KAPITALBANK

JOINT-STOCK COMMERCIAL BANK KAPITALBANK

Consolidated Financial Statements for the year ended December 31, 2021
and Independent Auditors' Report

Contents

Joint-Stock Commercial Bank "Kapitalbank"

Consolidated statement of financial position as at December 31, 2021
(in millions of UZS)

	Note	December 31,2021	December 31,2020
ASSETS			
Cash and cash equivalents	6	3 978 665	1 396 369
Amounts due from credit institutions	7	897 712	184 772
Loans to customers	8	8 051 816	4 679 974
Investment securities at amortized cost	9	1 430 590	187 345
Assets held for sale	10	41 258	4 328
Investment financial assets		107	70
Income tax prepayments		10 082	11 069
Deferred tax assets	22	18 104	12 598
Property and equipment	11	647 052	637 523
Intangible assets	11	106 856	76 346
Other assets	12	33 418	20 029
TOTAL ASSETS		**15 215 660**	**7 210 423**
LIABILITIES			
Amounts due to credit institutions	13	56 370	190 945
Amounts due to customers	14	13 562 256	6 144 553
Other borrowed funds	15	164 772	116 344
Other liabilities	16	60 054	15 180
TOTAL LIABILITIES		**13 843 452**	**6 467 022**
EQUITY			
Share capital	17	374 680	172 570
Additional paid-in capital		272 220	57 312
Revaluation reserve for property and equipment		18 803	19 212
Retained earnings		706 505	494 307
TOTAL EQUITY		**1 372 208**	**743 401**
TOTAL LIABILITIES AND EQUITY		**15 215 660**	**7 210 423**

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

Mirzayev A.A.
The Chairman of the Management
Board of the Bank
13 April 2022

Allayorova D.N.
Chief Accountant of the Bank

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

(in millions of UZS)

	Note	2021	2020
Interest income calculated using the effective interest rate	18	1 112 984	571 545
Other interest income	18	1 083	1 127
Interest expenses	18	(501 247)	(307 881)
Net interest income		**612 820**	**264 791**
Charge for expected credit losses on loans to customers, due from credit institutions and cash and cash equivalents	6, 7, 8, 9	(89 151)	(63 929)
Net interest income after charge for expected credit losses on interest bearing assets		**523 669**	**200 862**
Fee and commission income	19	403 765	285 943
Fee and commission expense	19	(147 853)	(71 769)
Net foreign exchange gain	20	139 724	28 099
(Losses) arising from impairment of other financial assets and credit-related commitments, other provisions	12, 24	(22 736)	(2 286)
Other income		9 201	7 400
Personnel and other operating expenses	21	(466 943)	(294 867)
Profit before income tax expenses		**438 827**	**153 382**
Income tax expense	22	(74 328)	(32 766)
NET PROFIT FOR THE YEAR		**364 499**	**120 616**
Other comprehensive income			
Items that will not be reclassified to profit or loss:		-	-
Other comprehensive income, net of tax		-	-
Total comprehensive income for the period		**364 499**	**120 616**

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

Mirzayev A.A.

The Chairman of the Management Board of the Bank

13 April 2022

Allayorova D.N.

Chief Accountant of the Bank

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

Joint-Stock Commercial Bank "Kapitalbank"

Consolidated Statement of changes in equity for 2021
(in millions of UZS)

	Share capital	Additional paid-in capital	Revaluation reserve for property and equipment	Retained earnings	Total equity
Balance as at January 1, 2020	**154 364**	**350**	**19 806**	**373 097**	**547 617**
Net profit for the year	–	–	–	120 616	120 616
Other comprehensive income					
Transfer of revaluation reserve for property and equipment	–	–	(594)	594	–
Foreign currency translation reserve	–	–	–	–	–
Transactions with owners, recognized directly in equity					
Share issue	18 206	56 962	–	–	75 168
Balance as at December 31, 2020	**172 570**	**57 312**	**19 212**	**494 307**	**743 401**
Net profit for the year	–	–	–	364 499	364 499
Other comprehensive income					
Transfer of revaluation reserve for property and equipment	–	–	(409)	409	–
Transactions with owners, recognized directly in equity					
Dividends paid	–	–	–	(152 710)	(152 710)
Share issue	202 110	214 908	–	–	417 018
Balance as at December 31, 2021	**374 680**	**272 220**	**18 803**	**706 505**	**1 372 208**

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

Mirzayev A.A.

The Chairman of the Management

Board of the Bank

13 April 2022

Allayorova D.N.

Chief Accountant of the Bank

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

Joint-Stock Commercial Bank "Kapitalbank"

Consolidated statement of cash flows for 2021
(in millions of UZS)

	2021	2020
Cash flows from operating activities		
Interest received	1 071 118	568 239
Interest paid	(505 347)	(302 532)
Fees and commissions received	398 612	290 103
Fees and commissions paid	(135 092)	(71 769)
Net receipts on foreign currency transactions	150 049	21 765
Other operating income received	9 201	5 866
Personnel expenses paid	(237 531)	(153 906)
Administrative and other operating expenses paid	(143 214)	(73 376)
Cash flows from operating activities before changes in operating assets and liabilities	**607 796**	**284 390**
Net decrease (increase) in:		
-Amounts due from credit institutions	(712 797)	245 037
-Loans to customers	(3 441 766)	(1 535 792)
- Assets held for sale	4 328	8 042
-Other assets	(9 234)	1 538
-Amounts due to credit institutions	(142 514)	92 349
-Amounts due to customers	7 372 049	1 468 058
-Other liabilities	18 068	7 378
Cash flows from operating activities before changes income tax paid	**3 695 930**	**571 000**
Income tax paid	(80 201)	(32 202)
Total net cash flows from operating activities	**3 615 729**	**538 798**
Cash flows from investing activities		
Acquisition of property and equipment and intangible assets	(142 417)	(42 359)
Proceeds from disposal of property and equipment and intangible assets	33 119	16 624
Purchased investment securities	(1 430 264)	(184 607)
Repaid investment securities	183 000	-
Total net cash flows used in investing activities	**(1 356 562)**	**(210 342)**

Joint-Stock Commercial Bank "Kapitalbank"
Statement of cash flows (continued) for 2021
(in millions UZS)

	2021	2020
Cash flows from financing activities		
Proceeds from other borrowed funds	47 204	39 518
Repayment of other borrowed funds	(3 177)	(66 723)
Repayment of finance lease	-	(5 365)
Increase in share capital	417 018	75 168
Dividends paid	(152 710)	-
Net cash flows from financing activities	**308 335**	**42 598**
Effect of movements in exchange rates on cash and cash equivalents	14 618	10 170
Net increase in cash and cash equivalents	**2 582 120**	**381 224**
Cash and cash equivalents at the beginning of the year	1 396 369	1 015 193
Effect of changes in expected credit losses on cash and cash equivalents	176	(48)
Cash and cash equivalents at the end of the year	**3 978 665**	**1 396 369**

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

Mirzayev A.A.

The Chairman of the Management

Board of the Bank

13 April 2022

Allayorova D.N.

Chief Accountant of the Bank

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

(in millions of UZS)

1 Introduction

These consolidated financial statements of Joint-Stock Commercial Bank "Kapitalbank" (hereinafter referred to as the "Bank") and its subsidiary (hereinafter collectively referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") for the year ended December 31, 2021.

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").

Principal activities

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, 2021, the Bank carries out banking activities through the Head Office and has 16 branches, three bank services centers, as well as 24 mini-banks in the Republic of Uzbekistan (2020: 16 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, 2021 was 1 884 persons (2020: 1 664 persons).

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

Share (%)	December 31, 2021	December 31, 2020
Legal entities		
Telekominvest LLC	18.54	-
Continent Insurance LLC	16.19	19.88
Start Leasing LLC	3.30	14.11
Leasing Group LLC	-	5.83
Optima Invest LLC	-	2.20
Markaz yog LLC	-	0.23
Promadik Invest LLC	-	38.81
Total legal entities	**38.03**	**81.06**
Individuals		
Tursunov Oybek Batirovich	46.35	-
Abdusamadov Makhsudchon Abduvalievich	8.04	9.87
Abdusamadov Ravshan Abduvalievich	7.58	9.07
Total individuals	**61.97**	**18.94**
Total	**100.00**	**100.00**

As at December 31, 2021, the total number of shareholders of the Bank was 6, of which 3 shareholders are legal entities and 3 shareholders are individuals, who own 355 839 844 shares. In 2021, Promadik Invest LLC, Leasing Group LLC, Optima Invest LLC and Markaz yog LLC withdrew from the shareholders and were replaced by Telekominvest LLC and Tursunov Oybek Batirovich with 18.54% and 46.35%, respectively. The Bank has no ultimate controlling party.

(in millions of UZS)

Subsidiary

As of December 31, 2021, the consolidated financial statements of the Group comprise the Bank and its subsidiary:

Name	Country of registration	The Bank's share as of December 31, 2021, %	The Bank's share as of December 31, 2020, %	Business activity
Joint-Stock Company "Bank Apelsin"	Republic of Uzbekistan	100	-	Banking

In 2021, the Bank established a subsidiary, Joint-Stock Company "Bank Apelsin" (hereinafter referred to as the "JSC "Bank Apelsin"). On November 1, 2021, the subsidiary received a banking license from the CBU under No. 88 for carrying out banking activities. The authorized share capital of JSC "Bank Apelsin" equals UZS 100 billion. As of December 31, 2021, the parent company represented by Joint-Stock Commercial Bank "Kapitalbank" made a contribution to the share capital in the amount of UZS 20 billion. According to the Law "On Joint-Stock Companies and Protection of Shareholders' Rights" No. 370 of May 6, 2014, a contribution to the share capital may be made within 1 year.

Business environment

The Group's operations are located in the Republic of Uzbekistan. Consequently, the Group 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 consolidated 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 Group. The future business environment may differ from management's assessment.

The Group'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 Group's management is unable to predict all changes that could affect the banking sector as a whole and the Group's financial position in particular.

For 12 months 2021 the following key economic indicators are specific to Republic of Uzbekistan:

- Inflation: 10.0 % (2020: 11.1%);
- GDP growth: 6.2% (2020: 1.6%);
- Refinancing rate of the CBU: 14.0% (2020: 14.0%)

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.

In 2021, 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 Group's management as insignificant. Management is in the process of assessing the future impact of these events on the Group's operations in 2022.

After the reporting date, the Group has sufficient resources, diversified sources of liquidity and a stable funding base to ensure continuous operations and funding of customers, which is evidenced by the results of regular liquidity stress testing.

(in millions of UZS)

2 Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS.

A number of new amendments to standards came into force for annual periods beginning on or after January 1, 2021 and did not have a significant impact on the Group's consolidated financial statements.

These consolidated 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 consolidated 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 for the buildings that 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 and the currency in which these financial statements are presented. All financial information presented in UZS has been rounded to the (nearest) thousand, unless otherwise stated.

Foreign currencies, especially the US dollar and the Euro, are significant in determining the economic parameters of numerous economic transactions carried out in the Republic of Uzbekistan. The table below shows the rates of the UZS in relation to the US dollar and the Euro, set by the CBU:

Date	USD	EUR
31 December, 2021	10 837.66	12 224.88
31 December, 2020	10 476.92	12 786.03

Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgement, estimates and assumptions that affect the application of the Group'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 consolidated 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 3.

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, 2021 is included in the following notes:

- impairment of loans to customers: determining inputs into the ECL measurement models, including incorporation of forward-looking information – Note 4.

- estimates of fair values of financial assets and liabilities – Note 26.

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

Going concern

These consolidated financial statements reflect the management's assessment of those impacts that affect the Group'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 Group. The Group's management is not able to predict the consequences of the impact of these factors on the financial position in the future. These consolidated financial statements did not include adjustments related to this risk.

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

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

Revaluation of property and equipment

The Group estimates its buildings at fair value, with changes in fair value recognized in other comprehensive income (OCI). As of December 31, 2019, the Group 's management performed analysis of market fair value of buildings with the involvement of an independent appraisal company. 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, 2021 showed that prices on the market remained at the same level as compared to December 31, 2019 and there were no significant changes.

Taxation

Tax legislation of Uzbekistan is subject to varying interpretations and frequent changes. Management's interpretation of this legislation as applied to the operations and activities of the Group 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, 2021, management of the Group believes that it adheres to an adequate interpretation of the relevant legislation, and the Group'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 Group 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.

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 consolidated 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 consolidated statement of profit or loss and other comprehensive income includes interest income on net investments in finance leases.

Interest expenses presented in the consolidated 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, service 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 Group's consolidated 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group 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 Group 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 Group 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 Group'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.

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 Group 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 Group 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 Group due to the change of the key rate by the CBU, if the related loan agreement permits the Group to change interest rates.

The Group 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 Group 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 Group acts in line with the requirements with regard to the derecognition of financial liabilities.

The Group 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).

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group recognizes loss allowances for ECLs on:

-financial assets measured at amortized cost;

-debt investments in debt financial instruments at FVOCI;

-financial guarantees;

-net investments in finance leases.

The Group 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 Group 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 Group's historical experience and a reasonable credit assessment, including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, except for securities and interbank loans/deposits.

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

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

-the financial asset is more than 90 days past due, except for securities and interbank loans/deposits.

The Group 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 Group 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 Group in accordance with the contract and the cash flows that the Group 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 Group if the commitment is drawn down and the cash flows that the Group 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 Group 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 Group 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 Group on terms that the Group 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 Group 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 consolidated statement of financial position

Amounts of loss allowance for expected credit losses are presented in the consolidated 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 Group cannot identify the ECLs on the loan commitment component separately from those on the drawn component (loan issued): the Group 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 consolidated 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 Group 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 "Charge for expected credit losses on loans to customers, due from credit institutions and cash and cash equivalents" in the consolidated statement of profit or loss and other comprehensive income.

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

Loans to customers

The "Loans to customers" item of the consolidated 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 securities measured at amortised cost

The item "Investment securities measured at amortized cost" in the consolidated 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.

Amounts due to credit institutions, amounts due to customers and other borrowed funds

Amounts due to credit institutions, amounts due to customers and other borrowed funds 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 Group designates liabilities at FVTPL.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group 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 Group has no loan commitments that are measured at FVTPL.

For other loan commitments:

- The Group recognizes allowance for expected credit losses.

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

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 Group maintains advances for various periods of time in credit institutions. Amounts due from other Groups 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 ECL.

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

Amounts due to credit institutions are recorded when cash or other assets are advanced to the Group by counterparty Groups. 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 Group'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. The cost includes costs associated with the replacement of equipment, which are recognized on the commissioning of items of property and equipment if they meet the recognition criteria.

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 it 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 capitalized costs, software and licenses.

The licenses and software acquired are capitalized based on the costs incurred. Intangible assets are amortized on a straight-line basis over the expected useful lives of 5 to 10 years.

Leases

Right-of-use assets

The Group 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 Group does not apply materiality to the amount of initial direct costs incurred by the lessee. If it is not reasonably certain that the Group 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 Group 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 Group 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 Group 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 Group 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 Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

The Group 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 commencement date and not subject to a call option). The Group 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 Group 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 consolidated 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 Group when settling overdue loans. The assets are initially recognized at the carrying amount of the loan and included in property and equipment or other non-financial assets depending on their nature and the Group's intention with respect to those 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 Group 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 consolidated financial statements are authorized for issue.

Contingent assets and liabilities

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. Contingent assets are not recognized in the consolidated 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 Group 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 Group 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 Group's employees.

Segment reporting

Operating segments are allocated on the basis of internal reports on the components of the Group 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 Group 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 Group'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 Group's revenues.

Foreign currency translation

The financial statements are presented in UZS, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the reporting date. Income and expenses arising from translation of transactions in foreign currencies are recognized in the consolidated statement of profit and loss as "Net foreign exchange gain". 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 net foreign exchange gain.

4 Financial risk review

This Note presents information about the Group'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 Group 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 Group'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 Group 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 Group 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
• Quoted bond and credit default swap (CDS) prices for the borrower where available	• Requests for and granting of forbearance
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Existing and forecast changes in business, financial and economic conditions. •

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 Group 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 Group 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 Group 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 Group 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 Group'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 Group 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 Group 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 Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 Group, except for issuers of securities and interbank loans/deposits. 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 Group 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/counterparty

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

The Group has identified and documented key drivers of credit risk and credit losses and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. GDP 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 Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group'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 Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group 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 Group 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 Group 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.

(in millions of UZS)

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group 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 Group considers a longer period. The maximum contractual period extends to the date at which the Group 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
- 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 Group 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, 2021	PD
Cash and cash equivalents	3 065 586	
Amounts due from credit institutions	897 712	Moody's default statistics
Investment securities at amortised cost	1 430 590	

5 Adoption of new or revised standards and interpretations

Amendments to standards that became effective but did not have a significant impact

- COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on May 28, 2020 and effective for annual periods beginning on or after June 1, 2020). The Bank has decided not to apply the above amendment.
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Phase 2 (issued on August 27, 2020 and effective for annual periods beginning on or after January 1, 2021).

New standards and interpretations not yet adopted

The following are the new standards and amendments to standards that have been issued, but are not yet effective, as at the date of publication of the Group's consolidated financial statements. The Group plans to adopt these standards when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on the general model with the following additions:

(in millions of UZS)

- a specific adaptation for contracts with direct participation features (the variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

The new standard and amendments to standards are not expected to have a significant impact on the consolidated financial statements of the Group.

Change in presentation of comparative data

In order to approximate the presentation of comparative data in these consolidated financial statements, the Group has reclassified balances for settlements with payment systems.

The table below summarizes the impact of this restatement on the items of the Group's consolidated statement of financial position as of December 31, 2020:

	Before restatement	Effect of adjustment	Restated data
Amounts due to credit institutions	198 535	(7 590)	190 945
Other liabilities	7 590	7 590	15 180

The table below summarizes the impact of this restatement on the items of the Group's consolidated statement of cash flows for 2020:

	Before restatement	Effect of adjustment	Restated data
Amounts due to credit institutions	252 627	(7 590)	245 037
Other liabilities	(212)	7 590	7 378

6 Cash and cash equivalents

Cash and cash equivalents comprise:

	December 31, 2021	December 31, 2020
Cash on hand	913 079	554 416
Current accounts with the CBU	2 419 856	771 176
Current accounts with other credit institutions	95 746	70 969
Overnight deposit with the CBU	550 000	–
Allowance for ECL	(16)	(192)
Total cash and cash equivalents	**3 978 665**	**1 396 369**

As at December 31, 2021, balances on current accounts with the CBU in USD are 111.9 million (2020: USD 10.5 million) equivalent to UZS 1 212 199 million (2020: UZS 109 584 million) and EUR 7 million (2020: EUR 4 million) equivalent to UZS 84 470 million (2020: UZS 31 130 million).

As at December 31, 2021, the Group has balances of overnight deposits placed with the CBU.

As at December 31, 2021, the Group has no counterparties, except for the CBU, with balances exceeding 10% of the Group's capital.

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

	2021		2020	
	Stage 1	Total	Stage 1	Total
Balance as at January 1	192	192	113	113
Net charge/ (recovery) of allowance for ECL	(176)	(176)	79	79
Balance as at December 31	**16**	**16**	**192**	**192**

(in millions of UZS)

The table below shows an analysis of cash and cash equivalents for credit quality as at December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Cash on hand	913 079	554 416
Nostro accounts with the CBU	2 419 856	771 176
Nostro accounts with other banks:		
Rated from AA+ to AA-	4 595	-
Rated from A+ to A-	42 903	15 347
Rated from BBB+ to BBB-	26 638	37 208
Rated from BB+ to BB-	4 043	1 792
Rated from B+ to B-	17 567	11 387
Not rated	-	5 235
Deposits with banks with an initial maturity of less than 90 days:		
Rated from BB+ to BB-	550 000	-
Allowance for ECL	(16)	(192)
Total cash and cash equivalents	**3 978 665**	**1 396 369**

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

7 Amounts due from credit institutions

Amounts due from credit institutions include the following items:

	December 31, 2021	December 31, 2020
Term deposits with original maturity over 90 days	408 022	17 977
Restricted cash in relation to letters of credit and insurance deposits	300 009	67 257
Mandatory reserve with the CBU	190 405	100 026
Allowance for ECL	(724)	(488)
Total due from credit institutions	**897 712**	**184 772**

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

	2021		2020	
	Stage 1	Total	Stage 1	Total
Balance as at January 1	488	488	529	529
Net (recovery) charge of allowance for ECL	236	236	(41)	(41)
Balance as at December 31	724	724	488	488

As at December 31, 2021, term deposits placed for more than 90 days amounted to UZS 408 021 million (2020: UZS 17 977 million), represented by term deposits placed in local and foreign banks at an interest rate of 4% per annum on foreign currency deposits, and at 18% per annum on UZS deposits (2020: 4% per annum on foreign currency deposits, and at 10% and 17% per annum on UZS deposits).

As at December 31, 2021 and 2020, the balance of the mandatory reserve in the CBU amounted to UZS 190 405 million and UZS 100 026 million, 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 Group with a limited ability to use them.

As at December 31, 2021, restricted cash comprises balances on correspondent accounts with foreign banks placed by the Group in respect of letters of credit and amounts to UZS 300 009 million (2020: UZS 67 257 million).

As at December 31, 2021, the Group had accounts and deposits with two banks (2020: one bank) that exceed 10% of the Group's capital each. The total amount of the funds was UZS 418 682 million and UZS 372 177 million respectively (2020: UZS 19 896 million).

(in millions of UZS)

Analysis by credit quality of amounts due from credit institutions as at December 31, 2021 and December 31, 2020 is as follows:

	December 31, 2021	December 31, 2020
Mandatory reserve with the CBU	190 405	100 026
Rated from A1 to A3, Moody's	637 442	66 997
Rate Aa1 to Aa3, Moody's	37 942	-
Rated from B1 to B3, Moody's	32 104	18 237
Rated from Baa1 to Baa3, Moody's	543	-
Allowance for ECL	(724)	(488)
Total due from credit institutions	**897 712**	**184 772**

8 Loans to customers

Loans to customers include the following items:

	December 31, 2021	December 31, 2020
Loans to individuals	3 802 840	1 340 331
Loans to legal entities	2 280 466	1 822 335
Loans to small and medium-sized entities	2 231 650	1 688 504
Total loans to customers	**8 314 956**	**4 851 170**
ECL allowance	(263 140)	(171 196)
Total loans to customers less allowance for ECL	**8 051 816**	**4 679 974**

The Group uses the following classification of loans by classes:

- Loans to individuals - loans granted to individuals that include: car loans, mortgage loans, consumer loans and other
- Loans to legal entities - loans granted to customers with an organizational and legal form of ownership of joint-stock companies and limited liability companies, as well as other types of ownership;
- Loans to small and medium-sized entities - loans and finance leases granted to small and medium-sized entities, including individual entrepreneurs.

The analysis of movements in gross carrying amount of loans at amortised cost for 2021 is presented below:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at January 1	**4 383 118**	**275 692**	**180 834**	**11 526**	**4 851 170**
Transfer from Stage 1	(529 006)	292 667	236 339	-	-
Transfer from Stage 2	118 135	(133 263)	15 128	-	-
Transfer from Stage 3	10 397	4 930	(15 327)	-	-
New financial assets originated or purchased	6 309 006	-	-	-	6 309 006
Financial assets fully repaid	(1 798 321)	(115 478)	(111 276)	-	(2 025 075)
Other changes (effect of exchange rate, partial repayment)	(785 584)	(23 869)	(10 675)	-	(820 128)
Unwinding of discount on present value of ECL	-	-	11 509	-	11 509
Write-offs	-	-	-	(11 526)	(11 526)
Balance as at December 31	**7 707 745**	**300 679**	**306 532**	**-**	**8 314 956**

(in millions of UZS)

The analysis of movements in gross carrying amount of loans at amortized cost for 2020 is presented below:

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at January 1	**2 967 969**	**72 045**	**181 852**	**11 526**	**3 233 392**
Transfer from Stage 1	(304 969)	242 419	62 550	-	-
Transfer from Stage 2	6 739	(20 697)	13 958	-	-
Transfer from Stage 3	-	7 723	(7 723)	-	-
New financial assets originated or purchased	2 837 758	-	-	-	2 837 758
Financial assets fully repaid	(1 025 167)	(17 674)	(46 849)	-	(1 089 690)
Other changes (effect of exchange rate, partial repayment)	(99 213)	(8 124)	(15 563)	-	(122 900)
Unwinding of discount on present value of ECL	-	-	4 156	-	4 156
Write-offs	-	-	(11 546)	-	(11 546)
Balance as at December 31	**4 383 117**	**275 692**	**180 835**	**11 526**	**4 851 170**

Below is an analysis of the changes in the allowance for expected credit losses for loans at amortised cost for 2021.

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at January 1	**50 506**	**25 889**	**91 583**	**3 218**	**171 196**
Transfer from Stage 1	(61 461)	14 707	46 754	-	-
Transfer from Stage 2	10 421	(12 637)	2 216	-	-
Transfer from Stage 3	5 718	3 187	(8 905)	-	-
Net change in allowance for expected credit losses	31 584	1 982	68 203	8 308	110 077
New financial assets originated or purchased	73 147	-	-	-	73 147
Financial assets fully repaid	(20 048)	(11 280)	(63 636)	-	(94 964)
Write-offs	-	-	-	(11 526)	(11 526)
Unwinding of discount on present value of ECL	-	-	11 509	-	11 509
Changes in exchange rates and other changes	2 106	243	1 352	-	3 701
Balance as at December 31	**91 973**	**22 091**	**149 076**	**-**	**263 140**

Below is an analysis of the changes in the allowance for expected credit losses for loans at amortised cost for 2020.

	Stage 1	Stage 2	Stage 3	POCI	Total
Balance as at January 1	**33 732**	**8 967**	**69 019**	**-**	**111 718**
Transfer from Stage 1	(1 647)	359	1 288	-	-
Transfer from Stage 2	77	(1 572)	1 495	-	-
Transfer from Stage 3	-	1 529	(1 529)	-	-
Net change in allowance for expected credit losses	(4 129)	18 659	42 748	3 218	60 496
New financial assets originated or purchased	33 389	-	-	-	33 389
Financial assets fully repaid	(11 459)	(2 797)	(16 200)	-	(30 456)
Write-offs	-	-	(11 547)	-	(11 547)
Unwinding of discount on present value of ECL	-	-	4 156	-	4 156
Changes in exchange rates and other changes	543	744	2 153	-	3 440
Balance as at December 31	**50 506**	**25 889**	**91 583**	**3 218**	**171 196**

(in millions of UZS)

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

	December 31, 2021	December 31, 2020
Industrial production	1 665 774	1 327 070
Individuals	3 802 840	1 340 331
Trade and services	1 883 549	882 647
Construction	283 414	202 490
Financial services	188 103	457 642
Transport and communications	184 392	164 772
Agriculture	183 046	161 130
Textile industry	34 448	8 726
Other sectors	89 390	306 632
Total loans to customers	**8 314 956**	**4 851 170**

As at December 31, 2021 and 2020, all loans were provided to companies operating in the Republic of Uzbekistan.
The following table provides information on collateral:

December 31, 2021	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	2 655 237	-	2 655 237
Vehicles	2 587 824	-	2 587 824
Insurance	1 512 469	-	1 512 469
Equipment	366 753	-	366 753
Guarantees and sureties	467 301	-	467 301
Inventories	127 579	-	127 579
Guarantee deposits	145 566	-	145 566
Other collateral	146 084	-	146 084
Total loans which are not credit-impaired	**8 008 813**	**-**	**8 008 813**
Credit-impaired loans			
Real estate	185 171	185 171	-
Vehicles	40 225	40 225	-
Insurance	47 756	47 756	-
Equipment	19 385	-	19 385
Guarantees and sureties	9 557	-	9 557
Inventories	553	553	-
Guarantee deposits	254	-	254
Other collateral	3 242	-	3 242
Total credit-impaired loans	**306 143**	**273 705**	**32 438**

(in millions of UZS)

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	2 881 338	-	2 881 338
Vehicles	920 043	-	920 043
Insurance	389 549	-	389 549
Equipment	257 189	-	257 189
Guarantees and sureties	145 798	-	145 798
Inventories	20 480	-	20 480
Guarantee deposits	12 336	-	12 336
Other collateral	31 643	-	31 643
Total loans which are not credit-impaired	**4 658 376**	**-**	**4 658 376**
Credit-impaired loans			
Real estate	148 418	148 418	-
Insurance	35 977	35 977	-
Vehicles	7 194	7 194	-
Guarantees and sureties	1 726	-	1 726
Guarantee deposits	7	-	7
Other collateral	57	-	57
Total credit-impaired loans	**193 379**	**191 589**	**1 790**

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

The tables above exclude overcollateralization.

As at December 31, 2021, the concentration of loans issued by the Group to the ten largest independent borrowers was UZS 559 680 million (7% of the total loan portfolio) (2020: UZS 577 681 million, 19% of the total loan portfolio).

Net investment in finance lease as part of loans to small and medium-sized entities is as follows:

	December 31, 2021	December 31, 2020
Gross investments in finance lease	2 986	3 323
Unearned financial income of future periods under finance leases	(756)	(1 952)
Net investment in the finance lease	**2 230**	**1 371**

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, 2021:

	Less than 1 year	From 1 to 5 years	Over 5 years	Total
Gross investments in finance lease	1 494	1 492	-	2 986
Unearned financial income of future periods under finance leases	(110)	(646)	-	(756)
Net investment in the finance lease	**1 384**	**846**	**-**	**2 230**

The following table provides information on the maturity of gross and net investment in finance lease as at December 31, 2020:

	Less than 1 year	From 1 to 5 years	Over 5 years	Total
Gross investments in finance lease	140	930	2 253	3 323
Unearned financial income of future periods under finance leases	(35)	(317)	(1 600)	(1 952)
Net investment in the finance lease	**105**	**613**	**653**	**1 371**

(in millions of UZS)

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, 2021 and December 31, 2020:

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

- "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.

Loans to customers at amortized cost – individuals, as at December 31, 2021:

	Stage 1	Stage 2	Stage 3	Total
Not overdue	3 407 797	-	-	3 407 797
Overdue less than 30 days	140 887	-	-	140 887
Overdue 30-90 days	-	179 179	-	179 179
Overdue 91-180 days	-	-	46 013	46 013
Overdue 181-360 days	-	-	17 153	17 153
Overdue more than 360 days	-	-	11 811	11 811
Total	**3 548 684**	**179 179**	**74 977**	**3 802 840**
Allowance for ECL	**(43 540)**	**(13 904)**	**(44 834)**	**(102 278)**
Carrying amount	**3 505 144**	**165 275**	**30 143**	**3 700 562**

Loans to customers at amortized cost – individuals, as at December 31, 2020:

	Stage 1	Stage 2	Stage 3	Total
Not overdue	1 161 366	-	124	1 161 490
Overdue less than 30 days	50 161	-	-	50 161
Overdue 30-90 days	-	88 140	5	88 145
Overdue 91-180 days	-	-	29 845	29 845
Overdue 181-360 days		-	7 092	7 092
Overdue more than 360 days	-	-	3 598	3 598
Total	**1 211 527**	**88 140**	**40 664**	**1 340 331**
Allowance for ECL	**(8 238)**	**(4 183)**	**(24 647)**	**(37 068)**
Carrying amount	**1 203 289**	**83 957**	**16 017**	**1 303 263**

Loans to customers at amortised cost – Corporate customers, as at December 31, 2021:

	Stage 1	Stage 2	Stage 3	Total
Low credit risk	1 676 841	-	-	1 676 841
Moderate credit risk	512 029	-	-	512 029
High credit risk	-	60 562	-	60 562
Distressed assets	-	-	31 034	31 034
Total	**2 188 870**	**60 562**	**31 034**	**2 280 466**
Allowance for ECL	**(24 932)**	**(3 537)**	**(7 171)**	**(35 640)**
Carrying amount	**2 163 938**	**57 025**	**23 863**	**2 244 826**

(in millions of UZS)

Loans to customers at amortised cost – Corporate customers, as at December 31, 2020:

	Stage 1	Stage 2	Stage 3	Total
Low credit risk	1 528 924	-	-	1 528 924
Moderate credit risk	111 886	-	-	111 886
High credit risk	-	38 887	-	38 887
Distressed assets	-	-	142 638	142 638
Total	**1 640 810**	**38 887**	**142 638**	**1 822 335**
Allowance for ECL	**(20 014)**	**(5 055)**	**(63 088)**	**(88 157)**
Carrying amount	**1 620 796**	**33 832**	**79 550**	**1 734 178**

Loans to customers at amortised cost – SME, as at December 31, 2021

	Stage 1	Stage 2	Stage 3	Total
Not overdue	1 935 600	7 587	31 493	1 974 680
Overdue less than 30 days	34 590	4 092	11 288	49 970
Overdue 30-90 days	-	49 261	31 193	80 454
Overdue 91-180 days	-	-	26 251	26 251
Overdue 181-360 days	-	-	36 929	36 929
Overdue more than 360 days	-	-	63 366	63 366
Total	**1 970 190**	**60 940**	**200 520**	**2 231 650**
Allowance for ECL	**(23 501)**	**(4 650)**	**(97 071)**	**(125 222)**
Carrying amount	**1 946 689**	**56 290**	**103 449**	**2 106 428**

Loans to customers at amortised cost – SME, as at December 31, 2020

	Stage 1	Stage 2	Stage 3	Total
Not overdue	1 526 315	134 052	2 674	1 663 041
Overdue less than 30 days	4 464	-	15	4 479
Overdue 30-90 days	-	14 613	5	14 618
Overdue 91-180 days	-	-	363	363
Overdue 181-360 days	-	-	1 185	1 185
Overdue more than 360 days	-	-	4 818	4 818
Total	**1 530 779**	**148 665**	**9 060**	**1 688 504**
Allowance for ECL	**(22 254)**	**(16 651)**	**(7 066)**	**(45 971)**
Carrying amount	**1 508 525**	**132 014**	**1 994**	**1 642 533**

Changes in assumption for calculation of allowance for ECL

Changes in these estimates may affect allowance for ECL on 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 individuals as at December 31, 2021 by UZS 37 006 million (2020: UZS 13 033 million), decrease/increase in the amount of allowance for ECL on loans to corporate customers by UZS 22 448 million (2020: UZS 17 342 million) and decrease/increase in the amount of allowance for ECL on loans SME by UZS 21 064 million (2020: UZS 16 142 million).

9 Investment securities measured at amortised cost

The Group's debt securities are as follows:

	December 31, 2021	December 31,2020
CBU bonds	1 084 383	186 307
Government bonds	341 500	1 500
Corporate bonds	6 000	-
Allowance for ECL	(1 293)	(462)
Total investment securities measured at amortised cost	**1 430 590**	**187 345**

In 2021, the Group actively participated in auctions for the placement of government securities (bonds) held by the CBU in conjunction with the Ministry of Finance on the Uzbek Republican Currency Exchange. The maturities of the bonds are 1-6, 12 and 24 months, the interest rates range from 12% to 16%.

An increase in the gross carrying amount of securities measured at amortised cost during 2021 by UZS 1 247 264 million resulted in an increase in Stage 1 ECL by UZS 833 million.

Investment securities measured at amortised cost are classified as Stage 1.

(in millions of UZS)

10 Assets held for sale

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

	December 31, 2021	December 31, 2020
Other property	41 258	4 328
Total assets held for sale	**41 258**	**4 328**

As at December 31, 2021, and December 31, 2020, other property is represented by buildings (collateral for loans to customers) acquired through the transfer of ownership to the Group by a court decision or by amicable agreement.

The collateral acquired through the transfer of ownership and recorded on the Group's balance sheet as at December 31, 2021 is expected to be disposed of by the Group during 2022.

The valuation of the collateral was made on the basis of an existing offer from a third party on the purchase of the collateral, and is classified as Level 3 in the fair value hierarchy.

The property held as at December 31, 2020 in the amount of UZS 4 328 million was sold during 2021.

11 Property, equipment and intangible assets

The movements in property, equipment and intangible assets as at December 31, 2021 are as follows:

	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, 2020	213 657	110 789	16 734	296 343	637 523	-	76 346
Cost							
Balance as at December 31, 2020	220 256	177 740	22 412	310 041	730 449	-	96 009
Additions	70 509	25 931	31	8	96 479	2 327	46 601
Disposal	(23 008)	(4 946)	(4 837)	(4 408)	(37 199)	-	(5 142)
Transfer	-	-	-	-	-	-	-
Balance as at December 31, 2021	267 757	198 725	17 606	305 641	789 729	2 327	137 468
Accumulated depreciation							
Balance as at December 31, 2020	6 599	66 951	5 678	13 698	92 926	-	19 663
Accrued depreciation and amortisation	7 969	9 967	5 385	34 616	57 937	-	11 336
Disposal	(3 118)	(1 646)	(2 416)	(1 006)	(8 186)	-	(387)
Balance at December 31, 2021	11 450	75 272	8 647	47 308	142 677	-	30 612
Carrying amount at December 31, 2021	256 307	123 453	8 959	258 333	647 052	2 327	106 856

(in millions of UZS)

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

	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	217 043	116 726	19 140	233 425	586 334	65 574	14 131
Cost							
Balance as at December 31, 2019	217 043	177 401	22 734	233 568	650 746	65 574	21 802
Additions	3 212	1 635	4	103 744	108 595	-	8 633
Disposal	-	(1 295)	(326)	(27 271)	(28 892)	-	-
Write-off of accumulated depreciation	-	-	-	-	-	(65 574)	65 574
Balance as at December 31, 2020	220 255	177 741	22 412	310 041	730 449	-	96 009
Accumulated depreciation							
Balance as at December 31, 2019	-	60 676	3 594	143	64 413	-	7 671
Accrued depreciation and amortisation	6 598	7 389	2 390	31 350	47 727	-	11 992
Disposal	-	(1 113)	(306)	(17 795)	(19 214)	-	-
Balance at December 31, 2020	6 598	66 952	5 678	13 698	92 926	-	19 663
Carrying amount at December 31, 2020	213 657	110 789	16 734	296 343	637 523	-	76 346

As at December 31, 2020 and December 31, 2021, the Group measured the fair value of buildings. 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:

- UZS 2.8 million – average market rental rate for offices of A, B classes in regional areas;

- UZS 13.8 million - average market rental rate for offices of A, B classes in Tashkent.

The increase/decrease in assumptions used by five percent will result in increase/decrease in cost of buildings by UZS 12 825 million as at December 31, 2021.

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

	December 31, 2021	December 31, 2020
Actual costs	269 621	199 112
Accumulated depreciation	(20 633)	(15 782)
Net historical cost	248 988	183 330

(in millions of UZS)

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, 2021, the system was partially commissioned, and the Group conducts operations for servicing individuals using this program. By the end of 2022, 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 10 years.

12 Other assets

Other assets include the following items:

	December 31, 2021	December 31, 2020
Other financial assets		
Fees and commissions receivable	4 225	808
Other financial assets	-	34
Allowance for ECL	(809)	(81)
Total other financial assets	**3 416**	**761**
Other non-financial assets		
Settlements with payment systems	19 942	10 708
Prepayment for equipment and goods	4 988	6 395
Advance payment for services	3 078	1 116
Settlements with employees	409	-
Other	1 585	1 049
Total other non-financial assets	**30 002**	**19 268**
Total other assets	**33 418**	**20 029**

The below tables present the analysis of movements in allowance for ECL for other assets for 2021:

	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL as at the beginning of the period	-	-	**81**	**81**
Net (recovery)/ charge of allowance for ECL	51	51	16 267	**16 369**
Write-offs	-	-	(15 641)	**(15 641)**
Allowance for ECL as at the end of the period	**51**	**51**	**707**	**809**

The below tables present the analysis of movements in allowance for ECL for other assets for 2020:

	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL as at the beginning of the period	-	-	**36**	**36**
Net (recovery)/ charge of allowance for ECL	-	-	45	45
Allowance for ECL as at the end of the period	-	-	**81**	**81**

13 Amounts due to credit institutions

Amounts due to credit institutions include the following:

	December 31, 2021	December 31, 2020
Funds payable to banks of the Republic of Uzbekistan	29 729	70 524
Funds payable to foreign banks	25 928	118 009
Current accounts	713	1 171
Funds due to the CBU	-	1 241
Total amounts due to credit institutions	**56 370**	**190 945**

As at December 31, 2021, the Group has no balances exceeding 10% of the Group's capital, similar to the previous reporting period.

As at December 31, 2021, there were no funds from the CBU (2020: UZS 1 241 million) and interest accrued thereon.

(in millions of UZS)

Information on funds payable to banks received under financing programs is presented below:

	December 31, 2021	December 31, 2020
AKA Ausfuhrkredit- Gesellschaft	25 928	9 502
JSCMB Ipoteka-Bank	14 722	33 888
JSCB Agrobank	-	3 337

AKA Ausfuhrkredit- Gesellschaft mbH

The Group 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 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.

Ipoteka-Bank AKIB

On March 19, 2019, the Group signed an agreement with Ipoteka-Bank AKIB on receiving credit facility in national currency in the total amount not exceeding UZS 56 700 million 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".

The loans were raised and received as part of the financing of 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.

Agrobank AKB

On August 2, 2018, the Group signed an agreement with Agrobank AKB on receiving credit facility in national currency in the total amount not exceeding UZS 14 300 million 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". As of the reporting date, the amount has been repaid.

14 Amounts due to customers

Amounts due to customers comprise:

	December 31, 2021	December 31, 2020
Legal entities		
Demand deposits	4 295 695	1 734 723
Term deposits	5 787 022	1 509 496
Individuals		
Demand deposits	1 000 811	650 216
Term deposits	2 478 728	2 250 118
Total customer accounts	**13 562 256**	**6 144 553**

In accordance with the legislation of the Republic of Uzbekistan, the Group 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, 2021, the Group had seven customers with the total amount exceeding 10% of the Group's equity. The total balance on the accounts of seven counterparties (2020: eight counterparties) amounted to UZS 4 136 945 million (2020: UZS 879 614 million) or 30.6% (2020: 14.3%) of the total amount of funds of the Group's customers.

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

	December 31, 2021	December 31, 2020
Corporate customers	9 192 028	3 025 948
Individuals	3 479 539	2 900 334
State and budget organizations	890 689	218 271
Total customer accounts	**13 562 256**	**6 144 553**

(in millions of UZS)

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

	December 31, 2021	December 31, 2020
Individuals	3 479 539	2 900 334
Manufacturing	3 353 234	831 374
Trade and other services	1 770 095	909 677
Investments in financial sector	1 540 947	107 769
Transport and telecommunications	1 128 478	389 513
Social funds	633 059	137 311
Construction	603 428	182 588
Insurance	59 923	1 766
Agriculture and food industry	37 090	23 768
Other	956 463	660 453
Total customer accounts	**13 562 256**	**6 144 553**

15 Other borrowed funds

	December 31, 2021	December 31, 2020
Subordinated loan	105 186	53 565
Long-term loans from the government (for lending to low-income groups)	59 586	62 779
Total other borrowed funds	**164 772**	**116 344**

Subordinated debt is presented by long term loan from 10 different counterparties (2020: from 9 different counterparties) in the amount of UZS 105 186 million (2020: UZS 53 565 million) at an interest rate on loans received in UZS at 14% -19% per annum, on loans received in USD at 5% per annum (2020: 5% per annum).

Long-term loans from the government are represented by long-term interest-free loans from the Fund for Financing State Development Programs and the Ministry of Finance of the Republic of Uzbekistan.

Reconciliation of movements in other borrowed funds and cash flows from financing activities

		Cash flows			Non-cash flows		
	December 31, 2020	Inflow	Outflow	Interest paid	Interest accrued	Effect of translation to presentation currency UZS	December 31, 2021
Other borrowed funds	116 344	47 204	(3 177)	(15 222)	16 249	3 374	164 772

		Cash flows			Non-cash flows		
	December 31, 2019	Inflow	Outflow	Interest paid	Interest accrued	Effect of translation to presentation currency UZS	December 31, 2020
Other borrowed funds	143 768	39 518	(66 723)	(9 755)	9 103	433	116 344

16 Other liabilities

Other liabilities comprise the following:

	December 31, 2021	December 31, 2020
Other financial liabilities		
Accounts payable for services received	15 055	1 268
Accounts payable for money transfers	11 086	7 590
Accounts payable to the Deposit Guarantee Fund	6 883	-
Settlements with employees	6 391	1 925
Settlements with Paynet	5 241	-
Other financial liabilities	752	128
Other financial liabilities	**45 408**	**10 911**
Other non-financial liabilities		
Tax liability	2 943	420
Other non-financial liabilities	1 298	376
Allowance for ECL for off-balance sheet commitments	10 405	3 473
Other non-financial liabilities	**14 646**	**4 269**
Total other liabilities	**60 054**	**15 180**

(in millions of UZS)

17 Share capital

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

	Number of shares, units	Nominal value for 100 units, UZS	Total cost, UZS million	Total, adjusted for inflation
Balance as at January 1, 2020	**163 928 486**	**950**	**155 732**	**154 364**
Increase	19 164 208	950	18 206	18 206
Balance as at December 31, 2020	**183 092 694**	**950**	**173 938**	**172 570**
Increase	212 747 150	950	202 110	202 110
Balance as at December 31, 2021	**395 839 844**	**950**	**376 048**	**374 680**

As at December 31, 2021, the total number of authorized preferred shares is 40 000 000, the number of ordinary shares is 355 839 844; the par value of each authorized share of both types is UZS 950. All authorized shares have been issued and fully paid.

In accordance with the legislation of the Republic of Uzbekistan, only accumulated retained earnings according to the consolidated financial statements of the Group prepared in accordance with the national accounting standards can be distributed as dividends among the shareholders of the Group. The share capital of the Group 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. As at December 31, 2021, the share premium amounted to UZS 272 220 million.

In 2021, the Group declared and paid interim dividends of UZS 22 770 million on preferred shares at a rate of UZS 209 per share and UZS 125 935 million on ordinary shares at a rate of UZS 768 per share. At the end of 2020, the Group declared dividends in the amount of UZS 4 005 million on preferred shares at a rate of UZS 209 per share, which were paid in 2021.

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 Group's financial statements submitted to the CBU at the request of the legislation of the Republic of Uzbekistan for the year ended December 31, 2021, the net profit is UZS 356 250 million (2020: UZS 135 617 million) (unaudited).

18 Net interest income

	2021	2020
Loans to customers	1 011 677	544 448
Investment securities	78 951	16 239
Deposits with the CBU (overnight)	16 118	5 899
Amounts due from credit institutions	6 238	4 959
Total interest income calculated using the effective interest rate	**1 112 984**	**571 545**
Other interest income		
Net investment in finance lease	1 083	1 127
Interest expenses		
Amounts due to customers	471 308	282 867
Amounts due to credit institutions	13 690	6 829
Finance lease liabilities	-	800
Other borrowed funds	16 249	17 385
Total interest expense	**501 247**	**307 881**
Net interest income	**612 820**	**264 791**

(in millions of UZS)

19 Net fee and commission income

	2021	2020
Fee and commission income		
Settlement operations	146 064	82 365
Transactions with plastic cards	124 364	57 291
International cash transfers	76 567	57 192
Conversion	19 817	67 822
Cash operations	16 569	8 597
Commission on letters of credit	11 925	5 769
Guarantee commission	4 691	2 434
Commission on SWAP transactions	272	153
Income on loans	71	312
Other fee and commission income	3 425	4 008
Total fee and commission income	**403 765**	**285 943**
Fee and commission expense		
Transactions with plastic cards	95 546	37 696
Settlement operations	19 952	5 285
Foreign payments	13 240	10 136
Foreign currency translation and purchase	7 118	5 384
Expenses on letters of credit	6 566	5 926
Cash collection services	3 275	2 820
Other	2 156	4 522
Total fee and commission expense	**147 853**	**71 769**
Net fee and commission income	**255 912**	**214 174**

20 Net foreign exchange gain

Net foreign exchange gain comprises:

	2021	2020
Gain/(Loss) from transactions with derivatives	513	(1 897)
Gain on transactions with foreign currency	149 536	21 764
(Loss)/gain on revaluation of financial assets and liabilities	(10 325)	8 232
Total net foreign exchange gain	**139 724**	**28 099**

21 Personnel and other operating expenses

	2021	2020
Salaries and bonuses	204 257	105 410
Unified social payment	24 602	16 461
Other employee benefits	12 729	32 813
Total personnel expenses	**241 588**	**154 684**
Depreciation and amortization	69 273	59 721
Membership fees to the Deposit Guarantee Fund	26 067	6 313
Other taxes, other than income tax	20 610	11 795
Advertising	18 351	3 643
Security	15 585	10 827
Repairs	13 497	12 012
Professional services	13 082	6 107
Stationery	12 506	6 907
Charity and sponsorship	9 484	4 231
Rent	7 076	6 130
Communication	5 655	3 945
Utilities	4 244	2 063
Representative expenses	2 911	1 718
Vehicle maintenance costs	2 203	1 218
Fines and penalties	1 687	932
Travel expenses	849	357
Insurance	783	-
Other	1 492	2 264
Total operating expenses	**466 943**	**294 867**

(in millions of UZS)

22 Income tax

The Group 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 Group'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 2021 was 20% (2020: 20%) of taxable profit.

In accordance with the tax legislation of the Republic of Uzbekistan, the Group 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, 2021 and December 31, 2020 are mainly related to different accounting methods of income and expenses, as well as carrying amount of certain assets.

Tax effects of temporary differences as at December 31, 2021 and December 31, 2020 are as follows:

	Balance as at January 1, 2021	Recognized in other comprehensive income	Recognized in profit or loss	Balance as at December 31, 2021
Loans to customers	14 973	-	(5 884)	9 089
Property and equipment	(5 298)	-	767	(4 531)
Amounts due from credit institutions	-	-	-	-
Other assets	2 819	-	5 428	8 247
Other liabilities	104	-	5 195	5 299
Total	**12 598**	**-**	**5 506**	**18 104**

	Balance as at January 1, 2020	Recognized in other comprehensive income	Recognized in profit or loss	Balance as at December 31, 2020
Loans to customers	9 285	-	5 688	14 973
Property and equipment	(5 369)	-	71	(5 298)
Amounts due from credit institutions	1 704	-	(1 705)	(1)
Other assets	3 930	-	(1 109)	2 821
Other liabilities	(410)	-	513	103
Total	**9 140**	**-**	**3 458**	**12 598**

A reconciliation between deferred and actual income tax expense for the year ended December 31, 2021 and the year ended December 31, 2020 is as follows:

	2021	2020
Profit before income tax	**438 827**	**153 382**
Tax at the statutory rate (20%)	(87 765)	(30 676)
Non-taxable income (income from state securities)	15 696	2 759
Non-deductible expenses	(2 259)	(4 849)
Income tax expense	**(74 328)**	**(32 766)**
Current income tax expenses	(79 834)	(36 222)
Deferred income tax benefit	5 506	3 456
Income tax expense	**(74 328)**	**(32 766)**

23 Earnings per share

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

(in millions of UZS)

24 Contingencies

Insurance

The Group did 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 Group's primary business. Until the Group 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 Group.

Legal

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

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 other 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, 2021, management believes that it adheres to an adequate interpretation of the relevant legislation, and the Group's position on tax, currency and customs issues will be supported by regulatory authorities.

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 consolidated 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 Group is less exposed to the risk of losses, since in the event of impairment of loans issued, the Group will not provide the remaining amounts, therefore the provision for these credit related commitments is null.

Outstanding credit-related commitments are as follows:

	December 31, 2021	December 31, 2020
Letters of credit	1 072 972	13 974
With post-financing	245 586	13 974
Without post-financing	827 386	-
Guarantees:	140 062	155 054
Financial guarantees	102 498	127 975
Performance guarantees	37 564	27 079
Commitments on loans	6 839	2 506
Credit related commitments	**1 219 873**	**171 534**
Allowance for ECL on credit-related commitments as at January 1	3 473	1 232
Charge for the year	6 932	2 241
Total allowance for ECL on credit-related commitments	**10 405**	**3 473**

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

(in millions of UZS)

The table below shows the analysis of financial guarantees by credit quality as at December 31, 2021 and December 31, 2020:

	December 31, 2021	December 31, 2020
Rated from BBB+ to BBB-	5 876	7 258
Rated from BB+ to BB-	27 432	33 882
Rated from B+ to B-	3 298	4 073
Without rating	65 892	82 762
Total financial guarantees	**102 498**	**127 975**

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 Group's customers. As at 31 December 2021 letters of credit and financial guarantees are classified as Stage 1 credit risk.

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

	2021			
	Stage 1	Stage 2	Stage 3	Total
The amount of the allowance for ECL as at the beginning of the period	**1 523**	**1 418**	**532**	**3 473**
Net (recovery) charge of allowance for ECL	8 882	(1 418)	(532)	6 932
The amount of the allowance for ECL as at the end of the period	**10 405**	**-**	**-**	**10 405**

	2020			
	Stage 1	Stage 2	Stage 3	Total
The amount of the allowance for ECL as at the beginning of the period	**1 233**	**-**	**-**	**1 233**
Net (recovery) charge of allowance for ECL	290	1 418	532	2 240
The amount of the allowance for ECL as at the end of the period	**1 523**	**1 418**	**532**	**3 473**

25 Related party transactions

For the purposes of these consolidated 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 Group 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:

	December 31, 2021		December 31, 2020	
	Related party transactions	Total as per FS categories	Related party transactions	Total as per FS categories
Assets				
Loans to customers	**57 528**	**8 051 816**	**46 116**	**4 679 974**
Shareholders	50 600	-	24 618	-
Other related parties	7 941	-	21 803	-
Allowance for ECL	(1 013)	-	(305)	-
Liabilities				
Amounts due to customers	**23 980**	**13 562 256**	**4 132**	**6 144 553**
Shareholders	3 689	-	-	-
Other related parties	20 291	-	4 132	-

(in millions of UZS)

Income and expenses

	2021		2020	
	Related party transactions	Total as per FS categories	Related party transactions	Total as per FS categories
Interest income calculated using the effective interest rate	**8 658**	**1 112 984**	**5 297**	**571 545**
Shareholders	7 259	-	3 710	-
Other related parties	1 399	-	1 587	-
Net charge of allowance for ECL on loans to shareholders and other related parties	(709)	-	(113)	-
Interest expenses	**3 645**	**501 247**	**54**	**307 881**
Shareholder	161	-	-	-
Other related parties	3 484	-	54	-
Key management personnel remuneratio	**4 901**	**241 588**	**5 557**	**154 684**
Salary and other short-term employee benefits	4 376	**216 986**	4 962	**138 223**
Social security contributions	525	**24 602**	595	**16 461**

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 and term deposits placed both in UZS and in foreign currency. Term deposits from shareholders and other related parties in UZS are attracted with an interest rate from 17% to 22%, in foreign currency the interest rate was from 3% to 5%.

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

26 Fair value

Fair value hierarchy

For the purpose of disclosing information about fair value, the Group 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.

The following is a measurement of the fair value of the Group's financial instruments as at December 31, 2021 that are not measured at fair value:

	Level 1	Level 2	Level 3	Total	Total per statement of financial position
Financial assets					
Loans to customers	-	-	8 788 578	**8 788 578**	8 051 816
Financial liabilities					
Amounts due to customers	-	14 401 591	-	**14 401 591**	13 562 256

The following is a measurement of the fair value of the Group's financial instruments as at December 31, 2020 that are not measured at fair value:

	Level 1	Level 2	Level 3	Total	Total per statement of financial position
Financial assets					
Loans to customers	-	-	4 321 525	**4 321 525**	4 679 974
Financial liabilities					
Amounts due to customers	-	5 872 356	-	**5 872 356**	6 144 553

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

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 consolidated financial statements, as well as those that are not measured at fair value in the consolidated 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.

(in millions of UZS)

Financial assets and financial liabilities carried at amortized 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 is estimated by discounting future cash flows using the rates currently available for debt with similar terms, credit risk and remaining maturities.

27 Capital management

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

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, which must be formed until January 1, 2019.

As at December 31, 2021 and December 31, 2020, 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 UZS using closing spot exchange rates to conform to calculations of regulatory capital ratios in UZS.

	December 31, 2021	December 31, 2020
Fully paid shares	376 048	173 938
Additional paid-in capital	272 220	57 312
Retained earnings	602 958	464 715
Investments in the capital of non-consolidated economic entities	(1 107)	(1 070)
Investments in the capital of other banks	(20 000)	-
Adjusted Tier I capital	**1 230 119**	**694 895**
Tier II capital	338 839	221 918
Total capital	**1 568 958**	**916 813**
The amount of on- and off-balance sheet assets, risk-weighted	9 674 477	5 822 027
Operational risk	521 713	407 617
Market risk	60 947	35 948
Adjusted total assets, risk-weighted	**10 257 137**	**6 265 592**
Capital adequacy ratios:		
Tier I capital	11.99%	11.09%
Total capital	15.30%	14.63%

28 Risk management

The Group's activities have inherent risks. The Group 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 Group, and each individual employee of the Group is responsible for the risks associated with his or her responsibilities. The Group 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 Group 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 Group 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

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

Management Board

The Management Board is responsible for the general management of banking risks, distribution of powers and responsibilities for managing banking risks between the heads of departments at various levels, establishes the procedure for interaction and reporting, and is responsible for ensuring compliance by structural units of the bank's local acts and implementation of relevant decisions made in respect of risks by the Supervisory Board.

Risk management

The Risk Management Department develops and participates in the development of local acts of the Bank on risk management, including risk appetite indicators, is responsible for implementing and conducting procedures related to risk management in order to ensure an independent control process, as well as for monitoring compliance with risk management principles, policies and limits, stress-testing.

Compliance Control

The Compliance Control Department performs functions of internal control in terms of effective detection and suppression of operations with cash or other property aimed at legalization of proceeds of crime, financing of terrorism and financing weapons of mass destruction proliferation, compliance control and risk management in terms of compliance by the Bank or its employees with the current legislation, regulations of the CBU and requirements of local acts of the Bank, regulating the procedure of providing services by the Bank and carrying out banking operations.

Treasury of the Group

The Group's Treasury is responsible for managing the Group'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 Group.

Internal audit

Risk management processes within the Group are audited annually by the Internal Audit Department, which verifies both the sufficiency of the procedures and the implementation of these procedures by the Group. 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 Group'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 Group. Such limits reflect the business strategy and market conditions in which the Bank operates, as well as the level of risk that the Group is prepared to accept, with particular attention being paid to individual industries. In addition, the Group monitors and evaluates its overall exposure to 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, 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 Supervisory Board and the Management Board receive a detailed quarterly risk report containing all the necessary information to assess the Group's risks and make appropriate decisions. On a monthly basis, the Management Board receives a detailed report on credit and liquidity risk, including as part of the quarterly risk report.

For all levels of the Group, 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 Group uses derivatives and other instruments to manage positions arising from changes in interest rates, exchange rates, credit risk, and positions on forecast transactions.

The Group 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 Group's performance to changes in conditions that affect a particular industry or geographic region.

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

Credit risk

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

Risk reduction and limitation policy

The Group 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 Group monitors credit risk by setting limits for one borrower or a group of related borrowers, and by setting limits by lending areas, 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 a Supervisory Board as well as several credit committees that approve credit limits/loans for individual borrowers:

- The Supervisory Board of the Bank reviews and approves credit limits and passports of credit products, reviews and approves loans in the amount of up to 25% of Tier 1 capital, as well as loans that are subject to decision by the Supervisory Board of the Bank;
- Credit Committees of the Head Office consider and approve loans within the limits approved by the Bank's Board: for corporate lending - up to UZS 10.0 billion (inclusive), for small loans - up to UZS 2.5 billion (inclusive), for retail lending - within UZS 1.0 billion (inclusive), as well as loans within the passports of credit products;
- The Credit Committees of the Bank's branches consider and approve loans within the limits approved by the Board of the Bank; for corporate lending - within the passports of credit products in the range of UZS 10.0 billion for branches in Tashkent, within UZS 5.0 billion for branches outside Tashkent with the approval of the Department of Underwriting on corporate lending, for retail lending - loans within the passports of credit products.

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 Group 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 Group 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.

(in millions of UZS)

(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 5 times the size of the Bank's Tier 1 capital;
- The total amount of loans to a related party should not exceed 50% of the Bank's Tier 1 capital.

Policy of impairment and creation of allowance.

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 Group:

- 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 Group'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 ECL 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 Group may vary significantly depending on the individual risks inherent in specific assets and general market risks.

The Group 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 Group 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 credit rating is defined only for cash and cash equivalents, 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 Group's credit risk is concentrated primarily 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 Group's risk management policy, risk appetite indicators and credit policy.

Geographical risk

The following table shows the geographical analysis of the Group's assets and liabilities as at December 31, 2021:

	Uzbekistan	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	3 903 067	37 615	37 983	3 978 665
Amounts due from credit institutions	254 198	643 514	-	897 712
Loans to customers	8 051 816	-	-	8 051 816
Investment securities measured at amortised cost	1 430 590	-	-	1 430 590
Investment financial assets	107	-	-	107
Other financial assets	3 416	-	-	3 416
Total financial assets	**13 643 194**	**681 129**	**37 983**	**14 362 306**
Financial liabilities				
Amounts due to credit institutions	29 893	26 357	120	56 370
Amounts due to customers	13 562 256	-	-	13 562 256
Other borrowed funds	164 772	-	-	164 772
Other financial liabilities	45 408	-	-	45 408
Total financial liabilities	**13 802 329**	**26 357**	**120**	**13 828 806**
Net position on financial assets and liabilities	**(159 135)**	**654 772**	**37 863**	**533 500**

(in millions of UZS)

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

	Uzbekistan	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	1 362 233	14 457	19 679	1 396 369
Amounts due from credit institutions	117 775	34 682	32 315	184 772
Loans to customers	4 679 974	-	-	4 679 974
Investment securities measured at amortised cost	187 345	-	-	187 345
Investment financial assets	70	-	-	70
Other financial assets	761	-	-	761
Total financial assets	**6 348 158**	**49 139**	**51 994**	**6 449 291**
Financial liabilities				
Amounts due to credit institutions	65 560	76 178	49 207	190 945
Amounts due to customers	6 121 421	905	22 227	6 144 553
Other borrowed funds	116 344	-	-	116 344
Other financial liabilities	10 911	-	-	10 911
Total financial liabilities	**6 314 236**	**77 083**	**71 434**	**6 462 753**
Net position on financial assets and liabilities	**33 922**	**(27 944)**	**(19 440)**	**(13 462)**

Liquidity risk

Liquidity risk arises when the maturities of claims under active transactions does not coincide with maturities under passive transactions. The Group 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 Group 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 Group's Treasury and Risk Management Department in accordance with the Liquidity Risk Management Regulation approved by the Group's Supervisory Board on December 24, 2020.

Liquidity management of the Group 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 Group as a whole.

The Treasury controls the daily liquidity position and, implements the liquidity risk management policy.

The Financial Committee under the Bank's Management Board controls liquidity, monitors compliance with liquidity ratios/limits, coordinates the activities of various divisions to ensure efficient liquidity management, etc.

Risk Management Department independently of the Treasury uses liquidity management methods to calculate and control liquidity ratios, approved risk appetite indicators, participates in the development of measures to reduce the level of liquidity risks in case of violations of risk appetite indicators, and regularly conducts stress testing of liquidity under various scenarios.

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.

(in millions of UZS)

The analysis of liquidity risk and interest rate risk as at December 31, 2021 is presented in the following table:

As at December 31, 2021	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
Financial assets							
Cash and cash equivalents	550 000	-	-	-	-	-	550 000
Amounts due from credit institutions	190 248	1 037	388 793	10 522	-	-	590 600
Investment securities measured at amortised cost	495 681	602 590	332 319	-	-	-	1 430 590
Investment financial assets	107	-	-	-	-	-	107
Loans to customers	32 389	366 751	947 475	5 884 463	649 194	171 544	8 051 816
Total interest-bearing financial assets	**1 268 425**	**970 378**	**1 668 587**	**5 894 985**	**649 194**	**171 544**	**10 623 113**
Cash and cash equivalents	3 428 665	-	-	-	-	-	3 428 665
Amounts due from credit institutions	39 289	267 823	-	-	-	-	307 112
Other financial assets	3 416	-	-	-	-	-	3 416
Total financial assets	**4 739 795**	**1 238 201**	**1 668 587**	**5 894 985**	**649 194**	**171 544**	**14 362 306**
Financial liabilities							
Amounts due to credit institutions	19 128	8 000	1 000	7 218	20 251	-	55 597
Amounts due to customers	4 006 214	271 140	1 537 777	2 437 692	17 141	-	8 269 964
Other borrowed funds	-	-	-	400	104 785	-	105 185
Total interest-bearing financial liabilities	**4 025 342**	**279 140**	**1 538 777**	**2 445 310**	**142 177**	**-**	**8 430 746**
Amounts due to credit institutions	773	-	-	-	-	-	773
Amounts due to customers	5 292 292	-	-	-	-	-	5 292 292
Other borrowed funds	-	-	-	-	59 587	-	59 587
Other financial liabilities	45 408	-	-	-	-	-	45 408
Total financial liabilities	**9 363 815**	**279 140**	**1 538 777**	**2 445 310**	**201 764**	**-**	**13 828 806**
Difference between financial assets and liabilities	**(4 624 020)**	**959 061**	**129 810**	**3 449 675**	**447 430**	**171 544**	**533 500**

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

As at December 31, 2020	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
Financial assets							
Cash and cash equivalents	-	-	-	-	-	-	-
Amounts due from credit institutions	1 054	81 890	9 152	7 931	-	-	100 027
Investment securities measured at amortised cost	37 469	74 938	28 102	46 836	-	-	187 345
Investment financial assets	70						70
Loans to customers	12 645	100 673	943 361	2 932 501	568 999	121 795	4 679 974
Total interest-bearing financial assets	**51 238**	**257 501**	**980 615**	**2 987 268**	**568 999**	**121 795**	**4 967 416**
Cash and cash equivalents	1 396 369	-	-	-	-	-	1 396 369
Amounts due from credit institutions	10 248	26 207	15 974	-	-	32 316	84 745
Other financial assets	761	-	-	-	-	-	761
Total financial assets	**1 458 616**	**283 708**	**996 589**	**2 987 268**	**568 999**	**154 111**	**6 449 291**
Financial liabilities							
Amounts due to credit institutions	445	-	90 318	58 768	39 418	-	188 949
Amounts due to customers	2 252 963	50 627	47 193	1 384 944	24 454	-	3 760 181
Other borrowed funds	16	-	-	22 000	38 097	-	60 113
Total interest-bearing financial liabilities	**2 253 424**	**50 627**	**137 511**	**1 465 712**	**101 969**	**-**	**4 009 243**
Amounts due to credit institutions	1 996	-	-	-	-	-	1 996
Amounts due to customers	2 384 372	-	-	-	-	-	2 384 372
Other borrowed funds	-	-	-	-	56 231	-	56 231
Other financial liabilities	7 590	1 657	1 664	-	-	-	10 911
Total financial liabilities	**4 647 382**	**52 284**	**139 175**	**1 465 712**	**158 200**	**-**	**6 462 753**
Difference between financial assets and liabilities	**(3 188 766)**	**231 424**	**857 414**	**1 521 556**	**410 799**	**154 111**	**(13 462)**

(in millions of UZS)

The Group constantly fulfils its obligations and does not delay payments related to customer accounts. The Group's highly liquid assets amounted to UZS 5 403 255 million as at December 31, 2021. Customers' demand deposits are the Group's main source of funding for active operations and a factor of resource base stability.

The volume of the Group's demand deposits is kept at an acceptable level of UZS 1 818 036 million as at the end of 2019, UZS 2 384 372 million as at the end of 2020 and UZS 5 292 292 million as at the end of 2021, while the annual growth is ensured. The average balance on these deposits has not decreased below approximately UZS 1 trillion over the last 2 years. Thus, the Group's management considers the amount of liquidity to be adequate.

Also, customers' term deposits are the Group'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 UZS 2 437 691 million (UZS 2 230 586 million for 2020) relates to contractual maturities from 1 to 5 years, and the Group's historical experience shows that an insignificant part of such deposits is claimed prior to contractual maturity. The Group continues to introduce deposit products for the population and legal entities on a long-term basis.

For the operational management of liquidity risk, the Group regularly monitors external factors that can influence the level of the Group's liquidity and makes a forecast of payment flows. For medium-term and long-term liquidity risk management, the Group analyses the gap in maturities of claims and liabilities. The Group 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 Group can raise additional funds in the interbank lending market. Diversification of liquidity sources helps to minimize the Group's dependence on one source and ensure complete fulfilment of its obligations.

In the opinion of the Group'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.

The liquidity requirements for guarantees and letters of credit are significantly lower than the amount of the respective liabilities, as the Group 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, 2021	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	19 922	8 254	1 114	7 591	28 664	65 545	56 370
Amounts due to customers	9 303 506	275 145	1 689 806	3 190 335	39 206	14 497 998	13 562 256
Other borrowed funds	-	-	-	187	176 862	177 049	164 772
Total financial liabilities	9 323 428	283 399	1 690 920	3 198 113	244 732	14 740 592	13 783 398
Credit related commitments	392 487	-	-	-	-	392 487	392 487

December 31, 2020	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	2 503	-	102 917	66 966	44 917	217 303	190 945
Amounts due to customers	4 735 141	52 821	57 653	1 467 044	44 017	6 356 676	6 144 553
Other borrowed funds	16	863	2 588	69 231	116 328	189 026	116 344
Total financial liabilities	4 737 660	53 684	163 158	1 603 241	205 262	6 763 005	6 451 842
Credit related commitments	171 534	-	-	-	-	171 534	171 534

(in millions of UZS)

Market risk

The Group 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 Group 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.

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 Group believes that the impact is insignificant due to the fact that all financial assets and liabilities have fixed interest rates.

Currency risk

The Group assumes exposure to the effects of exchange rate fluctuations on its financial position and cash flows. The Group 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.

The Group measures its currency risk:

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

The table below summarizes the Group's exposure to currency risk as at December 31, 2021. The Group's financial assets and liabilities are shown in the table at the carrying amounts by major currencies. This analysis is based on the consolidated financial statements prepared in accordance with IFRS and differs from the Group's currency position used to manage currency risks for regulatory purposes.

	UZS	US Dollar	Euro	Other currencies	Total
Financial assets					
Cash and cash equivalents	2 049 407	1 775 014	136 089	18 155	3 978 665
Amounts due from credit institutions	211 201	685 473	1 038	-	897 712
Loans to customers	4 854 851	3 137 362	59 603	-	8 051 816
Investment securities measured at amortised cost	1 430 590	-	-	-	1 430 590
Investment financial assets	107	-	-	-	107
Other financial assets	3 416	-	-	-	3 416
Total financial assets	**8 549 572**	**5 597 849**	**196 730**	**18 155**	**14 362 306**
Financial liabilities					
Amounts due to credit institutions	29 893	549	25 928	-	56 370
Amounts due to customers	8 135 772	5 267 090	143 618	15 776	13 562 256
Other borrowed funds	164 772	-	-	-	164 772
Other financial liabilities	45 408	-	-	-	45 408
Total financial liabilities	**8 375 844**	**5 267 638**	**169 546**	**15 776**	**13 828 805**
Net balance sheet position on financial assets and liabilities	**173 728**	**330 211**	**27 184**	**2 379**	**533 501**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**
Net position	**173 728**	**330 211**	**27 184**	**2 379**	**533 501**

(in millions of UZS)

The table below summarises the Group's exposure to currency risk as at December 31, 2020.

	UZS	US Dollar	Euro	Other currencies	Total
Financial assets					
Cash and cash equivalents	1 161 946	137 651	57 033	39 739	1 396 369
Amounts due from credit institutions	107 006	65 559	12 207	-	184 772
Loans to customers	2 335 417	2 262 231	82 326	-	4 679 974
Investment securities measured at amortised cost	187 345	-	-	-	187 345
Other financial assets	761	-	-	-	761
Total financial assets	**3 792 475**	**2 465 441**	**151 566**	**39 739**	**6 449 221**
Financial liabilities					
Amounts due to credit institutions	73 295	77 243	40 407	-	190 945
Amounts due to customers	3 498 431	2 452 534	158 261	35 327	6 144 553
Other borrowed funds	111 629	4 715	-	-	116 344
Other financial liabilities	3 320	7 591	-	-	10 911
Total financial liabilities	**3 686 675**	**2 542 082**	**198 668**	**35 327**	**6 462 752**
Net balance sheet position on financial assets and liabilities	**105 800**	**(76 641)**	**(47 102)**	**4 412**	**(13 531)**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**
Net position	**105 800**	**(76 641)**	**(47 102)**	**4 412**	**(13 531)**

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. Reasonably possible change of rate for each currency is determined based on the limits of rate fluctuations, changed by 10% compared to the current ones and taking into account open currency position at the end of the year.

	December 31, 2021	December 31, 2020
Strengthening of the US dollar by 10%	26 417	(6 131)
Weakening of the US dollar by 10%	(26 417)	6 131
Strengthening of the Euro by 10%	2 175	(3 768)
Weakening of the Euro by 10%	(2 175)	3 768

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

29 Segment information

The main format for providing information on the segments of the Group'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 29.2).

Operating segments

The Group 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 millions of UZS)

The table below summarizes the segmental concentration as at December 31, 2021:

	Individuals	Legal entities	Unallocated	Total
Interest income from transactions with external counterparties	524 981	401 636	187 450	1 114 067
Interest expenses	(205 366)	(258 115)	(37 766)	(501 247)
Net interest income	**319 615**	**143 521**	**149 684**	**612 820**
Charge for allowance for ECL on loans to customers, deposits with banks and cash and cash equivalents.	(65 208)	(23 943)	-	(89 151)
Net interest income after the allowance for impairment of interest-bearing assets	**254 407**	**119 578**	**149 684**	**523 669**
Fee and commission income	220 749	183 016	-	403 765
Fee and commission expenses	(108 786)	(39 067)	-	(147 853)
Net foreign exchange gain	6 005	91 819	41 900	139 724
Loss arising from impairment of other financial assets and credit-related commitments, other provisions	-	(22 736)	-	(22 736)
Other income	201	-	9 000	9 201
Non-interest income	**118 169**	**213 032**	**50 900**	**382 101**
Personnel and other operating expenses	(241 588)	(153 646)	(71 709)	(466 943)
Profit before income tax expense	**130 988**	**178 964**	**128 875**	**438 827**
Income tax expense	-	-	(74 328)	(74 328)
Net profit	**130 988**	**178 964**	**54 547**	**364 499**
Other comprehensive income				
Total comprehensive (loss) income for the year	**130 988**	**178 964**	**54 547**	**364 499**

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 Group 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.

The table below summarizes the segmental concentration as at December 31, 2020

	Individuals	Legal entities	Unallocated	Total
Interest income from transactions with external counterparties	223 116	333 316	16 240	572 672
Interest expenses	(198 728)	(102 324)	(6 829)	(307 881)
Net interest income	**24 388**	**230 992**	**9 411**	**264 791**
Charge for ECL on loans to customers, deposits with banks and cash and cash equivalents.	(40 793)	(23 136)	-	(63 929)
Net interest income after the allowance for impairment of interest-bearing assets	**(16 405)**	**207 856**	**9 411**	**200 862**
Fee and commission income	81 547	204 396	-	285 943
Fee and commission expenses	(38 351)	(33 418)	-	(71 769)
Net foreign exchange (loss) gain	1 180	18 688	8 231	28 099
Loss arising from impairment of other financial assets and credit-related commitments, other provisions	-	(2 286)	-	(2 286)
Other income	-	7 400	-	7 400
Non-interest income (expenses)	**44 376**	**194 780**	**8 231**	**247 387**
Personnel and other operating expenses	(147 171)	(132 905)	(14 791)	(294 867)
Profit before income tax expense	**(119 200)**	**269 731**	**2 851**	**153 382**
Income tax expense	-	-	(32 766)	(32 766)
Net profit for the period	**(119 200)**	**269 731**	**(29 915)**	**120 616**
Other comprehensive income	-	-	-	-
Total comprehensive (loss) income for the period	**(119 200)**	**269 731**	**(29 915)**	**120 616**

(in millions of UZS)

30 Subsequent events

In February 2022, following the recognition of the self-proclaimed republics of Donetsk and Luhansk and the announcement and commencement of a military operation in Ukraine by the Russian Federation, the United States of America, the European Union and several other countries imposed additional sanctions against Russia. Moreover, there is a high risk of further sanctions. This has resulted in a depreciation of the Russian ruble, increased volatility in financial markets and significantly increased the level of geopolitical risks and economic uncertainty.

These external economic and political factors led to the CBU lowering its GDP forecast for 2022 to 3.5%-4.5% compared to 5.5%-6.5% at the beginning of the year, and raising the key interest rate from 14% to 17%. The potential effect of the aforementioned factors on the Group's financial position and results of operations cannot be assessed at this time.

In accordance with the minutes of the meeting of participants dated January 10, 2022, it was decided to pay dividends on preferred shares of the bank in the amount of UZS 8 360 million. All dividends were paid by the date of signing the consolidated financial statements.

During the first quarter of 2022, there were changes in the shareholding structure of the Group; as of March 31, 2022, the shareholding structure of the Group's shareholders was as follows:

Share (%)	March 31, 2022	December 31, 2021
Legal entities		
Telekominvest LLC	55.14	18.54
Continent Insurance LLC	14.82	16.19
Finance TCI LLC	12.73	-
Start Leasing LLC	3.02	3.30
Total legal entities	**85.71**	**38.03**
Individuals		
Tursunov Oybek Batirovich	-	46.35
Abdusamadov Makhsudchon Abduvalievich	7.35	8.04
Abdusamadov Ravshan Abduvalievich	6.94	7.58
Total individuals	**14.29**	**61.97**
Total	**100.00**	**100.00**

On January 28, 2022 the parent company represented by Kapitalbank JSCB made a contribution to the authorized capital in the amount of approximately UZS 80 billion, forming the full required amount of the announced authorized capital of "JSC "Bank Apelsin" of approximately 100 billion UZS.

Approved and signed on behalf of the management of the Group:

Mirzayev A.A.
The Chairman of the Management
Board of the Bank
13 April 2022

Allayorova D.N.
Chief Accountant of the Bank