-**	**319 747**
Credit-impaired loans	-	-	-
Real estate	6 459	6 459	-
Vehicles	920	920	-
Insurance policies	1 892	1 892	-
Equipment	8 725	-	8 725
Guarantees and sureties	1 650	1 650	-
Goods in turnover	249	-	249
Guarantee deposits	5	5	-
Securities	439	439	-
Total credit-impaired loans	**20 339**	**11 365**	**8 974**

The collateral value may differ from the fair value of collateral.

The tables above exclude overcollateralization.

As at December 31, 2020, the concentration of loans issued by the Bank to the ten largest independent borrowers was USD 55 138 thousand (12% of the total loan portfolio) (2019: USD 63 720 thousand, 19% of the total loan portfolio).

Net investment in finance lease is as follows:

(thousand USD)	December 31, 2020	December 31, 2019
Gross investments in finance lease	317	822
Unearned financial income of future periods under finance leases	(186)	(483)
Net investment in the finance lease	**131**	**339**

The interest rate under finance leases is fixed at the date of conclusion of the contract for the entire lease period. The following table provides information on the maturity of gross and net investment in finance lease as at December 31, 2020:

(thousand USD)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Gross investments in finance lease	13	89	215	317
Unearned financial income of future periods under finance leases	(3)	(30)	(153)	(186)
Net investment in the finance lease	**10**	**59**	**62**	**131**

(in thousands of USD)

The following table provides information on the maturity of gross and net investment in finance lease as at December 31, 2019:

	Less than 1 year	From 1 to 5 years	Over 5 years	Total
Gross investments in finance lease	35	230	557	822
Unearned financial income of future periods under finance leases	(9)	(78)	(396)	(483)
Net investment in the finance lease	**26**	**152**	**161**	**339**

Credit quality of loan portfolio

The following table contains information about the quality of the loan portfolio before allowance for ECL as at December 31, 2020 and December 31, 2019:

The credit quality analysis presented in the tables below is based on the scale of credit quality of borrowers developed by the Bank:

- "Low credit risk" - assets with low probability of default by counterparties that have high ability to fulfill their financial obligations in time;
- "Moderate credit risk" – assets, counterparties to which have a moderate probability of default, demonstrate an average ability to meet financial obligations in a timely manner and require more careful attention at the monitoring stage;
- "High credit risk" - assets with higher probability of default by counterparties that require particular attention during the monitoring.
- "Distressed assets" - assets which meet the definition of default under the impairment indicators.

December 31, 2020

(thousand USD)	**Stage 1** 12-month ECL	**Stage 2** Lifetime expected credit losses for assets that are not credit-impaired.	**Stage 3** Lifetime expected credit losses for assets that are credit-impaired	**Total**
Loans to customers at amortised cost – Corporate customers				
Low credit risk	145 933	-	-	145 933
Moderate credit risk	10 679	-	-	10 679
High credit risk	-	3 712	-	3 712
Distressed assets	-	-	13 614	13 614
Total	**156 612**	**3 712**	**13 614**	**173 938**
Allowance for ECL	**(1 910)**	**(483)**	**(6 022)**	**(8 415)**
Carrying amount	**154 702**	**3 229**	**7 592**	**165 523**

December 31, 2019

(thousand USD)	**Stage 1** 12-month ECL	**Stage 2** Lifetime expected credit losses for assets that are not credit-impaired.	**Stage 3** Lifetime expected credit losses for assets that are credit-impaired	**Total**
Loans to customers at amortised cost – Corporate customers				
Low credit risk	93 345	-	-	93 345
Moderate credit risk	12 461	-	-	12 461
High credit risk	-	2 262	-	2 262
Distressed assets	-	-	11 739	11 739
Total	**105 806**	**2 262**	**11 739**	**119 807**
Allowance for ECL	**(1 344)**	**(379)**	**(3 253)**	**(4 976)**
Carrying amount	**104 462**	**1 883**	**8 486**	**114 831**

(in thousands of USD)

December 31, 2020

(thousand USD)	**Stage 1** 12-month ECL	**Stage 2** Lifetime expected credit losses for assets that are not credit-impaired.	**Stage 3** Lifetime expected credit losses for assets that are credit-impaired	**Total**
Loans to customers at amortised cost – SME				
Not overdue	145 684	12 795	255	158 734
Overdue less than 30 days	426	-	1	427
Overdue 30-90 days	-	1 395	-	1 395
Overdue 91-180 days	-	-	35	35
Overdue 181-360 days	-	-	113	113
Overdue more than 360 days	-	-	460	460
Total	**146 110**	**14 190**	**864**	**161 164**
Allowance for ECL	**(2 124)**	**(1 589)**	**(674)**	**(4 387)**
Carrying amount	**143 986**	**12 601**	**190**	**156 777**

December 31, 2019

(thousand USD)	**Stage 1** 12-month ECL	**Stage 2** Lifetime expected credit losses for assets that are not credit-impaired.	**Stage 3** Lifetime expected credit losses for assets that are credit-impaired	**Total**
Loans to customers at amortized cost – SME				
Not overdue	112 068	2 089	4 882	119 039
Overdue less than 30 days	31	338	49	418
Overdue 30-90 days	-	1 520	100	1 620
Overdue 91-180 days	-	-	1 965	1 965
Overdue 181-360 days	-	-	397	397
Overdue more than 360 days	-	-	543	543
Total	**112 099**	**3 947**	**7 936**	**123 982**
Allowance for ECL	**(1 619)**	**(491)**	**(3 790)**	**(5 900)**
Carrying amount	**110 480**	**3 456**	**4 146**	**118 082**

December 31, 2020

(thousand USD)	**Stage 1** 12-month ECL	**Stage 2** Lifetime expected credit losses for assets that are not credit-impaired.	**Stage 3** Lifetime expected credit losses for assets that are credit-impaired	**Total**
Loans to customers at amortized cost – individuals				
Not overdue	110 850	-	12	110 862
Overdue less than 30 days	4 788	-	-	4 788
Overdue 30-90 days	-	8 413	0	8 413
Overdue 91-180 days	-	-	2 849	2 849
Overdue 181-360 days	-	-	677	677
Overdue more than 360 days	-	-	343	343
Total	**115 638**	**8 413**	**3 881**	**127 932**
Allowance for ECL	**(786)**	**(399)**	**(2 353)**	**(3 538)**
Carrying amount	**114 852**	**8 014**	**1 528**	**124 394**

(in thousands of USD)

December 31, 2019

(thousand USD)	Stage 1 12-month ECL	Stage 2 Lifetime expected credit losses for assets that are not credit-impaired.	Stage 3 Lifetime expected credit losses for assets that are credit-impaired	Total
Loans to customers at amortized cost – individuals				
Not overdue	94 218	92	319	94 629
Overdue less than 30 days	3	840	97	940
Overdue 30-90 days	44	438	98	580
Overdue 91-180 days	-	-	114	114
Overdue 181-360 days	-	-	37	37
Overdue more than 360 days	-	-	-	-
Total	**94 265**	**1 370**	**665**	**96 300**
Allowance for ECL	**(585)**	**(73)**	**(216)**	**(874)**
Carrying amount	**93 680**	**1 297**	**449**	**95 426**

Changes in assumption for calculation of allowance for ECL

Changes in these estimates may affect impairment allowance of loans to corporate customers, loans to SME and loans to individuals. For example, an increase/decrease in net present value of expected cash flows by one percent will result in decrease/increase in the amount of allowance for ECL on loans to corporate clients as at December 31, 2020 by USD 1 666 thousand (2019: USD 1 148 thousand), decrease/increase in the amount of allowance for ECL on loans to SME by USD 1 568 thousand (2019: USD 1 181 thousand) and decrease/increase in the amount of allowance for ECL on loans to individuals by USD 1 232 thousand (2019: USD 954 thousand).

9 Investment securities measured at amortised cost

The Bank's debt securities are as follows:

(thousand USD)	December 31, 2020	December 31, 2019
Government bonds	143	-
CBU bonds	17 783	-
Allowance for ECL	(44)	-
Total investment securities measured at amortised cost	**17 882**	**-**

In 2020, the Bank actively participated in auctions for the placement of government securities (bonds) held by the Central Bank in conjunction with the Ministry of Finance. The terms of the bonds are 5, 6, 9, 12, 24 months, the interest rates range from 14% to 16%.

10 Assets held for sale

The Bank's assets accounted for as held for sale are as follows:

(thousand USD)	December 31, 2020	December 31, 2019
Other property	413	846
Total assets held for sale	**413**	**846**

As at December 31, 2020, and December 31, 2019, other property is represented by buildings (collateral for loans to customers) acquired through the transfer of ownership to the Bank by a court decision or by amicable agreement. The property held as at December 31, 2019 in the amount of USD 846 thousand was sold during 2020.

(in thousands of USD)

11 Property, equipment and intangible assets

The movements in property, equipment and intangible assets as at December 31, 2020 are as follows:

(thousand USD)	Buildings and other structures	Furniture and equipment	Vehicles	ATMs, infokiosks, terminals	Total property and equipment	Assets under development	Intangible assets
Carrying amount at December 31, 2019	**22 827**	**13 642**	**2 014**	**23 187**	**61 670**	**6 897**	**1 486**
Cost							
Balance as at January 1, 2020	22 827	18 659	2 391	24 567	68 445	6 897	2 293
Additions	319	162	-	10 308	10 790	-	858
Disposal	-	(129)	(32)	(2 710)	(2 871)	-	-
Transfer	-	-	-	-	-	(6 515)	6 515
Effect of translation to presentation currency USD	(2 123)	(1 728)	(220)	(2 572)	(6 644)	(382)	(502)
Balance as at December 31, 2020	**21 023**	**16 965**	**2 139**	**29 593**	**69 720**	**-**	**9 164**
Accumulated depreciation							
Balance as at January 1, 2020	-	6 382	378	15	6 775	-	807
Accrued depreciation and amortisation	656	734	238	3 115	4 742	-	1 192
Disposal	-	(111)	(30)	(1 768)	(1 909)	-	-
Effect of translation to presentation currency USD	(26)	(615)	(43)	(54)	(738)	-	(122)
Balance at December 31, 2020	**630**	**6 390**	**542**	**1 307**	**8 870**	**-**	**1 877**
Carrying amount at December 31, 2020	**20 393**	**10 575**	**1 597**	**28 285**	**60 850**	**-**	**7 287**

(in thousands of USD)

The movements in property, equipment and intangible assets as at December 31, 2019 are as follows:

(thousand USD)	**Buildings and other structures**	**Furniture and equipment**	**Vehicles**	**ATMs, infokiosks, terminals**	**Total property and equipment**	**Assets under development**	**Intangible assets**
Carrying amount at December 31, 2018	**24 245**	**3 995**	**80**	**20 890**	**49 211**	**7 863**	**1 038**
Cost							
Balance as at January 1, 2019	25 047	9 272	363	20 908	55 590	7 863	1 038
Additions	4 590	11 379	2 287	7 011	25 268	-	919
Disposal	(1 104)	(73)	(60)	(322)	(1 559)	-	-
Write-off of accrued depreciation	(1 476)	-	-	-	(1 476)	-	-
Revaluation	(1 088)	-	-	-	(1 088)	-	-
Effect of translation to presentation currency USD	(3 141)	(1 919)	(198)	(3 030)	(8 288)	(966)	(265)
Balance as at December 31, 2019	**22 828**	**18 659**	**2 391**	**24 567**	**68 445**	**6 897**	**2 293**
Accumulated depreciation							
Balance as at January 1, 2019	802	5 277	282	17	6 378	-	601
Accrued depreciation and amortisation	763	489	176	1 466	2 894	-	301
Disposal	(42)	(72)	(36)	-	(150)	-	-
Write-off of accrued depreciation	(1 476)	-	-	-	(1 476)	-	-
Effect of translation to presentation currency USD	(46)	(677)	(44)	(103)	(870)	-	(95)
Balance at December 31, 2019	**-**	**5 017**	**378**	**1 380**	**6 775**	**-**	**807**
Carrying amount at December 31, 2019	**22 828**	**13 642**	**2 013**	**23 187**	**61 670**	**6 897**	**1 486**

As at December 31, 2020 and December 31, 2019, valuation of fair value of buildings was carried out. The fair value of buildings was classified to Level 3 of the fair value hierarchy.

The measurement was performed using comparative and income approaches (direct capitalization method). Cost plus approach was not applied for valuation of real estate objects.
Application of comparative approach was based on the comparative analysis of market prices for offers of similar real estate objects (separate buildings and built-in premises). The cost of property and equipment was adjusted by main price-forming factors: depending on the status of the town, location in the town, size, technical condition, bargain discount, location at the building line, floor, availability of a separate entrance.
For direct income capitalization method, the following assumptions were used:
- rental rates used by the appraiser were calculated based on the analysis of rental rates (rental offers) for comparative objects;
- when calculating the potential gross income, the total area of the premises was used as a typical indicator for the analyzed local non-residential real estate markets;
- the amount of average market rental rate that was used within the income approach, takes into account the number of population and the degree of development of the commercial real estate market in the towns where the valuation objects are situated, and varies as follows:
- USD 0.3 thousand – average market rental rate for offices of A, B classes in regional areas;
- USD 1.26 thousand - average market rental rate for offices of A, B classes in Tashkent.

For comparative method as at December 31, 2019 the following assumptions were used:

-Average price per sq. m. is USD 0.35 thousand.

The increase/decrease in assumptions used by five percent will result in increase/decrease in cost of buildings by USD 1 020 thousand as at December 31, 2020.

(in thousands of USD)

If the buildings had been recognised at historical costs, the carrying amount would have been as follows:

	December 31, 2020	December 31, 2019
Actual costs	19 005	20 605
Accumulated depreciation	(1 506)	(1 041)
Net historical cost	**17 499**	**19 564**

Addition to intangible assets is represented by ABS B2 software developed by SIES INTEGRA LLC. The implementation process was launched in 2017 and as at December 31, 2020, the system was fully commissioned, and the Bank conducts all operations for servicing individuals using this program. By the end of 2021, it is planned to finalize the functionality of ABS B2 and transfer all corporate clients and their operations to this system. The amortisation period for the ABS B2 software is set at 5 years.

12 Other assets

Other assets include the following items:

(thousand USD)	December 31, 2020	December 31, 2019
Other financial assets		
Accumulated commission and other receivables	77	117
Other financial assets	4	9
Allowance for ECL	(8)	(4)
Total other financial assets	**73**	**122**
Other non-financial assets		
Prepayment for equipment and goods	1 632	9 674
Advance payment for services	106	275
Settlements with employees	-	9
Other	101	63
Total other non-financial assets	**1 839**	**10 021**
Total other assets	**1 912**	**10 143**

The below tables present the analysis of movements in allowance for ECL for other assets:

December 31, 2020

(thousand USD)	**Stage 1** 12-month ECL	**Stage 2** Lifetime expected credit losses for assets that are not credit-impaired.	**Stage 3** Lifetime expected credit losses for assets that are credit-impaired	**Total**
Allowance for ECL as at the beginning of the period	-	-	4	4
Net charge of allowance for ECL			5	5
Effect of translation to presentation currency USD	-	-	(1)	(1)
Allowance for ECL as at the end of the period	-	-	8	8

December 31, 2019

(thousand USD)	**Stage 1** 12-month ECL	**Stage 2** Lifetime expected credit losses for assets that are not credit-impaired.	**Stage 3** Lifetime expected credit losses for assets that are credit-impaired	**Total**
Allowance for ECL as at the beginning of the period	2	0	122	124
Net reversal of allowance for ECL	(2)	(0)	(111)	(113)
Effect of translation to presentation currency USD	(0)	(0)	(7)	(7)
Allowance for ECL as at the end of the period	-	-	4	4

(in thousands of USD)

13 Amounts due to credit institutions

Amounts due to credit institutions include the following:

(thousand USD)	December 31, 2020	December 31, 2019
Funds payable to foreign banks	13 535	4 145
Loans and borrowings	4 460	5 507
Current accounts	837	527
Funds due to the CBU	118	509
Total amounts due to credit institutions	**18 950**	**10 688**

As at December 31, 2020, the Bank has no balances exceeding 10% of the Bank's capital, similar to the previous reporting period.

As at December 31, 2020, funds from CBU include short-term loan from CBU in the amount of USD 118 thousand (2019: USD 509 thousand) and no accrued interests (2019: USD 0.03 thousand).

The following table shows information on loans and borrowings from credit institutions:

(thousand USD)	December 31, 2020	December 31, 2019
Ipoteka-Bank AKIB	3 235	4 596
Agrobank AKB	318	911
AKA Ausfuhrkredit- Gesellschaft	907	-
Total loans and borrowings	**4 460**	**5 507**

Ipoteka-Bank AKIB

On March 19, 2019, the Bank signed an agreement with Ipoteka-Bank AKIB on receiving credit facility in national currency in the total amount not exceeding USD 5 412 thousand with maturity of 7 years. The annual interest rate on the loan is 5% per annum. The purpose of the loan is the sub-lending to small businesses and private entrepreneurship under the state program "Every Family Is an Entrepreneur".

Agrobank AKB

On August 2, 2018, the Bank signed an agreement with Agrobank AKB on receiving credit facility in national currency in the total amount not exceeding USD 1 365 thousand with maturity of 3 years. The annual interest rate on the loan is 3% per annum. The purpose of the loan is the sub-lending to small businesses and private entrepreneurship under the state programme "Every Family Is an Entrepreneur".

AKA Ausfuhrkredit- Gesellschaft mbH

The bank signed an agreement dated July 20, 2020 to open a credit line with AKA Ausfuhrkredit-Gesellschaft mbH on obtaining a credit line within the limit of USD 1 million. A loan was received in the amount of 741 583.89 euros for a period of 5 years until January 29, 2025. The annual interest rate on the credit line is EURIBOR + 1.65% per annum. The purpose of the loan is to finance export contracts.

The above-mentioned loans were provided to the Bank to finance state programs for the development of entrepreneurship in the framework of the orders of the Government. The contractual interest rates on these loans are below the market average. Due to the direct use of the borrowed funds for the issuance of loans, management believes that the contractual rates set for the loans are market rates.

(in thousands of USD)

14 Amounts due to customers

Amounts due to customers comprise:

(thousand USD)	December 31, 2020	December 31, 2019
Legal entities		
Demand deposits	165 576	142 269
Term deposits	144 078	81 127
Individuals		
Demand deposits	62 062	48 951
Term deposits	214 769	208 048
Total customer accounts	**586 485**	**480 395**

In accordance with the legislation of the Republic of Uzbekistan, the Bank is obliged to repay the deposit amount at the first request of the depositor-individual. In cases where a term deposit is returned to the depositor upon request before the expiry of the term, interest on the deposit is not paid or paid at a significantly lower interest rate, depending on the terms of agreement.

As at December 31, 2020, the Bank had eight customers with the total amount exceeding 10% of the Bank's equity. The total balance on the accounts of eight counterparties (2019: three counterparties) amounted to USD 83 957 thousand (2019: USD 34 099 thousand) or 14.3% (2019: 7.1%) of the total amount of funds of the Bank's customers.

The accounts of the following customer categories are included in amounts due to customers:

(thousand USD)	December 31, 2020	December 31, 2019
Corporate customers	288 820	199 409
Individuals	276 831	256 999
State and budget organizations	20 834	23 987
Total customer accounts	586 485	480 395

The breakdown of amounts due to customers by industries is provided below:

(thousand USD)	December 31, 2020	December 31, 2019
Individuals	276 831	256 999
Trade and other services	86 827	70 656
Manufacturing	79 353	77 527
Transport and telecommunications	37 178	28 949
Construction	17 428	15 571
Social funds	13 106	586
Investments in financial sector	10 286	1 220
Agriculture and food industry	2 269	2 358
Insurance	169	2 214
Other	63 038	24 315
Total customer accounts	**586 485**	**480 395**

15 Finance lease liabilities

As at December 31, 2019, the Bank has a transaction on finance leaseback of buildings for total amount of USD 564 thousand at 20% per annum. In May 2020, this obligation was fully extinguished.

Finance lease liabilities as at December 31, 2020 and December 31, 2019 are as follows:

December 31, 2020	Up to 1 year	From 1 to 5 years	Total
Minimum lease payments	-	-	-
Deferred finance expenses	-	-	-
Net finance lease liabilities	**-**	**-**	**-**

December 31, 2019	Up to 1 year	From 1 to 5 years	Total
Minimum lease payments	114	693	807
Deferred finance expenses	(19)	(224)	(243)
Net finance lease liabilities	**95**	**470**	**564**

16 Other borrowed funds

(thousand USD)	December 31, 2020	December 31, 2019
Subordinated loan	5 113	9 836
Long-term loans from non-banking financial institutions	5 992	5 170
Long-term loans payable to the government (for lending to low-income groups of population)	-	115
Total other borrowed funds	**11 105**	**15 121**

Subordinated debt is presented by long term loan from 9 different counterparties (2019: from 9 different counterparties) in the amount of USD 5 113 thousand (2019: USD 9 836 thousand) at an interest rate on loans received in UZS at 14% -18% per annum, on loans received in USD at 5% per annum (2019: 5% per annum).

As at December 31, 2020, the Bank received long-term interest-free loans from the Fund for Financing State Development Programs and the Ministry of Finance of the Republic of Uzbekistan (2019: the Fund for Financing State Development Programs) in the amount of USD 5 992 thousand (2019: USD 5 170 thousand) for the Bank to participate in the state programs for financing the construction of new and reconstruction of the existing preschool educational institutions.

As at December 31, 2020, all other borrowed funds were received in UZS and USD (December 31, 2019: in UZS and USD).

16 (a) Reconciliation of movements in other borrowed funds and cash flows from financing activities

		Cash flows			Non-cash flows		
(thousand USD)	December 31, 2019	Proceeds from borrowings	Repayment of borrowings	Interest paid	Interest accrued	Effect of translation to presentation currency USD	December 31, 2020
Other borrowed funds	15 121	3 926	(6 629)	(969)	904	(1 248)	11 105

		Cash flows			Non-cash flows		
(thousand USD)	December 31, 2018	Proceeds from borrowings	Repayment of borrowings	Interest paid	Interest accrued	Effect of translation to presentation currency USD	December 31, 2019
Other borrowed funds	6 583	10 112	(85)	(1 035)	1 042	(1 496)	15 121

(in thousands of USD)

17 Other liabilities

Other liabilities comprise the following:

(thousand USD)	December 31, 2020	December 31, 2019
Other financial liabilities		
Accounts payable for services received	121	153
Settlements with employees	184	130
Other financial liabilities	12	24
Other financial liabilities	**317**	**307**
Other non-financial liabilities		
Other non-financial liabilities	75	76
Allowance for ECL for off-balance sheet commitments	332	130
Other non-financial liabilities	**407**	**206**
Total other liabilities	**724**	**513**

18 Share capital

The table below shows movements of issued, fully paid and outstanding shares:

	Number of shares, units	Nominal value for 100 units, USD	Total cost, USD thousand	Total, adjusted for inflation
Balance as at January 1, 2019	**111 296 900**	**37.76**	**42 022**	**42 022**
Increase	52 631 586	10.73	4 649	4 649
Balance as at December 31, 2019	**163 928 486**	**29.08**	**47 671**	**47 671**
Increase	19 164 208	9.44	1 809	1 809
Balance as at December 31, 2020	**183 092 694**	**27.02**	**49 480**	**49 480**

As at December 31, 2020, the total number of authorized preferred shares is 19 164 208, the number of ordinary shares is unchanged compared to 2019; the par value of each share of both types is UZS 950. All declared shares have been issued and fully paid.
In accordance with the legislation of the Republic of Uzbekistan, only accumulated retained earnings according to the financial statements of the Bank prepared in accordance with the national accounting standards can be distributed as dividends among the shareholders of the Bank. The share capital of the Bank was formed from the contributions of the shareholders, and the shareholders have the right to receive dividends denominated in UZS. The additional paid-in capital is the amount of the share premium, by which the contributions to the capital exceeded the nominal value of the issued shares.

No dividends were declared for 2019 and 2020.

Payment of dividends and other distribution of profits are carried out on the basis of the net profit of the current year according to the financial statements prepared in accordance with the legislation of the Republic of Uzbekistan. According to the Bank's financial statements submitted to the Central Bank of the Republic of Uzbekistan at the request of the legislation of the Republic of Uzbekistan for the year ended December 31, 2020, the net profit is USD 11 448 thousand (unaudited).

(in thousands of USD)

19 Net interest income

(thousand USD)	2020	2019
Interest income calculated using the effective interest rate		
Loans to customers	54 095	50 715
Investment securities	2 200	-
Amounts due from credit institutions	492	1 242
Total interest income calculated using the effective interest rate	**56 787**	**51 956**
Other interest income		-
Net investment in finance lease	112	1 074
		-
Interest expenses		-
Amounts due to customers	28 106	25 548
Amounts due to credit institutions	678	1 532
Finance lease liabilities	79	125
Other borrowed funds	1 727	1 062
Total interest expense	**30 590**	**28 267**
Net interest income	**26 309**	**24 764**

20 Net fee and commission income

(thousand USD)	2020	2019
Fee and commission income		
Settlement operations	8 184	10 971
Conversion	6 739	6 961
International cash transfers	5 682	5 169
Transactions with plastic cards	5 692	4 020
Cash operations	854	1 170
Commission on letters of credit	573	940
Guarantee commission	242	233
Commission on SWAP transactions	15	12
Income on loans	31	15
Other fee and commission income	398	391
Total fee and commission income	**28 410**	**29 882**
Fee and commission expense		-
Transactions with plastic cards	3 745	1 954
Foreign payments	1 007	546
Expenses on letters of credit	589	1 021
Foreign currency translation and purchase	535	539
Settlement operations	525	332
Cash collection services	281	698
Other	449	496
Total fee and commission expense	**7 131**	**5 586**
Net fee and commission income	**21 279**	**24 296**

(in thousands of USD)

21 Net foreign exchange gain

Net foreign exchange gain comprises:

(thousand USD)	2020	2019
Loss from transactions with derivatives	(188)	(670)
Gain on transactions with foreign currency	2 162	1 436
Gain (loss) on revaluation of financial assets and liabilities	818	(718)
Net foreign exchange gain	**2 792**	**48**

22 Personnel and other operating expenses

(thousand USD)	2020	2019
Salaries and bonuses	10 473	10 750
Other employee benefits	3 260	1 934
Unified social payment	1 636	1 220
Total personnel expenses	**15 369**	**13 904**
Depreciation and amortisation	5 934	3 194
Repairs	1 193	955
Other taxes, other than income tax	1 172	782
Security	1 076	1 108
Stationery	686	1 153
Membership fee	627	2 156
Rent	609	777
Professional services	607	767
Charity and sponsorship	420	202
Communication	392	374
Advertising	362	269
Utilities	205	190
Representative expenses	171	80
Vehicle maintenance costs	121	126
Fines and penalties	93	524
Travel expenses	36	122
Insurance	-	15
Other	224	139
Total operating expenses	**29 297**	**26 837**

23 Income tax

The Bank calculates tax for the current period based on tax accounting data prepared in accordance with the requirements of the tax legislation of the Republic of Uzbekistan, which may differ from IFRS.

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 Bank's financial statements preparation and income tax calculation.

Income tax is accrued in accordance with the Tax Code of the Republic of Uzbekistan. The current income tax rate for banks in 2020 was 20% (2019: 20%) of taxable profit.

In accordance with the tax legislation of the Republic of Uzbekistan, the Bank also pays other taxes and performs deductions related to its operating activities.

Deferred taxes represent net tax effect of temporary differences between the carrying amount of assets and liabilities for the purposes of the financial statements and the amount determined for tax accounting. Temporary differences as at December 31, 2020 and December 31, 2019 are mainly related to different accounting methods of income and expenses, as well as carrying amount of certain assets.

(in thousands of USD)

Tax effects of temporary differences as at December 31, 2020 and December 31, 2019 are as follows:

(thousand USD)	Balance as at January 1, 2020	Recognized in other comprehensive income	Recognized in profit or loss	Effect of translation to presentation currency USD	Balance as at December 31, 2020
Loans to customers	977	-	565	(113)	1 429
Property and equipment	(565)	-	7	52	(506)
Amounts due from credit institutions	179	-	(169)	(10)	-
Other assets	414	-	(111)	(34)	269
Other liabilities	(43)	-	51	2	10
Total	**962**	**-**	**343**	**(102)**	**1 202**

(thousand USD)	Balance as at January 1, 2019	Recognized in other comprehensive income	Recognized in profit or loss	Effect of translation to presentation currency USD	Balance as at December 31, 2019
Loans to customers	1 689	-	(542)	(170)	977
Property and equipment	(813)	(505)	664	89	(565)
Amounts due from credit institutions	-	-	193	(14)	179
Other assets	320	-	143	(49)	414
Other liabilities	252	-	(283)	(12)	(43)
Total	**1 448**	**(505)**	**175**	**(156)**	**962**

The ratio between tax expenses and income under accounting for the years ended December 31, 2020 and 2019 is as follows:

(thousand USD)	2020	2019
Profit before income tax	**15 240**	**11 884**
Tax at the statutory rate (20%) / (20%)	(3 048)	(2 377)
Non-taxable income (income from state securities)	274	-
Non-deductible expenses	(482)	(202)
Income tax expense	**(3 256)**	**(2 579)**
Current income tax expenses	(3 599)	(2 754)
Deferred income tax benefit	343	175
Income tax expense	**(3 256)**	**(2 579)**

24 Earnings per share

The Bank's shares are not traded in an active market. Therefore, disclosure on earnings per share is not presented in these IFRS financial statements.

25 Contingencies

25.1 Insurance

The Bank does not have full insurance coverage for its property and equipment, business operations interruption, or third party's liability in respect of property or environmental damage as a result of equipment malfunction or in connection with the Bank's primary business. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or damage of the assets could have a material adverse effect on the operating activities and financial position of the Bank.

(in thousands of USD)

25.2 Legal

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

25.3 Tax legislation

Currently in the Republic of Uzbekistan there are a number of legislative acts regulating the system of taxes paid to the republican and local state budgets. These taxes include value added tax, income tax, a number of taxes and social taxes. The tax legislation of the Republic of Uzbekistan is subject to varying interpretations and subject to frequent changes. Often there are different opinions on the interpretation of legislative acts, both between different authorities and within one authority (i.e. the State Tax Committee and its various inspections), which creates uncertainty and the ground for various disputes. Tax returns and other legal obligations (for example, aspects of customs and currency regulation) are subject to review and inspection by a number of agencies that are entitled by law to impose significant administrative penalties (including fines and penalties) and may take a more assertive position in the interpretation of legislation and verification of tax calculations. Therefore, tax authorities may challenge transactions and accounting methods that they did not dispute previously. This situation creates a greater probability of occurrence of tax risks in the Republic of Uzbekistan than, for example, in other countries with more developed taxation systems. Tax audits may cover five calendar years of activity immediately preceding the year of audit. Under certain conditions, earlier periods may be subject to audit.

As at December 31, 2020, management believes that it adheres to an adequate interpretation of the relevant legislation, and the Bank's position on tax, currency and customs issues will be supported by regulatory authorities.

25.4 Credit related commitments

The main purpose of these instruments is to ensure that funds are available to customers as required. The total amount of guarantee liabilities, letters of credit and unused loan facilities does not necessarily represent future cash requirements, as the expiration or cancellation of these liabilities may be possible without providing the borrower with funds. Nevertheless, there is a potential risk, therefore, in the statement of financial position, among other liabilities under guarantees, a provision was made for credit related commitments with respect to the guarantees provided, depending on the financial condition of the customer. With respect to commitments to extend loans and unused credit lines, the Bank is less exposed to the risk of losses, since in the event of impairment of loans issued, the Bank will not provide the remaining amounts, therefore the provision for these credit related commitments is null.

Outstanding credit-related commitments are as follows:

(thousand USD)	**December 31, 2020**	**December 31, 2019**
Letters of credit	1 334	4 110
Guarantees:	14 800	13 869
Financial guarantees	*12 215*	*11 908*
Performance guarantees	*2 585*	*1 961*
Commitments on loans	239	34
Credit related commitments	**16 373**	**18 013**
Total allowance for ECL on credit-related commitments	**332**	**130**

Principals under financial guarantee contracts are mainly large corporate customers (the Bank's borrowers) with low credit risk.

(in thousands of USD)

The table below shows the analysis of financial guarantees by credit quality as at December 31, 2020 and December 31, 2019:

(thousand USD)	**December 31, 2020**	**December 31, 2019**
Rated from A+ to A-	693	675
Rated from BBB+ to BBB-	3 234	3 153
Rated from BB+ to BB-	389	379
Rated from B+ to B-	7 899	7 701
Total financial guarantees	**12 215**	**11 908**

Counterparty ratings are based on the rating systems of Fitch, Moody's and Standard & Poor's. The list of non-externally rated counterparties includes low risk counterparties, assessed based on the internal gradation of the Bank's customers.

An analysis of changes in the allowance for expected credit losses is presented below:

(thousand USD)	**2020**			
	Stage 1 12-month expected credit losses	**Stage 2** Lifetime expected credit losses on assets that are not credit-impaired	**Stage 3** Lifetime expected credit losses on assets that are credit-impaired	**Total**
The amount of the allowance for ECL as at the beginning of the period	**130**	**-**	**-**	**130**
Net charge of allowance for ECL	29	141	53	223
Effect of translation to presentation currency USD	(13)	(6)	(2)	(21)
The amount of the allowance for ECL as at the end of the period	**146**	**135**	**51**	**332**

(thousand USD)	**2019**			
	Stage 1 12-month expected credit losses	**Stage 2** Lifetime expected credit losses on assets that are not credit-impaired	**Stage 3** Lifetime expected credit losses on assets that are credit-impaired	**Total**
The amount of the allowance for ECL as at the beginning of the period	**123**	**-**	**-**	**123**
Net charge of allowance for ECL	24	-	-	24
Effect of translation to presentation currency USD	(17)	-	-	(17)
The amount of the allowance for ECL as at the end of the period	**130**	**-**	**-**	**130**

26 Related party transactions

For the purposes of these financial statements, the parties are considered to be related if one of them has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as stated in IAS 24 *Related Party Disclosures*. In considering all possible related party relationships, the economic content of such relationships is taken into account, and not only their legal form.

In the ordinary course of business, the Bank conducted transactions with its principal shareholders, managers, and other parties. These transactions include settlements, loans, deposits, guarantees, trade finance and foreign exchange transactions.

The table below shows balances with related parties and income accrued and expenses for the year:

(in thousands of USD)

(thousand USD)	December 31, 2020 Related party transactions	December 31, 2020 Total as per FS categories	December 31, 2019 Related party transactions	December 31, 2019 Total as per FS categories
Assets				
Loans to customers	**4 431**	**446 694**	**2 486**	**328 336**
Shareholders	2 350	-	2 359	-
Other related parties	2 081	-	127	-
Allowance for ECL	*(29)*	-	*(20)*	-
Liabilities				
Amounts due to customers	**394**	**586 485**	**726**	**480 395**
Shareholders	-	-	127	-
Other related parties	394	-	599	-

Income and expenses

(thousand USD)	2020 Related party transactions	2020 Total as per FS categories	2019 Related party transactions	2019 Total as per FS categories
Interest income	**527**	**56 899**	**358**	**53 030**
Shareholders	369	-	346	-
Other related parties	158	-	12	-
Interest expenses	**5**	**30 590**	**8**	**28 267**
Other related parties	5	-	8	-
Net charge of allowance for ECL on loans to shareholders and other related parties	*(11)*	-	*(22)*	-
Fee and commission income	-	28 410	10	29 882
Shareholders	-	-	10	-
Key management personnel remuneration	**552**	**15 369**	**523**	**13 904**
Salary and other short-term employee benefits	493		467	
Social security contributions	59		56	

Loans to shareholders and other related parties were provided with the maturity from 1 to 5 years in UZS at 22% and 16% per annum, respectively. Amounts due to customers are presented by demand deposits placed in UZS.

Other related parties are management personnel of the Bank and their related parties.

27 Fair value

27.1 Fair value measurement procedures

The Investment Committee of the Bank determines policies and procedures for both periodic measurement of fair value, as in the case of unlisted securities available for sale, unlisted derivative financial instruments, investment properties and buildings, as well as for single measurement, as in the case of assets held for sale.

27.2 Fair value hierarchy

For the purpose of disclosing information about fair value, the Bank determined the classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability, and the level in the hierarchy of sources of fair value.

(in thousands of USD)

The following is a measurement of the fair value of the Bank's financial instruments as at December 31, 2020:

	The fair value measurement				
(thousand USD)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total per statement of financial position**
Financial assets					
Loans to customers	-	-	412 480	412 480	446 694
Financial liabilities					
Amounts due to customers	-	560 504	-	560 504	586 485

The following is a measurement of the fair value of the Bank's financial instruments as at December 31, 2019:

	The fair value measurement				
(thousand USD)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total per statement of financial position**
Financial assets					
Loans to customers	-	-	308 781	308 781	328 336
Financial liabilities					
Amounts due to customers	-	475 754	-	475 754	480 395

According to the Bank's estimates, fair values of other financial instruments measured at amortised cost, except for those disclosed in the tables above, do not differ significantly from their carrying amounts.

27.3 Valuation techniques and assumptions

The following describes the techniques and assumptions used to determine the fair value of assets and liabilities carried at fair value in the financial statements, as well as those that are not measured at fair value in the statement of financial position, but the fair value of which is disclosed.

Assets, the fair value of which approximates their carrying amount

In the case of financial assets and financial liabilities that are liquid or have a short maturity (less than three months), it is assumed that their fair value is approximately equal to the carrying amount. This assumption also applies to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities carried at amortised cost

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

28 Capital management

In the management of capital, the Bank has the following objectives: compliance with capital requirements established by the CBU and, in particular, the requirements of the deposit insurance system; ensuring the Bank'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 Bank'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 July 6, 2015 and its supplement, the following requirements are set for banks:

- From January 1, 2019, the minimum level of K1 is set at 10.0%;
- From January 1, 2019, banks are required to ensure a minimum level of K2 of 13.0%, taking into account the capital conservation buffer of 3.0% of risk-weighted assets.

(in thousands of USD)

According to the supplement dated October 23, 2017 No. 2693-2, the requirement is set for existing banks to increase the minimum share capital to UZS 100 billion (appr. USD 10 million), which must be formed until January 1, 2019.

As at December 31, 2020 and December 31, 2019, the Bank 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).
The amounts of capital components below are translated into USD using closing spot exchange rates to conform to calculations of regulatory capital ratios in UZS.

(thousand USD)	**December 31, 2020**	**December 31, 2019**
Fully paid shares	16 471	16 380
Additional paid-in capital	5 470	37
Retained earnings	47 181	36 894
Intangible assets	(7 185)	(1 486)
Investments in the capital of non-consolidated economic entities	(7)	(7)
Adjusted Tier I capital	**61 931**	**51 818**
Adjusted Tier II capital	21 182	17 768
Adjusted total amount of capital based on risk	**83 112**	**69 586**
The amount of on- and off-balance sheet assets, risk-weighted	555 700	460 722
Operational risk	38 906	33 806
Market risk	3 431	1 760
Adjusted total assets, risk-weighted	**598 037**	**496 288**
Capital adequacy ratios:		
Tier I capital	10.36%	10.44%
Tier II capital	13.90%	14.02%

29 Risk management

The Bank's activities have inherent risks. The Bank manages risks in a continuous process of identification, assessment and monitoring, and through the establishment of risk limits and other internal control measures. The risk management process is critical to maintaining a stable profitability of the Bank, and each individual employee of the Bank is responsible for the risks associated with his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, which in turn is divided into the risk associated with trading transactions and the risk associated with non-trading activities. The Bank is also exposed to operational risks.

The process of independent risk control does not affect the risks of doing business, such as changes in the environment, technology or changes in the industry. Such risks are controlled by the Bank during the strategic planning process.

Risk management structure

The overall responsibility for identifying and monitoring risks is the responsibility of the Supervisory Board, but there are also separate independent bodies that are responsible for managing and controlling risks.

Supervisory Board of the Bank

The Supervisory Board is responsible for the overall approach to risk management, for the adoption of a strategy and principles for risk management.

Management Board

The responsibility of the Management Board is to monitor the risk management process in the Bank.

Risk Committee

The Risk Committee has overall responsibility for developing a risk management strategy and introducing principles, concepts, policies and risk limits. It is responsible for the significant issues of risk management and controls the implementation of relevant decisions taken with respect to risks.

Risk management

The risk management unit is responsible for implementing and conducting procedures related to risk management in order to ensure an independent monitoring process.

Risk control

The Risk Control Unit is responsible for monitoring of compliance with the Bank's principles, risk management policies, and risk limits.

Treasury of the Bank

The Bank's Treasury is responsible for managing the Bank's assets and liabilities, as well as for the overall financial structure. The Treasury also has primary responsibility for liquidity risk, financing risk and market risk of the Bank.

Internal audit

Risk management processes within the Bank are audited annually by the Internal Audit Department, which verifies both the sufficiency of the procedures and the implementation of these procedures by the Bank. The Internal Audit Department discusses the results of the inspections with management and presents its findings and recommendations to the Audit Committee.

Risk assessment and risk communication systems

The Bank's risks are estimated using a method that reflects both the expected loss, which is likely to be incurred in the ordinary course of business, and unforeseen losses, which are an estimate of the largest actual losses based on statistical models. The models use the probabilities obtained from past experience and adjusted for economic conditions. The Bank also simulates the "worst-case scenarios" that will occur in case of events that are considered unlikely.

Risk monitoring and control are mainly based on the limits set by the Bank. Such limits reflect the business strategy and market conditions in which the Bank operates, as well as the level of risk that the Bank is prepared to accept, with particular attention being paid to individual industries. In addition, the Bank monitors and evaluates its overall ability to bear risks in relation to the aggregate position for all types of risks and transactions.

Information obtained on all types of activities is studied and processed for the purpose of analysis, control and early detection of risks. This information is provided with explanations to the Management Board, the Risk Committee and the heads of each of the units. The report contains information on the aggregate amount of credit risk, projected credit indicators, exceptions to established risk limits, liquidity ratios and changes in the level of risk. On a quarterly basis, senior management determines the need to create an allowance for credit losses. The Board receives a detailed quarterly risk report containing all the necessary information to assess the Bank's risks and make appropriate decisions.

For all levels of the Bank, various risk reports are compiled that are distributed to ensure that all units of the Bank have access to extensive, relevant and up-to-date information.

Risk reduction

As part of its risk management, the Bank uses derivatives and other instruments to manage positions arising from changes in interest rates, exchange rates, credit risk, and positions on forecast transactions.

The Bank actively uses collateral to reduce its credit risk (more information is disclosed below).

Excessive risk concentrations

Risk concentrations arise when a number of counterparties carry out similar activities, or operate in the same geographic region, or counterparties have similar economic characteristics, and changes in economic, political and other conditions have a similar effect on the ability of these counterparties to perform contractual obligations.

Risk concentrations reflect the relative sensitivity of the Bank's performance to changes in conditions that affect a particular industry or geographic region.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include special principles aimed at maintaining a diversified portfolio. The identified risk concentrations are managed.

29.1 Credit risk

The Bank assumes credit risk, namely the risk that the counterparty will not be able to fully pay the debt in a timely manner. The Bank monitors credit risk by setting limits for one borrower or a group of related borrowers, as well as by industry segments. The Bank regularly monitors such risks; limits are revised annually.

Risk reduction and limitation policy

The Bank manages, sets limits and monitors the concentration of credit risk wherever it is identified - in particular, with respect to individual counterparties and groups, and for industries.

The Bank monitors credit risk by setting limits for one borrower or a group of related borrowers, and by setting limits on geographical and industry segments. Such risks are monitored regularly, and the limits are reviewed at least once a year.

Exposure to credit risk is managed through a regular analysis of the borrowers' and potential borrowers' ability to meet their obligations to repay interest and principal and, if necessary, by changing credit limits.

The following are other specific methods of control and measures to reduce credit risk.

(a) Limits. The Bank has established several credit committees that approve credit limits for individual borrowers:

- The Board of the Bank reviews and approves credit limits in the amount of up to 25% of Tier 1 capital;
- The Credit Committee of the Head Office reviews and approves credit limits in the amount of up to 10% of Tier 1 capital;
- Credit committees of the Bank's branches review and approve loans within the limits approved by the Credit Committee of the Head Office.

Credit applications together with financial analysis of a potential borrower, which includes analysis of liquidity, profitability, interest coverage ratio and debt service ratio prepared by the relevant client managers, are submitted to the Branch Credit Committee, the Credit Committee or the Board of the Bank for approval of the credit limit.

(b) Collateral. The Bank uses a number of techniques and practices to reduce credit risk. The most traditional one of these is the receipt of collateral for loans issued, which is a common practice. The Bank applies instructions on the acceptability of specific groups of collateral or credit risk mitigation.

Below are the main types of collateral for loans and advances:

- Pledge of property;
- Guarantees / sureties;
- Insurance of credit risk;
- Cash;
- Inventories;
- Other types of collateral that do not contradict the current legislation.

The collateral available as a guarantee for financial assets other than loans and advances is determined by the type of the instrument. Debt securities, treasury bonds and other eligible securities usually do not have collateral.

(c) Concentration of risks of financial assets exposed to credit risk.

The Bank’s management draws attention to the risk concentration:

- The maximum concentration for one borrower or a group of borrowers should not exceed 25% of the Bank’s Tier 1 capital;
- The maximum concentration on unsecured loans should not exceed 5% of the Bank’s Tier 1 capital;
- The total amount of all large loans should not exceed 8 times the size of the Bank’s Tier 1 capital;
- The total amount of loans to a related party should not exceed the Bank’s Tier 1 capital.

Policy of impairment and creation of allowance.

For the purpose of preparing the financial statements, allowances for impairment are recognized only for losses incurred as at the reporting date, based on objective evidence of impairment. Due to the fact that different methods are applied, the amount of losses incurred on loans presented in the financial statements is usually lower than the amount determined according to the expected loss model used for internal management of activities and compliance with bank instructions.

The internal measurement framework allows management to determine whether there is objective evidence of impairment under IFRS 9, based on the following criteria established by the Bank:

- Delinquency of contractual repayment of principal and interest;
- Difficulties experienced by the borrower in respect of the cash flow (for example, the autonomy ratio, the share of net profit in the sales amount);
- Violation of loan agreements or conditions;
- Initiation of bankruptcy procedures;
- Impairment of collateral value.

The Bank’s policy requires inspection of individual financial assets that are above a certain threshold of materiality, at least once a year or more, subject to certain circumstances. Allowances for impairment under individually assessed accounts are determined by estimating the loss incurred at the reporting date for each specific case and applied to all individually significant accounts. The valuation usually covers the collateral (including evidence of recovery) and the expected receipt of payments under this individual account.

The maximum level of credit risk of the Bank may vary significantly depending on the individual risks inherent in specific assets and general market risks.

The Bank analyses loans by maturity and subsequently controls overdue balances. Therefore, management presents data on arrears and other information about credit risk.

Credit risk for off-balance sheet financial instruments is defined as a probability of losses as a result of another party to a financial instrument transaction failing to fulfil the contractual terms. The Bank applies the same credit policy for contingent liabilities as for balance sheet financial instruments, based on procedures for approving transactions, using risk control limits and monitoring.

The Bank’s credit rating is defined only for amounts due from credit institutions and loans to customers (Notes 6, 7, 8).

Operations of the banking sector as a whole are subject to credit risk arising from financial instruments and contingent liabilities. The Bank’s credit risk is concentrated in the Republic of Uzbekistan. The degree of credit risk is constantly monitored in order to ensure compliance with credit and creditworthiness limits in accordance with the Bank’s risk management policy.

(in thousands of USD)

29.2 Geographical risk

The following table shows the geographical analysis of the Bank's assets and liabilities as at December 31, 2020:

(thousand USD)	Uzbekistan	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	130 023	1 380	1 878	133 281
Amounts due from credit institutions	11 241	3 310	3 085	17 636
Loans to customers	446 694	-	-	446 694
Investment securities measured at amortised cost	17 882	-	-	17 882
Investment financial assets	7	-	-	7
Other financial assets	73	-	-	73
Total financial assets	**605 920**	**4 690**	**4 963**	**615 571**
Financial liabilities				
Amounts due to credit institutions	6 982	7 271	4 697	18 950
Amounts due to customers	584 277	86	2 122	586 485
Other borrowed funds	11 105	-	-	11 105
Other financial liabilities	317	-	-	317
Total financial liabilities	**602 681**	**7 357**	**6 819**	**616 857**
Net position on financial assets and liabilities	**3 239**	(2 667)	(1 856)	(1 284)

The following table shows the geographical analysis of the Bank's assets and liabilities as at December 31, 2019:

(thousand USD)	Uzbekistan	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	89 447	13 733	3 598	106 778
Amounts due from credit institutions	39 494	6 673	-	46 167
Loans to customers	328 336	-	-	328 336
Investment financial assets	7	-	-	7
Other financial assets	122	-	-	122
Total financial assets	**457 406**	**20 406**	**3 598**	**481 410**
Financial liabilities				
Amounts due to credit institutions	6 098	159	4 431	10 688
Amounts due to customers	480 395	-	-	480 395
Other borrowed funds	15 121	-	-	15 121
Other financial liabilities	307	-	-	307
Total financial liabilities	**501 921**	**159**	**4 431**	**506 511**
Net position on financial assets and liabilities	(44 515)	**20 247**	(833)	(25 101)

29.3 Liquidity risk

Liquidity risk arises when the maturities of claims under active transactions does not coincide with maturities under passive transactions. The Bank is exposed to the risk due to the daily need to use available cash for settlement of customer accounts, maturing deposits, loans, payments under guarantees and derivative financial instruments that are settled in cash. The Bank does not accumulate cash in the event of a one-time fulfilment of obligations under all the above requirements, since, based on the existing practice, it is possible to predict with sufficient accuracy the necessary level of funds to fulfil these obligations. Liquidity risk is controlled by the Bank's Treasury.

Liquidity management of the Bank requires an analysis of the level of liquid assets necessary to settle liabilities when they mature; access to various sources of funding; availability of plans in the event of problems with financing and monitoring the compliance of balance sheet liquidity ratios with legislative requirements.

The Treasury ensures the availability of an adequate portfolio of short-term liquid assets, deposits in banks and other inter-bank instruments, and regulates the established limits for short-term investments in loans (up to 30 days) to maintain sufficient liquidity levels for the Bank as a whole.

The Treasury monitors the daily liquidity position and regularly conducts stress testing for liquidity under different scenarios covering standard and more unfavorable market conditions.

(in thousands of USD)

Where the amount payable is not fixed, the amount is determined based on the conditions existing at the reporting date. Foreign exchange payments are translated using the spot exchange rate at the end of the reporting period.

The analysis of liquidity risk and interest rate risk as at December 31, 2020 is presented in the following table:

(thousand USD)	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Past due / Without maturity	Total
As at December 31, 2020							
Financial assets							
Cash and cash equivalents	-	-	-	-	-	-	-
Amounts due from credit institutions	101	7 816	874	757	-	-	9 548
Investment securities measured at amortised cost	3 576	7 153	2 682	4 471	-	-	17 882
Loans to customers	1 207	9 609	90 042	279 901	54 310	11 625	446 694
Total interest-bearing financial assets	**4 884**	**24 578**	**93 598**	**285 129**	**54 310**	**11 625**	**474 124**
Cash and cash equivalents	133 281	-	-	-	-	-	133 281
Amounts due from credit institutions	978	2 501	1 525	-	-	3 084	8 088
Other financial assets	73	-	-	-	-	-	73
Total financial assets	**139 216**	**27 079**	**95 122**	**285 129**	**54 310**	**14 709**	**615 565**
Financial liabilities							
Amounts due to credit institutions	42	-	8 621	5 609	3 762	-	18 034
Amounts due to customers	215 041	4 832	4 504	132 190	2 334	-	358 901
Other borrowed funds	2	-	-	2 100	3 636	-	5 738
Total interest-bearing financial liabilities	**215 085**	**4 832**	**13 125**	**139 899**	**9 732**	**-**	**382 673**
Amounts due to credit institutions	915	-	-	-	-	-	915
Amounts due to customers	227 583	-	-	-	-	-	227 583
Other borrowed funds	-	-	-	-	5 367	-	5 367
Other financial liabilities	-	158	159	-	-	-	317
Total financial liabilities	**443 583**	**4 990**	**13 284**	**137 799**	**17 199**	**-**	**616 855**
Difference between financial assets and liabilities	**(304 367)**	**22 089**	**81 838**	**147 330**	**37 111**	**14 709**	**(1 290)**

(in thousands of USD)

The analysis of liquidity risk and interest rate risk as at December 31, 2019 is presented in the following table:

(thousand USD)	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Past due / Without maturity	Total
As at December 31, 2019							
Financial assets							
Cash and cash equivalents	10 779	-	-	-	-	-	10 779
Amounts due from credit institutions	129	9 993	1 117	968	-	-	12 207
Loans to customers	529	3 033	61 060	224 521	37 216	1 977	328 336
Total interest-bearing financial assets	**11 437**	**13 026**	**62 177**	**225 489**	**37 216**	**1 977**	**351 322**
Cash and cash equivalents	95 998	-	-	-	-	-	95 998
Amounts due from credit institutions	25 523	581	4 475	-	-	3 381	33 960
Other financial assets	122	-	-	-	-	-	122
Total financial assets	**133 080**	**13 607**	**66 652**	**225 489**	**37 216**	**5 358**	**481 402**
Financial liabilities							
Amounts due to credit institutions	140	895	3 110	911	4 596	-	9 652
Amounts due to customers	212 288	12 144	44 294	17 658	2 791	-	289 175
Other borrowed funds	4	-	-	2 994	6 954	-	9 952
Total interest-bearing financial liabilities	**212 432**	**13 039**	**47 404**	**21 563**	**14 341**	**-**	**308 779**
Amounts due to credit institutions	527	509	-	-	-	-	1 036
Amounts due to customers	191 220	-	-	-	-	-	191 220
Other borrowed funds	-	-	-	-	5 170	-	5 170
Other financial liabilities	-	153	154	-	-	-	307
Total financial liabilities	**404 179**	**13 701**	**47 558**	**21 563**	**19 511**	**-**	**506 512**
Difference between financial assets and liabilities	**(271 099)**	**(94)**	**19 094**	**203 926**	**17 705**	**5 358**	**(25 110)**

The Bank constantly fulfils its obligations and does not delay payments related to customer accounts. The Bank's highly liquid assets amounted to USD 134 950 thousand as at December 31, 2020. Customers' demand deposits are the Bank's main source of funding for active operations and a factor of resource base stability.

The volume of the Bank's demand deposits is kept at an acceptable level of USD 207 469 thousand as at the end of 2018, USD 191 220 thousand as at the end of 2019 and USD 227 637 thousand as at the end of 2020, while the annual growth is ensured. The average balance on these deposits has not decreased below UZS 1 trillion over the last 2 years. Thus, the Bank's management considers the amount of liquidity to be adequate.

Also, customers' term deposits are the Bank's main source of funding for active transactions and a factor of resource base stability. Despite the fact that term deposits of individuals are included in the tables above in the demand category (see the explanation in note 14), their amount of USD 212 905 thousand (USD 203 295 thousand for 2019) relates to contractual maturities from 1 to 5 years, and the Bank's historical experience shows that an insignificant part of such deposits is claimed prior to contractual maturity. The Bank continues to introduce deposit products for the population and legal entities on a long-term basis.

For the operational management of liquidity risk, the Bank regularly monitors external factors that can influence the level of the Bank's liquidity and makes a forecast of payment flows. For medium-term and long-term liquidity risk management, the Bank analyses the gap in maturities of claims and liabilities. The Bank continues to increase the volume of investments in short-term types of credit products and reduce the practice of granting grace periods for corporate loans. In order to maintain the required level of liquidity, the Bank can raise additional funds in the interbank lending market. Diversification of liquidity sources helps to minimize the Bank's dependence on one source and ensure complete fulfilment of its obligations.

In the opinion of the Bank's management, the mismatching of the terms of placement and redemption and interest rates of assets and liabilities is a temporary factor. In banks, as a rule, there is no complete matching in these positions, since transactions often have undetermined maturities and different character.

(in thousands of USD)

The liquidity requirements for guarantees and letters of credit are significantly lower than the amount of the respective liabilities, as the Bank does not normally expect that funds under these liabilities will be claimed by third parties. The total amount of contractual obligations for the provision of loans does not necessarily represent the amount of money that will be required in the future, since many of these obligations may be unclaimed or terminated before the end of their term of validity.

The following table shows the undiscounted cash flows on financial liabilities and credit related commitments on the basis of their earliest possible contractual maturity. The total cash outflow disclosed in the tables is the contractual, undiscounted cash flow on financial liabilities or credit related commitments. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

December 31, 2020

(thousand USD)	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total cash outflow	Carrying amount
Amounts due to credit institutions	963	-	9 823	6 392	4 287	21 465	18 950
Amounts due to customers	451 959	5 042	5 503	140 026	4 201	606 731	586 485
Other borrowed funds	2	82	247	6 608	11 103	18 042	11 105
Total financial liabilities	**452 924**	**5 124**	**15 573**	**153 026**	**19 591**	**646 238**	**616 540**
Credit related commitments	**16 373**	**-**	**-**	**-**	**-**	**16 373**	**16 373**

December 31, 2019

(thousand USD)	On demand and less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total cash outflow	Carrying amount
Amounts due to credit institutions	668	1 404	3 110	954	6 060	12 196	10 688
Amounts due to customers	200 490	13 206	136 505	185 338	6 049	541 588	480 395
Other borrowed funds	4	-	-	5 202	19 215	24 421	15 121
Total financial liabilities	**201 162**	**14 610**	**139 615**	**191 494**	**31 324**	**578 205**	**506 204**
Credit related commitments	**18 013**	**-**	**-**	**-**	**-**	**18 013**	**18 013**

29.4 Market risk

The Bank is exposed to the market risk associated with the presence of open positions on interest rates, currency instruments subject to general and specific market fluctuations. The Bank manages market risk by periodically assessing potential losses that may arise as a result of negative changes in the market situation, as well as establishing and maintaining adequate limits on the amount of allowable losses and claims on the rate of return and collateral.

29.5 Interest rate risk

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

29.6 Currency risk

The Bank assumes exposure to the effects of exchange rate fluctuations on its financial position and cash flows. The Bank sets limits on the level of accepted risk in terms of currencies and in general, both at the end of each day and within a single day and monitors their compliance on a daily basis.

(in thousands of USD)

The Bank measures its currency risk:

- Net currency position for each currency should not exceed 10% of the regulatory capital of the Bank; and
- Total net currency position in all currencies should not exceed 15% of the regulatory capital of the Bank.

The table below summarizes the Bank's exposure to currency risk as at December 31, 2020. The Bank's financial assets and liabilities are shown in the table at the carrying amounts by major currencies. This analysis is based on the financial statements prepared in accordance with IFRS and differs from the Bank's currency position used to manage currency risks for regulatory purposes.

(thousand USD)	**UZS**	**US Dollar**	**Euro**	**Other currencies**	**Total**
Financial assets					
Cash and cash equivalents	110 905	13 138	5 444	3 794	133 281
Amounts due from credit institutions	10 213	6 258	1 165	-	17 636
Loans to customers	222 911	215 925	7 858	-	446 694
Investment securities measured at amortised cost	17 882	-	-	-	17 882
Other financial assets	73	-	-	-	73
Total financial assets	**361 984**	**235 321**	**14 467**	**3 794**	**615 565**
Financial liabilities					
Amounts due to credit institutions	6 996	8 097	3 857	-	18 950
Amounts due to customers	333 918	234 089	15 106	3 372	586 485
Other borrowed funds	10 655	450	-	-	11 105
Other financial liabilities	317	-	-	-	317
Total financial liabilities	**351 886**	**242 636**	**18 963**	**3 372**	**616 857**
Net balance sheet position on financial assets and liabilities	**10 098**	**(7 315)**	**(4 496)**	**422**	**(1 292)**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**
Net position	**10 098**	**(7 315)**	**(4 496)**	**422**	**(1 292)**

(in thousands of USD)

The table below summarises the Bank's exposure to currency risk as at December 31, 2019.

(thousand USD)	UZS	US Dollar	Euro	Other currencies	Total
Financial assets					
Cash and cash equivalents	56 807	34 901	12 784	2 286	106 778
Amounts due from credit institutions	28 511	16 595	1 061	-	46 167
Loans to customers	180 990	145 613	1 733	-	328 336
Other financial assets	114	8	0	-	122
Total financial assets	**266 422**	**197 117**	**15 578**	**2 286**	**481 403**
Financial liabilities					
Amounts due to credit institutions	6 109	4 292	287	-	10 688
Amounts due to customers	249 694	212 880	15 726	2 095	480 395
Other borrowed funds	14 671	450	-	-	15 121
Other financial liabilities	307	-	-	-	307
Total financial liabilities	**270 781**	**217 622**	**16 013**	**2 095**	**506 511**
Net balance sheet position on financial assets and liabilities	**(4 359)**	**(20 505)**	**(435)**	**191**	**(25 108)**
Derivative financial instruments	**(70)**	**70**	**-**	**-**	**-**

The table below shows the changes in the financial result and comprehensive income as a result of possible changes in exchange rates applicable at the end of the reporting period, while all other conditions remain unchanged. A reasonably possible change in the exchange rate for each currency is determined based on the limits of the fluctuations of the exchange rates changed by 10% compared to the current ones.

(thousand USD)	December 31, 2020	December 31, 2019
Strengthening of the US dollar by 10%	(732)	(2 044)
Weakening of the US dollar by 10%	732	2 044
Strengthening of the Euro by 10%	(450)	(44)
Weakening of the Euro by 10%	450	44

The risk was calculated only for cash balances in currencies other than the Bank's functional currency.

30 Segment information

The main format for providing information on the segments of the Bank's activities is the disclosure by operating segments, a supplementary one is the disclosure by geographical segments.

Most transactions and services are related to residents of the Republic of Uzbekistan (Note 30.1).

30.1 Operating segments

The Bank operates in two main operating segments:

- Individuals – provision of banking services to private clients, maintenance of current accounts of private clients, acceptance of savings accounts and deposits, maintenance of debit cards, provision of consumer loans and loans secured by real estate.
- Legal entities – maintaining settlement accounts, attracting deposits, providing loans and other lending services, without accepting write-offs, transactions with foreign currencies and derivative financial instruments.

(in thousands of USD)

The table below summarizes the segmental concentration of assets and liabilities as at December 31, 2020:

(thousand USD)	**Individuals**	**Legal entities**	**Unallocated**	**Total**
Interest income from transactions with external counterparties	22 168	33 118	1 613	56 899
Interest expenses	(19 745)	(10 167)	(678)	(30 590)
Net interest income	**2 423**	**22 951**	**935**	**26 309**
Charge for allowance for ECL on loans to customers, deposits with banks and cash and cash equivalents.	(4 053)	(2 298)	-	(6 351)
Net interest income after the allowance for impairment of interest-bearing assets	**(1 630)**	**20 653**	**935**	**19 958**
Fee and commission income	8 102	20 308	-	28 410
Fee and commission expenses	(3 810)	(3 321)	-	(7 131)
Net foreign exchange gain	117	1 857	818	2 792
Loss arising from impairment of other financial assets and credit-related commitments, other provisions	-	(227)	-	(227)
Other income	-	735	-	735
Non-interest income	**4 409**	**19 352**	**818**	**24 579**
Personnel and other operating expenses	(14 622)	(13 205)	(1 470)	(29 297)
Non-interest expense	-	-	-	-
(Loss) profit before income tax expense	(11 843)	26 800	283	15 240
Income tax expense	-	-	(3 256)	(3 256)
Net (loss) profit for the period from continuing operations	**(11 843)**	**26 800**	**(2 973)**	**11 984**
Net loss from disposal of subsidiaries	-	-	-	-
Net (loss) profit for the period	**(11 843)**	**26 800**	**(2 973)**	**11 984**
Other comprehensive income				
Revaluation of buildings	-	-	-	-
Total comprehensive (loss) income for the period	**(11 843)**	**26 800**	**(2 972)**	**11 984**

Information about the largest customers and geographical concentration. Most part of the revenue was received from customers who are residents of the Republic of Uzbekistan. The Bank has no customers (groups of related customers) with individual income from operations which exceeds 10% of total income from operations with external customers. The largest share of long-term assets is located in the Republic of Uzbekistan.

(in thousands of USD)

The table below summarizes the segmental concentration of assets and liabilities as at December 31, 2019:

(thousand USD)	Individuals	Legal entities	Unallocated	Total
Interest income from transactions with external counterparties	18 613	32 943	1 474	53 030
Interest expenses	(19 042)	(7 693)	(1 532)	(28 267)
Net interest (expense) income	(429)	25 250	(58)	24 763
Charge for ECL on loans to customers, deposits with banks and cash and cash equivalents.	(333)	(7 094)	-	(7 427)
Net interest income after the allowance for impairment of interest-bearing assets	(761)	18 156	(58)	17 337
Fee and commission income	8 522	21 360	-	29 882
Fee and commission expenses	(2 006)	(3 580)	-	(5 586)
Net foreign exchange (loss) gain	(66)	417	(303)	48
Gain arising from impairment of other financial assets and credit-related commitments, other provisions	-	89	-	89
Loss from revaluation of buildings	-	-	(3 612)	(3 612)
Other income	-	564	-	564
Other expenses	-	-	-	-
Non-interest income (expenses)	**6 450**	**18 850**	**(3 915)**	**21 385**
Personnel and other operating expenses	(14 025)	(11 787)	(1 025)	(26 837)
Non-interest expense	-	-	-	-
(Loss) profit before income tax expense	**(8 336)**	**25 218**	**(4 998)**	**11 884**
Income tax expense	-	-	(2 579)	(2 579)
Net (loss) profit for the period from continuing operations	(8 336)	25 218	(7 577)	9 305
Net loss from disposal of subsidiaries	-	-	-	-
Net (loss) profit for the period	(8 336)	25 218	(7 577)	9 305
Other comprehensive income	-	-	-	-
Revaluation of buildings	-	-	2 020	2 020
Total comprehensive (loss) income for the period	(8 336)	25 218	(5 557)	11 325

31 Subsequent events

In accordance with the minutes of the meeting of participants dated February 17, 2021 and April 6, 2021, it was decided to pay dividends on preferred shares of the bank in the amount of USD 382 thousand and USD 578 thousand. All dividends have been paid to date.

Mirzayev A.A.
The Chairman of the Management
Board of the Bank
May 21, 2021

Allayorova D.N.
Chief Accountant of the Bank