Consolidated financial statements and independent auditor's report

for the year ended 31 December 2022

Contents

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 December 2022

Independent auditor's report

Consolidated financial statements

Consolidated statement of financial position....8
Consolidated statement of comprehensive income....9
Consolidated statement of changes in equity....11
Consolidated statement of cash flows....12

Notes to the consolidated financial statements

1. Principal activities....14
2. Basis of preparation....15
3. Cash and cash equivalents and amounts due from credit institutions....20
4. Loans to customers....22
5. Investment securities....32
6. Property and equipment and intangible assets....33
7. Taxation....33
8. Credit loss expense....35
9. Other assets and liabilities....36
10. Amounts due to credit institutions....37
11. Amounts due to customers....37
12. Other borrowed funds....38
13. Subordinated loans....40
14. Accumulated pension fund liabilities....40
15. Equity....42
16. Commitments and contingencies....43
17. Net interest income....44
18. Net fee and commission income....44
19. Other income....44
20. Personnel and other operating expenses....45
21. Corporate governance and risk management....45
22. Fair value measurements....56
23. Maturity analysis of assets and liabilities....59
24. Related party disclosures....60
25. Subsidiaries....63
26. Changes in liabilities arising from financing activities....64
27. Capital management....64
28. Material information on accounting policies....65
29. Events after the reporting period....67

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 December 2022

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Commercial "Xalq Bank" and its subsidiaries (together referred to as "the Group") as at 31 December 2022 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by the management on 31 May 2023.

On behalf of the management:

Shuhrat Atabaev
Chairman of the Management Board

31 May 2023

Tashkent, Uzbekistan

Kiyomiddin Shernazarov
Chief Accountant

31 May 2023

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Independent auditor's report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Joint-Stock Commercial "Xalq Bank" and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and the Audit Committee for the consolidated financial statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

Our findings from the procedures performed are reported below.

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

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

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

- as at 31 December 2022, the Bank's internal audit function was subordinated to, and reported to, the Audit Committee, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks;
- the frequency of reports prepared by the Bank's internal audit function during 2022 was in compliance with the requirements of the Central Bank of the Republic of Uzbekistan. The reports were approved by the Audit Committee and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2022, the Bank established Information security function, and the information security policy was approved by the Bank's management board. Information security function was subordinated to and reported directly to the Chairman of the management board;
- reports by the Bank's Information security function to the Chairman of the management board during 2022 included assessment and analysis of information security risks, and results of actions to manage such risks;

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- the Bank's internal documentation, effective on 31 December 2022, establishing the procedures and methodologies for identifying and managing credit risk, market risk, liquidity risk, operational risk, country risk, legal risk, reputational risk, fraud risk (hereinafter "significant risks"), and for stress-testing, was approved by the authorised management bodies of the Bank;
- as at 31 December 2022, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank's capital;
- the frequency of reports prepared by the Bank's risk management and internal audit functions during 2022, which cover the Bank's significant risks management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the Bank's significant risks and risk management system, and recommendations for improvement;
- as at 31 December 2022, the Audit Committee and Executive Management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2022, the Audit Committee and executive management bodies of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

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

The partner in charge of the audit resulting in this independent auditor's report is Anvarkhon Azamov.

Tashkent, Uzbekistan

31 May 2023

FE Audit company „Ernst & Young LLC"

Foreign Enterprise Audit Company "Ernst & Young" LLC
Certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan Under #11 dated 22 July 2019

A. Azamov

Anvarkhon Azamov
Engagement Partner/ Qualified auditor
Auditor qualification certificate authorizing audit of banks #25 dated 29 March 2023 issued by the Central Bank of the Republic of Uzbekistan

Head of Uzbekistan practice
Foreign Enterprise Audit Company "Ernst & Young" LLC

Consolidated statement of financial position

as at 31 December 2022

(millions of Uzbek soums)

	Notes	31 December 2022	31 December 2021 (Restated)*	Change, %	1 January 2021 (Restated)*
Assets					
Cash and cash equivalents	3	2 971 899	2 272 546	31%	2 798 912
Amounts due from credit institutions	3	1 762 314	1 740 379	1%	2 790 212
Loans to customers	4	17 547 680	15 125 969	16%	16 158 615
Investment securities	5	4 124 661	3 153 336	31%	414 518
including pledged under REPO		*629 797*	-	*n/a*	-
Property and equipment and intangible assets	6	1 072 129	931 614	15%	731 272
Insurance assets		1 851	3 319	-44%	1 733
Deferred income tax assets	7	1 196 348	1 115 399	7%	618 797
Other assets	9	183 050	138 587	32%	153 019
Total assets		**28 859 932**	**24 481 149**	**18%**	**23 667 078**
Liabilities					
Amounts due to credit institutions	10	2 885 626	946 199	205%	1 535 367
Amounts due to customers	11	6 037 405	5 638 869	7%	5 488 999
Debt securities issued		-	49 427	-100%	70 127
Other borrowed funds	12	9 778 703	8 520 248	15%	8 642 718
Subordinated loans	13	790 088	249 925	216%	249 925
Accumulated pension fund liabilities	14	6 449 128	5 668 287	14%	5 121 056
Insurance liabilities		25 804	66 124	-61%	54 933
Other liabilities	9	153 391	110 712	39%	151 793
Total liabilities		**26 120 145**	**21 249 791**	**23%**	**21 314 918**
Equity					
Share capital	15	7 433 380	7 433 380	0%	4 230 912
Other component of equity	15	(85 078)	-	n/a	-
Accumulated deficit		(4 608 515)	(4 202 022)	10%	(1 878 752)
Total equity		**2 739 787**	**3 231 358**	**-15%**	**2 352 160**
Total equity and liabilities		**28 859 932**	**24 481 149**	**18%**	**23 667 078**

Signed and authorised for release on behalf of the Management Board of the Bank

Shuhrat Atabayev — Chairman of the Management Board

Kiyomiddin Shernazarov — Chief Accountant

31 May 2023

*Restatement and change in presentation of the comparative information are disclosed in Note 2 (g).

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

Consolidated statement of comprehensive income
for the year ended 31 December 2022

(millions of Uzbek Soums)

	Notes	2022	2021 (Restated)*	Change, %
Interest income calculated at the effective interest rate	17	3 982 275	3 450 482	15%
Interest expense calculated at the effective interest rate	17	(1 288 897)	(1 469 911)	-12%
Net interest income		**2 693 378**	**1 980 571**	**36%**
Credit loss expense on interest bearing assets	8	(1 670 754)	(3 249 072)	-49%
Initial recognition adjustment on interest bearing assets	4	(69 624)	(18 967)	267%
Net interest income (expense) after credit loss expense and initial recognition of financial instruments		**953 000**	**(1 287 468)**	**-174%**
Distribution of income to the participants of accumulated pension fund and to the reserve fund	14	**(802 392)**	**(597 467)**	**34%**
Fee and commission income	18	823 163	1 025 834	-20%
Fee and commission expense	18	(177 310)	(360 349)	-51%
Net gains/(losses) from foreign currencies:				
- dealing		121 502	46 641	161%
- translation differences		(11 822)	5 649	-309%
Dividend income		2 791	1 683	66%
Other income	19	195 830	103 649	89%
Other impairment and provisions		(13 148)	(5 933)	122%
Income from insurance activities		11 554	5 034	130%
Expenses incurred from insurance activities		(17 391)	(22 059)	-21%
Personnel and other operating expenses	20	(1 518 728)	(1 311 536)	16%
Net non-interest expense		**(1 385 951)**	**(1 108 854)**	**25%**
Loss before income tax expense		**(432 951)**	**(2 396 322)**	**-82%**

*Restatement and change in presentation of the comparative information are disclosed in Note 2 (g).

Consolidated statement of comprehensive income
for the year ended 31 December 2022

(millions of Uzbek Soums)

	Notes	2022	2021 (Restated)*	Change, %
Income tax benefit	7	73 557	478 127	-85%
Loss for the year attributable to the Shareholders		**(359 394)**	**(1 918 195)**	**-81%**
Other comprehensive income/ (loss)		-	-	-
Total comprehensive loss for the year attributable to the Shareholders		**(359 394)**	**(1 918 195)**	**-81%**

Signed and authorised for release on behalf of the Management Board of the Bank

Shuhrat Atabayev — Chairman of the Management Board

Kiyomiddin Shernazarov — Chief Accountant

31 May 2023

*Restatement and change in presentation of the comparative information are disclosed in Note 2 (g).

Consolidated statement of changes in equity
for the year ended 31 December 2022

(millions of Uzbek Soums)

	Notes	Share capital	Other component of equity	Accumulated deficit	Total equity
1 January 2021		**4 230 912**	**-**	**(1 185 760)**	**3 045 152**
Restatement	2	-	-	(692 992)	**(692 992)**
1 January 2021 (Restated)*		**4 230 912**	**-**	**(1 878 752)**	**2 352 160**
Loss for the year (restated)*		-	-	(1 918 195)	**(1 918 195)**
Issuance of share capital	15	2 797 393	-	-	**2 797 393**
Capitalization of dividends	15	405 075	-	(405 075)	**-**
31 December 2021 (Restated) *		**7 433 380**	**-**	**(4 202 022)**	**3 231 358**
Loss for the year		-	-	(359 394)	**(359 394)**
Disposal of a subsidiary and other investment	25	-	(85 078)	(47 099)	**(132 177)**
31 December 2022		**7 433 380**	**(85 078)**	**(4 608 505)**	**2 739 787**

Signed and authorised for release on behalf of the Management Board of the Bank

Shuhrat Atabayev — Chairman of the Management Board

Kiyomiddin Shernazarov — Chief Accountant

31 May 2023

*Restatement is disclosed in Note 2 (g).

Consolidated statement of cash flows

for the year ended 31 December 2022

(millions of Uzbek Soums)

	Notes	2022	2021*
Cash flows from operating activities			
Interest received		3 829 667	3 246 175
Interest paid		(1 233 893)	(1 611 714)
Fee and commission received		801 934	1 022 517
Fee and commission paid		(177 310)	(360 349)
Insurance operations income received		11 554	5 034
Insurance operations expense paid		(17 391)	(22 059)
Net receipt from trading in foreign currencies		107 270	(20 114)
Other operating income received		111 849	103 649
Staff costs paid		(936 831)	(845 251)
Administrative and other operating expenses paid		(416 229)	(349 888)
Income tax paid		(7 392)	(25 579)
Cash flows from operating activities before changes in operating assets and liabilities		**2 073 228**	**1 142 421**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(14 637)	1 053 401
Loans to customers		(3 958 705)	(1 789 283)
Insurance assets		1 468	(1 586)
Other assets		(140 529)	6 425
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		1 929 940	(602 895)
Amounts due to customers		520 519	236 055
Accumulated pension fund liabilities	14	(22 888)	(56 386)
Insurance liabilities		5 695	11 191
Other liabilities		22 711	40 079
Net cash flows from operating activities		**416 802**	**39 422**
Cash flows from investing activities			
Purchase of investment securities		(14 578 987)	(5 419 060)
Proceeds from redemption of investment securities		13 627 499	2 670 808
Purchase of property and equipment		(337 996)	(320 597)
Proceeds from sale of property and equipment		49 265	4 586
Disposal of a subsidiary, net of cash and cash equivalents disposed	25	(83 078)	-
Dividend income received		2 791	-
Net cash used in investing activities		**(1 320 506)**	**(3 064 263)**

Consolidated statement of cash flows
for the year ended 31 December 2022

(millions of Uzbek Soums)

	Notes	2022	2021*
Cash flows from financing activities			
Proceeds from issue of share capital	15	-	2 716 532
Proceeds from subordinated debt	13, 26	540 000	-
Proceeds from issue of debt securities	26	-	340 000
Redemption of debt securities issued	26	(49 200)	(360 700)
Proceeds from other borrowed funds	26	3 754 907	4 711 988
Repayment of other borrowed funds	26	(2 665 453)	(4 887 995)
Net cash from financing activities		**1 580 254**	**2 519 825**
Effect of changes in foreign exchange rates on cash and cash equivalents		(761)	(2 134)
Effect of expected credit losses on cash and cash equivalents	8	23 564	(19 216)
Net increase/(decrease) in cash and cash equivalents		**699 353**	**(526 366)**
Cash and cash equivalents, beginning		2 272 546	2 798 912
Cash and cash equivalents, ending	3	**2 971 899**	**2 272 546**

Signed and authorised for release on behalf of the Management Board of the Bank

Shuhrat Atabayev — Chairman of the Management Board

Kiyomiddin Shernazarov — Chief Accountant

31 May 2023

*Change in accounting policy and presentation of the comparative information is disclosed in Note 2 (f), (g).

(millions of Uzbek Soums)

1. Principal activities

Xalq Bank Group (hereinafter – the “Group”) includes:
- Joint Stock Commercial Xalq Bank (hereinafter – the “Bank”), which is a parent company and
- Xalq Sugurta LLC.

As at 31 December, the following shareholders own the issued shares of the Bank:

Shareholder	**2022, %**	**2021, %**
The Fund for Reconstruction and Development of the Republic of Uzbekistan	77.58	77.58
The Ministry of Finance of the Republic of Uzbekistan	22.42	22.42
Total	**100**	**100**

The ultimate shareholder and controlling party of the Bank is the Government of the Republic of Uzbekistan.

State Commercial Xalq Bank was formed by the Decree of the Government of the Republic of Uzbekistan dated October 4, 1995. Based on the Decree of the President of the Republic of Uzbekistan No. PD-4720 dated April 24, 2015 “On measures to introduce modern methods of corporate governance in joint-stock companies”, the name of the Bank was renamed to “Xalq bank”.

The Bank conducts banking operations under the License №25 as of December 25, 2021 issued by the Central Bank of the Republic of Uzbekistan (hereinafter – the “CBU”).

The Bank has the right to conduct a lottery activity in accordance with license №1 issued by the Ministry of Finance of the Republic of Uzbekistan dated 28 June 2019.

The Bank is the only bank in the Republic of Uzbekistan that has the right to receive, accumulate and manage the accumulated pension funds of individuals in accordance with the Law of the Republic of Uzbekistan No. 702-II “On the accumulated pension fund” dated December 2, 2004.

Since 1 July 2017 in accordance with the Decree of the President of the Republic of Uzbekistan No. PD-2826 dated March 13, 2017 “On measures on improvement of state pensions and social securities distribution” the Bank is the only bank in the Republic of Uzbekistan that has the right to distribute state pensions and social securities to citizens.

The Bank participates in the state deposit insurance program. The State Deposit Insurance Fund guarantees repayment of 100% of deposits of individuals in case of business failure and revocation of the CBU banking license.

The Bank has the widest branch network in the Republic of Uzbekistan, including 191 branch office (31 December 2021: 196) and 89 banking service centers (31 December 2021: 89) in all 14 regions of the country. The Bank employs more than 9,5 thousand people (31 December 2021: more than 10,5 thousand).

Since 2019 the Bank has been involved in subsidized lending under government programs for family business development. Besides the Bank is the main or the only lender in various social programs aimed at socially responsible investing: women in business, youth is our future, low-income families support, etc.

The Bank conducts a significant share of operations with the government (the CBU and the Ministry of Finance of the Republic of Uzbekistan) and government-related financial institutions including investments in debt securities, REPO transactions, other lending and borrowing operations. The Bank also provides services to corporate clients and local and international financial institutions including corporate lending, letter of credit settlement schemes participation, interbank placements and borrowings.

The Bank’s main office and registered legal address is Katartol street 46, Chilanzar district, Tashkent.

In July 2022 Fitch Ratings affirmed Long Term/Short Term Issuer Default Ratings at BB-/B with stable outlooks. In December 2022 S&P Global affirmed B+/B ratings with positive outlooks.

These consolidated financial statements were authorised for issue by the Management Board of the Group on 31 May 2023.

(millions of Uzbek Soums)

2. Basis of preparation

(a) General

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

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

The Group maintains its accounting records in accordance with the respective laws of the Republic of Uzbekistan. These consolidated financial statements have been prepared from statutory accounting records and have been adjusted to conform to IFRS.

The Group presents its consolidated statement of financial position broadly in decreasing order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 23.

(b) Economic environment in the Republic of Uzbekistan

The Group operates in the Republic of Uzbekistan. The economy of Uzbekistan shows the characteristic features inherent in emerging markets. The legal, tax and administrative systems are subject to frequent changes and are subject to varying interpretations.

During 2022, the economy of Uzbekistan adapted to external conditions. The impact of external economic risks turned out to be relatively short-term and less significant compared to initial estimates, which was reflected in the growth of foreign exchange earnings from exports and cross-border money transfers. Along with expectations of a favorable price environment in foreign markets, a high level of uncertainty and risks associated with a deterioration in forecasts for the growth of the global economy and the economies of the main trading partners remain. During 2022, prices increased for a wide range of goods, which was reflected in the acceleration of the overall annual inflation rate to 12.3%[1]. By the end of 2023, economic growth is estimated at 4.5-5%. According to the base scenario, the expected inflation rate in 2023 will be 8.5-9.5%.

The banking sector has been developing in accordance with the five-year strategy published by the government in May 2020. This strategy aims to improve the efficiency of the banking system and envisages a large-scale business transformation of most state-owned banks, followed by their privatisation within the next few years. After the privatisation, the share of private and foreign banks should reach 60% of system assets by end-2025, from below 20% currently.

However, Uzbekistan's banking sector is still dominated by state-owned banks, although their market shares have slightly decreased in the past two years due to moderated lending growth, scaling back of directed lending and intensified competition from private and foreign banks in SME and retail segments. High dollarisation of assets and liabilities remains a structural weakness of the Uzbek banking sector. Recent soum exchange-rate volatility and risks of a potential weakening of the local currency due to weakened external conditions might put additional pressure on banks' borrowers, whose incomes and debt service ability have already been weakened by the pandemic.

These consolidated financial statements reflect the Group's management's assessment of the possible impact of the current business environment on the results of operations and financial position of the Group. Subsequent developments in the operating environment may differ from management's estimate.

(c) Functional and presentation currency

The functional currency of the Bank and its subsidiary is the Uzbek Soum ("UZS"), which, being the national currency of the Republic of Uzbekistan, best reflects the economic substance of most of the Group's transactions and related liabilities affecting its operations.

These consolidated financial statements are presented in millions of UZS unless otherwise indicated.

[1] from now on in the section - the official data published by the CBU

(millions of Uzbek Soums)

2. Basis of preparation (continued)

(d) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except of financial instruments measured at fair value through other comprehensive income.

(e) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Key estimates and assumptions about future events and other principal sources of uncertainty as at the date of the consolidated financial statements that could cause significant adjustments to the carrying amounts of assets and liabilities include:

• Notes 4 and 21: estimation of credit loss allowances on financial instruments. Credit loss allowances for financial instruments are measured at either 12-month expected credit losses (ECL) or lifetime ECL, depending on whether there has been a significant increase in credit risk (SICR) from the date of initial recognition of that financial instrument. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers (e.g. COVID-19 pandemic, armed conflict in Ukraine, etc.). Besides ECL models involve the inclusion of forward-looking information.

• Notes 4 and 13: estimation of fair values of preferential borrowings and related lending programs at initial recognition. The Group obtains long term financing from government and international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets, and which may be lower than rates at which the Group could source the funds from local lenders. As a result of this financing, the Group is able to advance funds to specific customers at advantageous rates. Management has considered whether gains or losses should arise on initial recognition of these instruments and its judgment is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise. In making this judgment management also considered that these instruments are a separate market sector.

• Note 7: recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized.

(f) Change in accounting policy

(i) Reporting of cash flows from operating activities

In 2022, the Group has changed the method of reporting of cash flows from operating activities from indirect method to direct method, which are presumed by IAS 7 *Statement of Cash Flows*. Management of the Group believes that direct method provides more relevant information to the users of the consolidated financial statements on the sources of operating cash inflows and outflows (i.e. interest receipts and payments, commission receipts and payment, etc.).

The Group has changed presentation of the comparative amounts accordingly.

(ii) Early adoption of amendments to IAS 1 Presentation of Financial Statements

In February 2021, the IASB issued amendments to IAS 1 *Presentation financial statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements*, which provide guidance and examples to help entities apply materiality concept when disclosing accounting policies. The amendments should help organizations disclose more useful information about accounting policies by replacing the requirement to disclose "significant accounting policies" with the requirement to disclose "material accounting policies", and by adding guidance on how entities should apply the concept of materiality when making accounting policy disclosure decisions.

(millions of Uzbek Soums)

2. Basis of preparation (continued)

The amendments to IAS 1 apply for annual periods beginning on or after 1 January 2023, with early application permitted. The amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, therefore no commencement date is required to be stated. The Group's management has elected to apply the amendments early in the preparation of these consolidated financial statements.

Material accounting policies are disclosed in Note 28.

A number of amendments to standards became effective for annual periods beginning 1 January 2022 and did not have a material impact on the Group's consolidated financial statements.

(g) Restatement and change in presentation

(i) Restatement

Subsequent to the issuance of the Group's consolidated financial statements as at and for the year ended 31 December 2021 the Group identified certain clerical measurement errors in application of its IFRS methodology for measuring credit loss allowance for loans to customers as at 31 December 2021 and for the year then ended. Correction of errors was done retrospectively in accordance with IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*", by restating the comparative amounts as at and for the year ended 31 December 2021 and as at 1 January 2021.

(ii) Change in presentation

• In 2022, the Group has changed presentation of accumulated pension fund balances, related expenses and cash inflows and outflows. Management of the Group believes that due to significance to the Bank, the exceptional character of these operations for the market and therefore distinct risk profile, it is more relevant to disclose carrying amounts of the balances, related expenses, related cash payments and receipts separately from other customer accounts of the Group.

• In 2022, the Group has changed presentation of long-term deposits placed by the Ministry of Finance of the Republic of Uzbekistan within the Bank for specific financing purposes, e.g. to finance mortgage loan issuance or other social lending programs. Management of the Group believes that it is more relevant to present such financial resources within other borrowed funds rather than amounts due to customers due to their targeted character. Related expenses, cash payments and receipts have been reclassified accordingly.

The table below represents adjustments made to correct the errors identified in the consolidated statement of financial position as at 31 December 2021 and the reclassifications that were made in the consolidated statement of financial position as at 31 December 2021 to align with the changes made in the consolidated statement of financial position as at 31 December 2022:

	Notes	31 December 2021	Restatement	Reclassification	31 December 2021 (Restated)
Assets					
Loans to customers	4	16 793 134	(1 667 165)	-	15 125 969
Deferred income tax assets	7	781 966	333 433	-	1 115 399
Total assets		**25 814 881**	**(1 333 732)**	**-**	**24 481 149**
Liabilities					
Amounts due to customers	11	12 325 878	-	(6 687 009)	5 638 869
Other borrowed funds	12	7 501 526	-	1 018 722	8 520 248
Accumulated pension fund liabilities	14	-	-	5 668 287	5 668 287
Total liabilities		**21 249 791**	**-**	**-**	**24 249 791**

(millions of Uzbek Soums)

2. Basis of preparation (continued)

	Notes	31 December 2021	Restatement	Reclassification	31 December 2021 (Restated)
Equity					
Accumulated deficit		(2 868 290)	(1 333 732)	-	(4 202 022)
Total equity		**4 565 090**	**(1 333 732)**	**-**	**3 231 358**
Total equity and liabilities		**25 814 881**	**(1 333 732)**	**-**	**24 481 149**

The table below represents adjustments made to correct the errors identified in the consolidated statement of financial position as at 1 January 2021 and the reclassifications that were made in the consolidated statement of financial position as at 1 January 2021 to align with the changes made in the consolidated statement of financial position as at 31 December 2022:

	Notes	1 January 2021	Restatement	Reclassification	1 January 2021 (Restated)
Assets					
Loans to customers	4	17 024 855	(866 240)	-	16 158 615
Deferred income tax assets	7	445 549	173 248	-	618 797
Total assets		**24 360 070**	**(692 992)**	**-**	**23 667 078**
Liabilities					
Amounts due to customers	11	10 999 302	-	(5 510 303)	5 488 999
Other borrowed funds	12	8 253 471	-	389 247	8 642 718
Accumulated pension fund liabilities	14	-	-	5 121 056	5 121 056
Total liabilities		**21 314 918**	**-**	**-**	**21 314 918**
Equity					
Accumulated deficit		(1 185 760)	(692 992)	-	(1 878 752)
Total equity		**3 045 152**	**(692 992)**	**-**	**2 352 160**
Total equity and liabilities		**24 360 070**	**(692 992)**	**-**	**23 667 078**

The table below represents adjustments made to correct the errors identified in the consolidated statement of comprehensive income for the year ended 31 December 2021:

	Notes	2021	Restatement	Reclassification	2021 (Restated)
Interest expense calculated at the effective interest rate	17	(2 067 378)	-	597 467	1 469 911
Net interest income		**1 383 104**	**-**	**597 467**	**1 980 571**
Credit loss expense on interest bearing assets	8	(2 448 147)	(800 925)	-	(3 249 072)
Net interest expense after credit loss expense and initial recognition of financial instruments		**(1 084 010)**	**(800 925)**	**597 467**	**(1 287 468)**

(millions of Uzbek Soums)

2. Basis of preparation (continued)

	Notes	2021	Restate-ment	Reclas-sification	2021 (Restated)
Distribution of income to the participants of accumulated pension fund and to the reserve fund	14	**-**	**-**	**(597 467)**	**(597 467)**
Loss before income tax expense		**(1 595 397)**	**(800 925)**	**-**	**(2 396 322)**
Income tax (loss) benefit	7	317 942	160 185	-	478 127
Loss for the year attributable to the Shareholders		**(1 277 455)**	**(640 740)**	**-**	**(1 918 195)**
Other comprehensive income/ (loss)		-	-	-	-
Total comprehensive loss for the year attributable to the Shareholders		**(1 277 455)**	**(640 740)**	**-**	**(1 918 195)**

The table below represents the reclassifications that were made in the consolidated statement of cash flows for the year ended 31 December 2021 to align with the changes made in the consolidated statement of cash flows for the year ended 31 December 2022:

	Notes	2021 before reclas-sifications	Reclas-sifications	2021 after reclas-sifications
Cash flows from operating activities				
Interest paid		(2 209 181)	597 467	(1 611 714)
Cash flows from operating activities before changes in operating assets and liabilities		**544 954**	**597 467**	**1 142 421**
Net increase/(decrease) in operating liabilities				
Amounts due to customers		1 400 835	(1 164 780)	236 055
Accumulated pension fund liabilities	14	-	(56 386)	(56 386)
Net cash flows from operating activities		**663 121**	**(623 699)**	**39 422**
Cash flows from financing activities				
Proceeds from other borrowed funds	26	4 058 501	653 487	4 711 988
Repayment of other borrowed funds	26	(4 858 207)	(29 788)	(4 887 995)
Net cash from financing activities		**1 896 126**	**623 699**	**2 519 825**

In 2022, the Group has changed presentation of its consolidated statement of cash flows from indirect to direct method (Note 2 (f))

(millions of Uzbek Soums)

3. Cash and cash equivalents and amounts due from credit institutions

As at 31 December 2022 and 2021 cash and cash equivalents comprise:

	31 December 2022	31 December 2021
Cash on hand	1 448 131	1 187 182
Current accounts with the Central Bank	1 003 052	538 074
Amounts due from credit institutions:		
- current accounts	389 906	238 903
- term deposits with a maturity of three months or less from the date of placement	132 255	333 396
Cash and cash equivalents before impairment allowance	**2 973 344**	**2 297 555**
Less impairment allowance	(1 445)	(25 009)
Cash and cash equivalents after impairment allowance	**2 971 899**	**2 272 546**

Cash and cash equivalents are neither impaired nor overdue.

As at 31 December 2022 and 2021 amounts due from credit institutions comprise:

	31 December 2022	31 December 2021
Mandatory reserve with the CBU	12 499	38 108
Term deposits with a maturity of more than three months from the date of placement	1 775 700	1 738 354
Amounts due from credit institutions before impairment allowance	**1 788 199**	**1 776 462**
Less impairment allowance	(25 885)	(36 083)
Amounts due from credit institutions after impairment allowance	**1 762 314**	**1 740 379**

According to the requirements of the CBU, credit institutions place interest-free current deposits on the accounts of the CBU (mandatory reserves) in an amount depending on the volume of customer funds attracted by the credit institution. The availability to return these deposits is significantly limited by applicable law.

As at 31 December 2022 amortised cost of amounts due from credit institutions classified in Stage 1 equals to UZS 1 762 314 million, Stage 3 - zero (31 December 2021: Stage 1 - UZS 1 740 379 million, Stage 3 - zero).

(millions of Uzbek Soums)

3. Cash and cash equivalents and amounts due from credit institutions (continued)

As at 31 December 2022 credit quality of amounts due from credit institutions, except of balances due from the CBU, is presented below:

	Current accounts	Term deposits
Credit rating		
AAA-A	282 772	-
BBB-BB	107 134	1 654 102
B	-	189 999
Not rated	-	63 855
Before impairment allowance	**389 906**	**1 907 955**
Less impairment allowance	(97)	(26 327)
After impairment allowance	**389 809**	**1 881 628**

As at 31 December 2021 credit quality of amounts due from credit institutions, except of balances due from the CBU, is presented below:

	Current accounts	Term deposits
Credit rating		
AAA-A	193 569	-
BBB-BB	45 334	2 071 750
B	-	-
Not rated	-	-
Before impairment allowance	**238 903**	**2 071 750**
Less impairment allowance	-	(60 092)
After impairment allowance	**238 903**	**2 011 658**

As at 31 December 2022, amortised cost of term deposits with a maturity of more than three months from the date of placement in the amount of UZS 1 650 831 million or 93.67% of total funds due from credit institutions (31 December 2021: UZS 1 551 553 million or 89.15%) represent funds due from five credit institutions, excluding funds from the CBU.

(millions of Uzbek Soums)

4. Loans to customers

As at 31 December 2022 and 2021 loans to customers comprise the following:

	31 December 2022	**31 December 2021**
Loans to corporate clients		
Private companies	11 100 297	12 086 104
State-owned companies	1 058 028	968 207
Loans to corporate clients before impairment allowance	**12 158 325**	**13 054 311**
Less impairment allowance (ECL)	(3 576 224)	(4 208 511)
Loans to corporate clients after impairment allowance	**8 582 101**	**8 845 800**
Loans to individuals		
Social lending programs, except for mortgage, and other loans	6 207 463	4 743 824
Mortgage loans	3 423 646	1 679 253
Education loans	654 531	63 167
Consumer loans	385 783	814 090
Credit card loans	158 416	227 212
Auto loans	43 553	196 675
Loans to individuals before impairment allowance	**10 873 392**	**7 724 221**
Less impairment allowance (ECL)	(1 907 813)	(1 444 052)
Loans to individuals before impairment allowance	**8 965 579**	**6 280 169**
Total loans to customers before impairment allowance	**23 031 717**	**20 778 532**
Less impairment allowance (ECL)	(5 484 037)	(5 652 563)
Total loans to customers after impairment allowance	**17 547 680**	**15 125 969**
ECL, %	**23.81%**	**27.20%**

In 2022, the Group has changed presentation of loans to individuals and separated loans issued under social lending programs and credit card loans out of consumer loans. The comparative data were amended accordingly to conform with current period presentation.

In 2022, the Group reconsidered its credit quality disclosures in respect of loans to customers. The management considered that information on credit quality of loans to customers based on overdue days is most representative of credit risk management practices applied by the management and is most consistent with the Group's ECL measurement methodology, as compared to internal credit rating based on the regulatory requirements as presented in 2021 consolidated financial statements. Comparative information was amended accordingly to conform with current period presentation.

(millions of Uzbek Soums)

4. Loans to customers (continued)

(i) Loans to corporate clients – Private companies

An analysis of changes in the gross carrying amount and corresponding ECL in relation to loans issued to private companies during the year ended 31 December 2022 is as follows:

Private companies	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**5 411 113**	**2 385 079**	**4 289 912**	**12 086 104**
Originated	3 400 074	-	-	3 400 074
Derecognised	(1 626 362)	(529 367)	(821 159)	(2 976 888)
To stage 1	927 396	(547 899)	(379 497)	-
To stage 2	(1 448 267)	1 795 910	(347 643)	-
To stage 3	(2 003 560)	(835 211)	2 838 771	-
Written-off	-	-	(1 726 740)	(1 726 740)
Unwinding effect	-	-	207 551	207 551
Foreign currency exchange rate effect	51 239	16 725	42 232	110 196
31 December 2022	**4 711 633**	**2 285 237**	**4 103 427**	**11 100 297**

Private companies	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	**569 990**	**948 518**	**2 446 040**	**3 964 548**
Originated	417 488	-	-	417 488
Derecognised	(46 426)	(28 809)	(127 825)	(203 060)
To stage 1	439 850	(259 194)	(180 656)	-
To stage 2	(258 387)	495 468	(237 081)	-
To stage 3	(274 884)	(532 006)	806 890	-
Written-off	-	-	(1 726 740)	(1 726 740)
Received previously written-off	-	-	109 629	109 629
ECL remeasurement	(408 994)	124 022	741 632	456 660
Unwinding effect	-	-	207 551	207 551
Foreign currency exchange rate effect	1 174	384	970	2 528
31 December 2022	**439 811**	**748 383**	**2 040 410**	**3 228 604**

An analysis of changes in the gross carrying amount and corresponding ECL in relation to loans issued to private companies during the year ended 31 December 2021 is as follows:

Private companies	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**7 917 056**	**1 891 219**	**2 014 294**	**11 822 569**
Originated	3 613 297	-	-	3 613 297
Derecognised	(1 765 447)	(400 789)	(408 772)	(2 575 008)
To stage 1	625 667	(369 206)	(256 461)	-
To stage 2	(2 118 091)	2 306 233	(188 142)	-
To stage 3	(2 901 308)	(1 044 825)	3 946 133	-
Written-off	-	-	(852 496)	(852 496)
Foreign currency exchange rate effect	39 939	2 447	35 356	77 742
31 December 2021	**5 411 113**	**2 385 079**	**4 289 912**	**12 086 104**

(millions of Uzbek Soums)

4. Loans to customers (continued)

Private companies	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2021	**474 070**	**460 709**	**1 112 266**	**2 047 045**
Originated	635 999	-	-	**635 999**
Derecognised	(28 710)	(17 379)	(29 788)	**(75 877)**
To stage 1	239 248	(97 634)	(141 614)	**-**
To stage 2	(126 830)	230 720	(103 889)	**-**
To stage 3	(173 729)	(254 524)	428 253	**-**
Written-off	-	-	(852 496)	**(852 496)**
ECL remeasurement	(452 089)	625 346	2 027 005	**2 200 262**
Foreign currency exchange rate effect	2 031	1 280	6 304	**9 615**
31 December 2021	**569 990**	**948 518**	**2 446 040**	**3 964 548**

An analysis of credit quality of loans issued to private companies as at 31 December 2022 is as follows:

Private companies	Stage 1	Stage 2	Stage 3	Total
not overdue	3 919 426	524 040	695 457	5 138 923
overdue for less than 30 days	730 157	252 567	235 537	1 218 261
overdue for 30-89 days	62 050	1 508 630	814 427	2 385 107
overdue for 90-179 days	-	-	1 413 332	1 413 332
overdue for more than 180 days	-	-	944 674	944 674
Loans to private companies before allowance for impairment	**4 711 633**	**2 285 237**	**4 103 427**	**11 100 297**
ECL	439 811	748 383	2 040 410	3 228 604
Loans to private companies after allowance for impairment	**4 271 822**	**1 536 854**	**2 063 017**	**7 871 693**
ECL, %	**9.33%**	**32.75%**	**49.72%**	**29.09%**

An analysis of credit quality of loans issued to private companies as at 31 December 2021 is as follows:

Private companies	Stage 1	Stage 2	Stage 3	Total
not overdue	4 268 789	476 395	643 544	5 388 728
overdue for less than 30 days	1 079 026	267 599	129 262	1 475 887
overdue for 30-89 days	63 298	1 641 085	140 698	1 845 081
overdue for 90-179 days	-	-	2 293 872	2 293 872
overdue for more than 180 days	-	-	1 082 536	1 082 536
Loans to private companies before allowance for impairment	**5 411 113**	**2 385 079**	**4 289 912**	**12 086 104**
ECL	569 990	948 518	2 446 040	3 964 548
Loans to private companies after allowance for impairment	**4 841 123**	**1 436 561**	**1 843 872**	**8 121 556**
ECL, %	**10.53%**	**39.77%**	**57.02%**	**32.80%**

In 2022, pursuant to the Decree of the President of the Republic of Uzbekistan No. PD-5152 dated June 19, 2021 “On further improvement of the management system of multi-apartment housing”, the Group refinanced loans to management companies in housing and utility sector at the preferential interest rates without attraction of any subsidized lending. As a result, the Group recognised loss at initial recognition in the amount of UZS 69 624 million (2021: loss at initial recognition on loans issued at non-market terms in the amount of UZS 18 967 million).

(millions of Uzbek Soums)

4. Loans to customers (continued)

(ii) Loans to corporate clients – State-owned companies

An analysis of changes in the gross carrying amount and corresponding ECL in relation to loans issued to private companies during the year ended 31 December 2022 is as follows:

State-owned companies	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**546 945**	**112 154**	**309 108**	**968 207**
Originated	323 365	-	-	323 365
Derecognised	(204 245)	(29 690)	(30 070)	(264 005)
To stage 1	751	-	(751)	-
To stage 2	(104 002)	104 002	-	-
To stage 3	(14 778)	(76 685)	91 463	-
Written-off	-	-	(777)	(777)
Unwinding effect	-	-	17 050	17 050
Foreign currency exchange rate effect	15 627	(1 473)	34	14 188
31 December 2022	**563 663**	**108 308**	**386 057**	**1 058 028**

State-owned companies	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	**54 884**	**34 031**	**155 048**	**243 963**
Originated	83 582	-	-	83 582
Derecognised	(6 063)	(7 383)	(2 284)	(15 730)
To stage 1	542	-	(542)	-
To stage 2	(23 533)	23 533	-	-
To stage 3	(4 819)	(26 839)	31 658	-
Written-off	-	-	(777)	(777)
ECL remeasurement	(49 179)	1 651	66 357	18 829
Unwinding effect	-	-	17 050	17 050
Foreign currency exchange rate effect	774	(73)	2	703
31 December 2022	**56 188**	**24 920**	**266 512**	**347 620**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to state companies during the year ended 31 December 2021 is as follows:

State-owned companies	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2021	**826 134**	**2 867**	**191 979**	**1 020 980**
Originated	142 839	-	-	**142 839**
Derecognised	(135 989)	(47 564)	(20 196)	**(203 749)**
To stage 1	58 192	(2 111)	(56 081)	**-**
To stage 2	(35 967)	159 307	(123 340)	**-**
To stage 3	(320 434)	(345)	320 779	**-**
Written-off	-	-	(4 084)	**(4 084)**
Foreign currency exchange rate effect	12 170	-	51	**12 221**
31 December 2021	**546 945**	**112 154**	**309 108**	**968 207**

(millions of Uzbek Soums)

4. Loans to customers (continued)

State-owned companies	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2021	**39 586**	**535**	**13 346**	**53 467**
Originated	49 132	-	-	**49 132**
Derecognised	(166)	(62)	(274)	**(502)**
To stage 1	12 774	(8 876)	(3 899)	**-**
To stage 2	(1 723)	10 298	(8 574)	**-**
To stage 3	(15 354)	(64)	15 419	**-**
Written-off	-	-	(4 084)	(4 084)
ECL remeasurement	(29 936)	32 200	143 111	145 376
Foreign currency exchange rate effect	571	-	3	574
31 December 2021	**54 884**	**34 031**	**155 048**	**243 963**

An analysis of credit quality of loans issued to state-owned companies as at 31 December 2022 is as follows:

State-owned companies	Stage 1	Stage 2	Stage 3	Total
not overdue	563 069	-	67 780	630 849
overdue for less than 30 days	594	-	-	594
overdue for 30-89 days	-	108 308	-	108 308
overdue for 90-179 days	-	-	9 348	9 348
overdue for more than 180 days	-	-	308 929	308 929
Loans to state-owned companies before allowance for impairment	**563 663**	**108 308**	**386 057**	**1 058 028**
ECL	56 188	24 920	266 512	347 620
Loans to private companies after allowance for impairment	**507 475**	**83 388**	**119 545**	**710 408**
ECL, %	**9.97%**	**23.01%**	**69.03%**	**32.86%**

An analysis of credit quality of loans issued to state-owned companies as at 31 December 2021 is as follows:

State-owned companies	Stage 1	Stage 2	Stage 3	Total
not overdue	541 787	30 632	2 924	575 343
overdue for less than 30 days	5 158	26 916	-	32 074
overdue for 30-89 days	-	54 606	97 557	152 163
overdue for 90-179 days	-	-	57 103	57 103
overdue for more than 180 days	-	-	151 524	151 524
Loans to state-owned companies before allowance for impairment	**546 945**	**112 154**	**309 108**	**968 207**
ECL	54 884	34 031	155 048	243 963
Loans to state-owned companies after allowance for impairment	**492 061**	**78 123**	**154 060**	**724 244**
ECL, %	**10.03%**	**30.34%**	**50.16%**	**25.20%**

(millions of Uzbek Soums)

4. Loans to customers (continued)

(iii) Loans to individuals

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to individuals during the year ended 31 December 2022 is as follows:

Loans to individuals	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**4 612 265**	**1 022 579**	**2 089 377**	**7 724 221**
Originated	6 527 344	-	-	6 527 344
Derecognised	(1 853 288)	(362 735)	(607 639)	(2 823 662)
To stage 1	266 771	(178 974)	(87 797)	-
To stage 2	(1 149 930)	1 219 468	(69 538)	-
To stage 3	(592 177)	(326 494)	918 671	-
Written-off	-	-	(583 697)	(583 697)
Unwinding effect	-	-	29 186	29 186
31 December 2022	**7 810 985**	**1 373 844**	**1 688 563**	**10 873 392**

Loans to individuals	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	**348 406**	**265 644**	**830 002**	**1 444 052**
Originated	633 211	-	-	633 211
Derecognised	(30 828)	(20 320)	(106 539)	(157 687)
To stage 1	162 411	(94 401)	(68 010)	-
To stage 2	(322 038)	369 508	(47 470)	-
To stage 3	(78 868)	(76 308)	155 176	-
Written-off	-	-	(583 697)	(583 697)
Received previously written-off	-	-	75 473	75 473
ECL remeasurement	(244 266)	76 191	635 350	467 275
Unwinding effect	-	-	29 186	29 186
31 December 2022	**468 028**	**520 314**	**919 471**	**1 907 813**

In December 2021, the President of Uzbekistan signed a Decree whereby a new electronic platform for application and underwriting of loans under the social program "Each family is an entrepreneur" was established. Starting from March 2022, agent banks (including the Bank) issued all such loans via the platform, subject to automatic scoring procedures and approval of regional administrations. The major amount of gross carrying amount of loans to individuals originated in 2022 relates to such loans. Besides, the Bank has also increased loan portfolio of both commercial and social lending of mortgages and commercial lending of education loans during 2022.

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to individuals during the year ended 31 December 2021 is as follows:

Loans to Individuals	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2021	**5 001 526**	**1 117 992**	**684 032**	**6 803 550**
Originated	3 712 263	-	-	3 712 263
Derecognised	(1 930 844)	(347 788)	(312 421)	(2 591 053)
To stage 1	326 208	(251 693)	(74 515)	-
To stage 2	(1 086 813)	1 122 528	(35 715)	-
To stage 3	(1 410 076)	(618 460)	2 028 536	-
Written-off	-	-	(200 540)	(200 540)
31 December 2021	**4 612 265**	**1 022 579**	**2 089 377**	**7 724 221**

(millions of Uzbek Soums)

4. Loans to customers (continued)

Loans to Individuals	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2021	**551 111**	**445 269**	**391 592**	**1 387 972**
Originated	338 742	-	-	338 742
Derecognised	(33 748)	(19 787)	(21 697)	(75 232)
To stage 1	251 965	(155 639)	(96 326)	-
To stage 2	(112 397)	154 574	(42 177)	-
To stage 3	(71 754)	(124 405)	196 159	-
Written-off	-	-	(200 540)	(200 540)
ECL remeasurement	(575 513)	(34 368)	602 991	(6 890)
31 December 2021	**348 406**	**265 644**	**830 002**	**1 444 052**

An analysis of credit quality of loans issued to individuals by types of loans as at 31 December 2022 is as follows:

Social lending programs, except for mortgage, and other loans	Stage 1	Stage 2	Stage 3	Total
not overdue	3 160 993	-	6 757	3 167 750
overdue for less than 30 days	767 597	-	428	768 025
overdue for 30-89 days	711	973 342	1 367	975 420
overdue for 90-179 days	-	-	228 390	228 390
overdue for more than 180 days	-	-	1 067 878	1 067 878
Loans before allowance for impairment	**3 929 301**	**973 342**	**1 304 820**	**6 207 463**
ECL	245 370	295 124	693 634	1 234 128
Loans after allowance for impairment	**3 683 931**	**678 218**	**611 186**	**4 973 335**
ECL, %	**6.24%**	**30.32%**	**53.16%**	**19.88%**

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
not overdue	2 469 552	131	8 588	2 478 271
overdue for less than 30 days	433 632	-	1 632	435 264
overdue for 30-89 days	853	339 554	18 325	358 732
overdue for 90-179 days	-	-	77 946	77 946
overdue for more than 180 days	-	-	73 433	73 433
Loans before allowance for impairment	**2 904 037**	**339 685**	**179 924**	**3 423 646**
ECL	177 543	206 697	119 879	504 119
Loans after allowance for impairment	**2 726 494**	**132 988**	**60 045**	**2 919 527**
ECL, %	**6.11%**	**60.85%**	**66.63%**	**14.72%**

Education loans	Stage 1	Stage 2	Stage 3	Total
not overdue	618 498	-	225	618 723
overdue for less than 30 days	22 116	-	33	22 149
overdue for 30-89 days	11	11 349	24	11 384
overdue for 90-179 days	-	-	1 064	1 064
overdue for more than 180 days	-	-	1 211	1 211
Loans before allowance for impairment	**640 625**	**11 349**	**2 557**	**654 531**
ECL	25 910	3 756	1 024	30 690
Loans after allowance for impairment	**614 715**	**7 593**	**1 533**	**623 841**
ECL, %	**4.04%**	**33.10%**	**40.05%**	**4.69%**

(millions of Uzbek Soums)

4. Loans to customers (continued)

Consumer loans, credit card loans, auto loans	Stage 1	Stage 2	Stage 3	Total
not overdue	286 166	-	20 744	306 910
overdue for less than 30 days	50 720	-	977	51 697
overdue for 30-89 days	136	49 468	2 378	51 982
overdue for 90-179 days	-	-	24 680	24 680
overdue for more than 180 days	-	-	152 483	152 483
Loans before allowance for impairment	**337 022**	**49 468**	**201 262**	**587 752**
ECL	19 205	14 737	104 934	138 876
Loans after allowance for impairment	**317 817**	**34 731**	**96 328**	**448 876**
ECL, %	**5.70%**	**29.79%**	**52.14%**	**23.63%**

An analysis of credit quality of loans issued to individuals by types of loans as at 31 December 2021 is as follows:

Social lending programs, except for mortgage, and other loans	Stage 1	Stage 2	Stage 3	Total
not overdue	1 896 968	9	13 408	1 910 385
overdue for less than 30 days	693 106	-	3 666	696 772
overdue for 30-89 days	3 358	705 634	7 271	716 263
overdue for 90-179 days	-	-	464 630	464 630
overdue for more than 180 days	-	-	955 774	955 774
Loans before allowance for impairment	**2 593 432**	**705 643**	**1 444 749**	**4 743 824**
ECL	141 976	120 777	483 318	746 071
Loans after allowance for impairment	**2 451 456**	**584 866**	**961 431**	**3 997 753**
ECL, %	**5.47%**	**17.12%**	**33.45%**	**15.73%**

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
not overdue	946 616	-	29 936	976 552
overdue for less than 30 days	275 753	-	7 618	283 371
overdue for 30-89 days	1 467	192 527	9 010	203 004
overdue for 90-179 days	-	-	82 402	82 402
overdue for more than 180 days	-	-	133 924	133 924
Loans before allowance for impairment	**1 223 836**	**192 527**	**262 890**	**1 679 253**
ECL	151 791	118 088	180 015	449 894
Loans after allowance for impairment	**1 072 045**	**74 439**	**82 875**	**1 229 359**
ECL, %	**12.40%**	**61.34%**	**68.48%**	**26.79%**

Education loans	Stage 1	Stage 2	Stage 3	Total
not overdue	53 995	-	226	54 221
overdue for less than 30 days	4 595	-	40	4 635
overdue for 30-89 days	10	2 297	34	2 341
overdue for 90-179 days	-	-	871	871
overdue for more than 180 days	-	-	1 099	1 099
Loans before allowance for impairment	**58 600**	**2 297**	**2 270**	**63 167**
ECL	2 101	394	619	3 114
Loans after allowance for impairment	**56 499**	**1 903**	**1 651**	**60 053**
ECL, %	**3.59%**	**17.15%**	**27.27%**	**4.93%**

(millions of Uzbek Soums)

4. Loans to customers (continued)

Consumer loans. credit card loans. auto loans	Stage 1	Stage 2	Stage 3	Total
not overdue	584 533	21	46 578	631 132
overdue for less than 30 days	151 276	-	7 551	158 827
overdue for 30-89 days	588	122 091	6 442	129 121
overdue for 90-179 days	-	-	105 393	105 393
overdue for more than 180 days	-	-	213 504	213 504
Loans before allowance for impairment	**736 397**	**122 112**	**379 468**	**1 237 977**
ECL	52 538	26 385	166 050	244 973
Loans after allowance for impairment	**683 859**	**95 727**	**213 418**	**993 004**
ECL, %	**7.13%**	**21.61%**	**43.76%**	**19.79%**

(iv) *Collateral and other credit enhancements*

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented by the Group regarding the acceptability of types of collateral and valuation parameters.

Information about collateral held by the Group against the loans as at 31 December 2022 and 2021 is presented further. Amounts presented in the tables below reflect the gross carrying amounts of the financial assets without the effect of overcollateralisation, calculated using the value of collateral determined at the date of the loan inception, and it does not necessarily reflect the fair value of the collateral. If the loan is partially secured, then the unsecured portion of the loan is disclosed in the "Unsecured" category.

Guarantees and sureties are represented by both guarantees and sureties of legal entities and individuals, and state and regional administrations.

Mortgage loans to individuals are secured by real estate or by certificates of insurance and sureties of the construction companies prior registration of properties.

31 December 2022	Private companies	State-owned companies	Individuals	Total
Cash deposit	798	-	67	**865**
Real estate	6 325 143	14 919	3 148 180	**9 488 242**
Vehicles	724 568	63 649	34 557	**822 774**
Equipment	601 748	-	-	**601 748**
Guarantees and sureties	2 240 457	314 002	2 074 855	**4 629 314**
Certificates of insurance	590 824	847	5 354 431	**5 946 102**
Other	61 961	317 244	675	**379 880**
Unsecured	554 798	347 367	260 627	**1 162 792**
Loans to clients before impairment allowance	**11 100 297**	**1 058 028**	**10 873 392**	**23 031 717**

31 December 2021	Private companies	State-owned companies	Individuals	Total
Cash deposit	798	-	411	**1 209**
Real estate	6 848 118	82 002	1 428 702	**8 358 822**
Vehicles	874 184	56 308	151 288	**1 081 780**
Equipment	539 292	18 085	3	**557 380**
Guarantees and sureties	2 387 777	328 196	2 534 716	**5 250 689**
Certificates of insurance	842 899	907	3 227 285	**4 071 091**
Other	45 112	59	326	**45 497**
Unsecured	547 924	482 650	381 490	**1 412 064**
Loans to clients before impairment allowance	**12 086 104**	**968 207**	**7 724 221**	**20 778 532**

(millions of Uzbek Soums)

4. Loans to customers (continued)

During 2022 and 2021 the Group received financial and non-financial assets by taking possession of collateral it held as security and calling on similar credit enhancements. As at 31 December 2022 and 2021 repossessed collateral in amount of UZS 38 562 million and UZS 10 578 million (Note 9), respectively, is included in other assets. The management of the Group expects to dispose these assets within 12 months period through public auctions.

Information about types of collateral held as security for loans to customers that are credit-impaired as at 31 December 2022 and 2021 is presented below.

31 December 2022	**Private companies**	**State-owned companies**	**Individuals**	**Total**
Cash deposit	490	-	13	**503**
Real estate	1 181 053	5 956	56 662	**1 243 671**
Vehicles	88 077	28 070	4 407	**120 554**
Equipment	105 789	-	-	**105 789**
Guarantees and sureties	651 590	85 430	183 235	**920 255**
Certificates of insurance	20 573	90	516 440	**537 103**
Other	215	-	-	**215**
Unsecured	15 230	-	8 335	**23 565**
Credit-impaired (Stage 3) loans to customers after impairment allowance	**2 063 017**	**119 546**	**769 092**	**2 951 655**

31 December 2021	**Private companies**	**State-owned companies**	**Individuals**	**Total**
Cash deposit	230	-	78	**308**
Real estate	1 158 687	1 007	72 852	**1 232 546**
Vehicles	80 423	86	14 042	**94 551**
Equipment	195 879	-	-	**195 879**
Guarantees and sureties	206 608	152 614	386 970	**746 192**
Certificates of insurance	117 786	353	681 455	**799 594**
Other	62	-	1	**63**
Unsecured	84 197	-	103 977	**188 174**
Credit-impaired (Stage 3) loans to customers after impairment allowance	**1 843 872**	**154 060**	**1 259 375**	**3 257 307**

The Group does not incorporate collateral value in its ECL estimation models for collective assessment of homogeneous loans, however the value of collateral is accounted for when estimating ECL for credit-impaired individually significant loans to corporate customers (see Note 21). Provided the Group would have not accounted for collateral when estimating ECL for credit-impaired individually significant loans to corporate customers the ECL would be by UZS 366 765 million higher as at 31 December 2022 (31 December 2021: UZS 373 029 million).

(millions of Uzbek Soums)

4. Loans to customers (continued)

(v) Concentration of loans to customers

As at 31 December 2022, the Group has a concentration of loans to customers in amount of UZS 2 946 550 million due from the ten largest borrowers, representing 12.79% of gross loan portfolio (2021: UZS 2 717 820 million or 13.08%). Allowance for impairment in amount of UZS 1 013 237 million (31 December 2021: UZS 843 197 million) was recognised against these loans.

Loans are disbursed to corporate clients operating in the following industry sectors:

	31 December 2022	31 December 2021
Manufacturing	5 890 297	6 023 492
Service, Transport and Communication	3 221 140	3 618 873
Trade	1 459 770	1 561 303
Agriculture	1 318 645	1 327 502
Construction	214 988	450 453
Other	53 485	72 688
Loans to corporate clients before impairment allowance	**12 158 325**	**13 054 311**
Less impairment allowance	(3 576 224)	(4 208 511)
Loans to corporate clients after impairment allowance	**8 582 101**	**8 845 800**

5. Investment securities

As at 31 December 2022 and 2021 investment securities comprise:

	31 December 2022	31 December 2021
Bonds measured at amortised cost		
Unpledged		
the CBU	1 284 133	2 025 316
the Ministry of Finance of the Republic of Uzbekistan	2 094 889	1 107 955
Corporate bonds	108 471	18 865
Pledged under "REPO" transactions		
the CBU	631 343	-
Bonds measured at amortised cost before impairment allowance	**4 118 836**	**3 152 136**
Less impairment allowance	(10 298)	(14 175)
Bonds measured as amortised cost after impairment allowance	**4 108 538**	**3 137 961**
Equity securities measured at FVOCI	16 123	15 375
Investment securities	**4 124 661**	**3 153 336**

As at 31 December 2022 and 2021 bonds measured at amortised cost are classified to Stage 1.

Corporate bonds are bonds of government-related entities.

Equity securities are represented by minor shares (up to 7.7%) of government related-entities.

(millions of Uzbek Soums)

6. Property and equipment and intangible assets

The movements in property and equipment were as follows:

	Note	Buildings and premises	Construction in progress	Furniture and equipment	Intangible assets and others	Total
Cost						
1 January 2021		**278 975**	**171 831**	**496 068**	**53 288**	**1 000 162**
Additions		2 512	152 740	164 840	505	**320 597**
Transfers		51 082	(51 082)	-	-	**-**
Disposals and write-offs		(682)	-	(21 473)	(1 381)	**(23 536)**
31 December 2021		**331 887**	**273 489**	**639 435**	**52 412**	**1 297 223**
Additions		-	128 292	205 508	4 196	**337 996**
Transfers		16 661	(16 661)	-	-	**-**
Disposals and write-offs		(4 458)	(1 384)	(57 076)	(35 235)	**(98 153)**
Disposal of a subsidiary	25	-	-	(35 309)	-	**(35 309)**
31 December 2022		**344 090**	**383 736**	**752 558**	**21 373**	**1 501 757**
Accumulated depreciation						
1 January 2021		**(46 838)**	**-**	**(190 025)**	**(32 027)**	**(268 890)**
Charge for the year		(10 272)	-	(94 382)	(11 015)	**(115 669)**
Disposals and write-offs		243	-	17 396	1 311	**18 950**
31 December 2021		**(56 867)**	**-**	**(267 011)**	**(41 731)**	**(365 609)**
Charge for the year		(19 121)	-	(137 383)	(2 940)	**(159 444)**
Disposals and write-offs		2 147	-	53 503	30 748	**86 398**
Disposal of a subsidiary	25	-	-	9 027	-	**9 027**
31 December 2022		**(73 841)**	**-**	**(341 864)**	**(13 923)**	**(429 628)**
Net book value						
31 December 2021		**275 020**	**273 489**	**372 424**	**10 681**	**931 614**
31 December 2022		**270 249**	**383 736**	**410 694**	**7 450**	**1 072 129**

7. Taxation

The corporate income tax expense comprises:

	2022	2021
Current income tax expense	7 392	18 475
Deferred income tax benefit	(80 949)	(496 602)
Income tax benefit	**(73 557)**	**(478 127)**

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

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

(millions of Uzbek Soums)

7. Taxation (continued)

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2022 and 2021 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets. The corporate income tax rate applicable to the majority of the Group's income comprised 20% for 2022 and 2021, respectively.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense (benefit) based on statutory rates with actual is as follows:

	2022	2021
Loss before tax	**(432 951)**	**(2 396 322)**
Statutory tax rate	20%	20%
Theoretical income tax benefit at the statutory rate	**(86 590)**	**(479 264)**
Non-taxable income*	(161 936)	(119 493)
Unrecognised due to statutory reason tax loss carried forward*	67 043	119 493
Permanent difference on ECL expense (art. 315 of Tax code)	99 163	-
Non-deductible expenditures	8 763	1 137
Income tax benefit	**(73 557)**	**(478 127)**

*According to part 47 art. 337 of the Tax code of the Republic of Uzbekistan income from placement of pension funds is taxed at zero rate for profit tax purposes, however the related expenses are deducted in full. To the extent that taxable profit before deduction of accumulated pension fund expenses is lower than these expenses subject to deduction, tax loss carried forward is not recognised by the Group, which corresponds to the position of tax authorities.

Deferred tax assets and liabilities as of 31 December 2022 and 2021 and their movements for the respective years then ended comprise:

		Origination and reversal of temporary differences		Origination and reversal of temporary differences	
Tax effect of deductible temporary differences	**1 January 2021**	**In profit or loss**	**31 December 2021**	**In profit or loss**	**31 December 2022**
Cash and cash equivalents	1 159	3 843	5 002	(4 713)	289
Amounts due from credit institutions	7 375	(158)	7 217	(5 070)	2 147
Loans to customers	600 834	50 440	651 274	83 230	734 504
Investment securities	683	2 152	2 835	(781)	2 054
Property and equipment	6 700	(810)	5 890	(4 760)	1 130
Other assets	-	-	-	9 192	9 192
Other liabilities	4 557	3 290	7 847	1 945	9 792
Loss carryforward	-	437 368	437 368	-	437 368
Deferred tax asset	**621 308**	**496 125**	**1 117 433**	**79 043**	**1 196 476**
Tax effect of taxable temporary differences					
Other borrowed funds	(2 511)	477	(2 034)	1 906	(128)
Deferred tax liability	**(2 511)**	**477**	**(2 034)**	**1 906**	**(128)**
Net deferred tax asset recognised	**618 787**	**496 602**	**1 115 399**	**80 949**	**1 196 348**

In 2021 the Bank incurred a pre-tax loss of UZS 2 219 310 million per its statutory accounts. Tax losses carried forward have no limitation period for utilization pursuant to the tax legislation of the Republic of Uzbekistan. As at 31 December 2022 net deferred tax asset on other temporary differences equals to UZS 759 108 thousand. The Group analysed projected financial results, based on this analysis the Group believes that deferred tax assets will be utilized in full.

(millions of Uzbek Soums)

8. Credit loss expense

The table below shows the ECL charges on financial assets for the years ended 31 December 2022 and 2021:

	Cash and cash equivalents	Amounts due from credit institutions	Bonds measured at amortised cost	Loans and advances to customers	Other financial assets	Total
1 January 2021	**5 793**	**36 876**	**3 415**	**3 488 484**	**10 208**	**3 544 776**
Credit loss expense (recovery)	19 216	(799)	10 760	3 211 009	2 070	3 242 256
Write-off	-	-	-	(1 057 120)	-	(1 057 120)
Foreign currency exchange rate effect	-	6	-	10 190	-	10 196
31 December 2021	**25 009**	**36 083**	**14 175**	**5 652 563**	**12 278**	**5 740 108**
Credit loss expense (recovery)	(23 564)	(10 198)	(3 877)	1 700 568	7 825	1 670 754
Write-off	-	-	-	(2 311 214)	-	(2 311 214)
Unwinding effect	-	-	-	253 787	-	253 787
Received previously written-off	-	-	-	185 102	-	185 102
Foreign currency exchange rate effect	-	-	-	3 231	-	3 231
31 December 2022	**1 445**	**25 885**	**10 298**	**5 484 037**	**20 103**	**5 541 768**

(millions of Uzbek Soums)

9. Other assets and liabilities

As at 31 December 2022 and 2021 other assets comprise the following:

	31 December 2022	31 December 2021
Other financial assets		
Commission receivables	47 618	26 389
Receivables from employees	2 836	12 355
Receivables as a result of court proceedings	-	2 425
Other	6 692	1 809
Other financial assets before allowance for impairment	**57 146**	**42 978**
Less allowance for impairment	(20 103)	(12 282)
Other financial assets after allowance for impairment	**37 043**	**30 696**
Other non-financial assets		
Prepayments for materials services and PPE	102 453	95 295
Repossessed assets	38 562	10 578
Other	13 918	6 556
Other non-financial assets before allowance for impairment	**154 933**	**112 429**
Less allowance for impairment	(8 926)	(4 538)
Other non-financial assets after allowance for impairment	**146 007**	**108 891**
Other assets	**183 050**	**138 587**

As at 31 December 2022 and 2021 other liabilities comprise the following:

	31 December 2022	31 December 2021
Other financial liabilities		
Payables to employees	12 081	16 968
Accounts payable	10 502	14 896
Other	1 806	-
Total other financial liabilities	**24 389**	**31 864**
Other non-financial liabilities		
Taxes payable, other than income tax	50 105	34 928
Lottery obligations	29 047	24 262
Other	19 959	4 850
Total other non-financial liabilities	**99 111**	**64 040**
Allowance for credit related liabilities and financial guarantees	29 891	14 808
Other liabilities	**153 391**	**110 712**

(millions of Uzbek Soums)

10. Amounts due to credit institutions

As at 31 December 2022 and 2021 amounts due to credit institutions comprise the following:

	31 December 2022	31 December 2021
Correspondent accounts and other placements	220 479	11 617
REPO transactions with the CBU	642 291	-
Term deposits	2 022 856	934 582
Amounts due to credit institutions	**2 885 626**	**946 199**

As at 31 December 2022, funds in the amount of UZS 1 991 456 million or 69.01% of total funds due to credit institutions (31 December 2021: UZS 812 490 million or 85.87%) represent funds held by five credit institutions, excluding funds from the CBU.

Securities pledged or sold under REPO transactions are transferred to a third party and the Group receives cash. REPO transactions are carried out on terms that are generally accepted for standard lending, borrowing and lending of securities. The Group has determined that it retains substantially all the risks and rewards of ownership of these securities and therefore does not derecognise them (Note 5).

11. Amounts due to customers

As at 31 December 2022 and 2021 amounts due to customers comprise the following:

	31 December 2022	31 December 2021
State and public organisations		
- current accounts	20 001	24 987
- term deposits	2 141 719	2 382 780
Other legal entities		
- current accounts	834 819	768 943
- term deposits	173 623	270 416
Individuals		
- current accounts	1 744 012	1 061 026
- term deposits	1 123 231	1 130 717
Amounts due to customers	**6 037 405**	**5 638 869**
Held as security against letters of credit	13 125	24 186

As at 31 December 2022, amounts due to customers of UZS 2 331 655 million (38.62% of total due to customers) were due to the ten largest customers (31 December 2021: UZS 2 685 908 million (47.63%).

(millions of Uzbek Soums)

12. Other borrowed funds

As at 31 December 2022 and 2021 other borrowed funds comprise the following:

	31 December 2022	31 December 2021
Ministry of Finance of the Republic of Uzbekistan	5 538 612	4 221 912
Fund for Reconstruction and Development of the Republic of Uzbekistan	1 970 279	1 260 849
Cargill Financial Services International, Inc	520 931	1 300 834
Central Bank of the Republic of Uzbekistan	505 171	234 649
PJSC Vitabank (legal successor of PJSC Sovcombank)	419 291	419 291
Fund for Support of Farms, Dekhkan Farms and Owners of Household Lands	207 685	98 985
Public Fund for Support of Women and Family	178 039	149 850
HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY	112 183	-
Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan	75 381	19 434
Ministry of Employment and Labor Relations of the Republic of Uzbekistan	55 922	20 556
ODDO BHF AKTIENGESELLSCHAFT DE	50 622	66 338
"Yoshlar-Kelajagimiz" Fund	43 016	207 509
Other	40 723	64 548
JSC National Bank for Foreign Economic Activity of the Republic of Uzbekistan	28 997	46 011
JSC Uzbekistan Mortgage Refinancing Company	20 474	20 474
Agency for the Development of Viticulture and Winemaking	11 377	11 498
ICBC Standard Bank Plc	-	377 510
Other	40 723	64 548
Other borrowed funds	**9 778 703**	**8 520 248**

Other borrowed funds comprise financing received from different government agencies and international and local financial institutions to further finance different programs and for specific purposes.

As at 31 December 2022 and 2021 the balance due to the Ministry of Finance of the Republic of Uzbekistan includes:

- Funds under the refinancing program with International Bank of Reconstruction and Development (IBRD) comprising three loan agreements nominated in US dollars and Uzbek soums, which had issue dates between 15 January 2016 - 30 June 2018, maturity dates between 15 March 2034 - 15 May 2043 with the principal being repaid semi-annually starting from 15 September 2019 - 15 September 2023. *Funds were attracted for the purpose of developing horticultural and livestock sectors in the Republic of Uzbekistan.*

- Financing under the refinancing program with Asian Development Bank (ADB) comprising the loan agreement nominated in Uzbek soums, which was signed on 10 February 2020, maturing on 15 May 2043 with the principal being repaid semi-annually starting from 2023. *Funds were attracted for the project of livestock value chain development in the Republic of Uzbekistan.*

(millions of Uzbek Soums)

12. Other borrowed funds (continued)

- Funds under the refinancing program with International Development Association of World Bank consisting of three loan agreements nominated in US dollars, which had issue dates between 26 April 2014 - 31 October 2018, maturity dates between 15 March 2032 - 15 September 2040 with the principal being repaid semi-annually starting from 15 September 2017 - 15 November 2022. *Funds were attracted for developing livestock sector and financing of agricultural investment projects in the Republic of Uzbekistan, and within the project on adaptation to climate changes and mitigation of consequences to the Aral Lake.*

- Resources under the refinancing program with Japan International Cooperation Agency (JICA) comprising the loan agreement nominated in US dollars and partially converted in Uzbek soums in 2022, signed on 15 June 2020, maturing on 20 December 2044 - 15 June 2045 with the principal being repaid semi-annually starting from 2026. *Funds were attracted for the development of the project of horticultural value chain in the Republic of Uzbekistan.*

- Financing under the refinancing program with International Fund for Agricultural Development is formed in accordance with three loan agreements nominated in US dollars, which had issue dates between 19 April 2017 - 6 September 2019, maturity dates between 15 May 2035 - 6 September 2044 with the principal being repaid semi-annually starting from 15 November 2020-15 May 2023. *Funds were attracted for the purpose of livestock sector development in the Republic of Uzbekistan.*

- Financing under the refinancing program with the French Development Agency, attracted in July 2022 in Uzbek soums maturing on 5 April 2032 with the principal being repaid semi-annually starting from 2024. *Funds were attracted for the purpose of financing the sustainable development of the livestock sector in the Republic of Uzbekistan.*

- Long-term funds attracted directly from the Ministry of Finance of the Republic of Uzbekistan in Uzbek soums for various social lending purposes: *financing of mortgage retail loans, livestock industry development, educational loans.*

As at 31 December 2022 the balance due to the Fund for Reconstruction and Development of the Republic of Uzbekistan comprises several loan agreements nominated in Uzbek soums and US dollars, which were concluded between 12 January 2018 – 19 July 2022, have maturity dates between 15 December 2024 – 18 July 2029 with the principal being repaid semi-annually starting from 2021 (31 December 2021: several loan agreements nominated in Uzbek soums and US dollars, which were concluded between 12 January 2018 - 12 November 2021, have maturity dates between 15 December 2024 - 15 April 2028 with the principal being repaid semi-annually starting from 2021). *Funds were attracted within different state support programs, among which are "Each family is an entrepreneur", provision of microloans to women and young people, financing projects in Samarkand region.*

As at 31 December 2022 the balance due to Cargill Financial Services International, Inc. consists of several loan agreements nominated in US dollars and EUR, which were concluded between 25 February 2020 - 7 July 2020, have maturity dates between 16 February 2023 - 26 June 2023 (31 December 2021: several loan agreements nominated in US dollars and EUR, which were concluded between 29 November 2019 - 7 July 2020, have maturity dates between 30 June 2022 - 26 June 2023). *Funds were attracted solely for the purpose of financing export and/or import of goods by particular clients within letter of credit settlement scheme.*

As at 31 December 2022 the balance due to the CBU consists of several loan agreements nominated in Uzbek soums, which were concluded between 15 September 2020 – 18 October 2022 for the three-year term with the principal being repaid monthly starting from 2021 (31 December 2021: two loan agreements nominated in Uzbek soums, signed on 8 July 2019 and 14 September 2020, with maturity dates on 25 September 2023 and on 25 September 2024 with the principal being repaid monthly starting from 2021). *As at 31 December 2022 funds are provided solely for the purpose of lending within the social program "Each family is an entrepreneur" (31 December 2021: corporate-wide purposes of the Group, including financing of mortgage lending, other social lending).*

In April 2021 the Group entered into the four-year loan agreement with PJSC Sovcombank for the amount of UZS 418 900 million. In 2022 the lender assigned the claim to PJSC Vitabank. *The credit line was provided for corporate-wide objectives of the Group.*

(millions of Uzbek Soums)

12. Other borrowed funds (continued)

As at 31 December 2022 the balance due to the Fund for Support of Farms, Dekhkan Farms and Owners of Household Lands comprises several loan agreements nominated in Uzbek soums, which were concluded between 21 June 2018 – 10 March 2023, maturing on 29 January 2023 – 24 January 2029 with the principal being repaid semi-annually (31 December 2021: one loan agreement nominated in Uzbek soums, which was concluded on 21 June 2018, maturing on 24 May 2022 – 17 January 2024 with the principal being repaid semi-annually). *Funds were attracted solely for the purpose of lending within the social program "Each family is an entrepreneur"*.

As at 31 December 2022 the balance due to Public Fund for Support of Women and Family consists of several loan agreements nominated in Uzbek soums, which were concluded between 2 July 2020 – 28 April 2022, have maturity dates between 25 July 2023 – 28 April 2025 with the principal being repaid monthly starting from 2020 (31 December 2021: several loan agreements nominated in Uzbek soums, which were concluded between 15 July 2019 – 12 April 2021, had maturity dates between 22 May 2022 - 26 June 2024 with the principal being repaid monthly starting from 2020). *Funds were attracted for the financing different activities and education of women and families, facing poor social and financial conditions.*

In April 2022 the Group attracted loan facility from HUNGARIAN EXPORT-IMPORT BANK PRIVATE LIMITED COMPANY nominated in Euro maturing in April 2028 *for the purpose of ATM machines acquisition*.

The remaining credit lines also consisted of funds attracted for financing different state support programs and own commercial objectives of the Group.

13. Subordinated loans

In 2022 the Group received from the Ministry of Finance of the Republic of Uzbekistan subordinated loan in the amount of UZS 540 000 million with an interest rate of 11.00% maturing in 2027. According to the terms of agreement the loan will be settled by the Bank's equity instruments, however conversion ratio is not established yet and therefore the loan has been classified as a financial liability.

As at 31 December 2022 and 2021 subordinated loans comprise loans from the Ministry of Finance of the Republic of Uzbekistan in the total amount of UZS 249 925 million which were received in 2017 and 2018 with interest rates of 3.00% p.a. maturing in 15 years.

In case of liquidation subordinated loans rank after settlement of all other creditors' claims.

14. Accumulated pension fund liabilities

According to the Law of the Republic of Uzbekistan №702-II dd. 02.12.2004 "On accumulated pension savings of the citizens" (hereinafter – "the Law") pension savings of participants of the pension savings plan are accumulated with the Bank.

Participation in the saving pension system is mandatory for all employers and employees unless otherwise required by law. The Law stipulates that the Bank keeps detailed accounting for each participant (employee) of the pension plan based on application of the participant. The State guarantees each participant of the pension plan the safe-keeping and distribution of pension savings.

(millions of Uzbek Soums)

14. Accumulated pension fund liabilities (continued)

Under the Law pension savings are formed with:
- mandatory contributions of employers (1%);
- voluntary contributions from both employers and employees;
- “interest” accrued on individual pension accounts – the Bank must annually accrue “interest” on the outstanding amount of accumulated pension funds in the amount not less than inflation rate which is determined by the Bank and approved by the Ministry of Finance and the CBU;
- other funds not contradictory to the law.

Pension savings are used for payments of pensions and cannot be used for any other purpose not related to the accumulated pension system. Participant of the system has rights to receive payments from the individual pension account when eligible (once or by monthly instalments at the request of a participant), to receive information on the balance of individual account and to leave the balance as precept. The Bank is entitled to receive margin from income on investing pension system funds. The margin rate should be set by the Ministry of Finance, however, the Bank has never received any margin from operating pension system.

Movement of pension savings for the years ended 31 December 2022 and 2021 is as follows:

	2022	2021
Balance as at 1 January	**5 668 287**	**5 121 057**
Contributions:		
- mandatory contributions of employers (1%)	224 243	172 621
- voluntary contributions of participants	317	259
Distributions:		
- payments of pensions to participants	(236 580)	(211 999)
- refunds to employers	(10 868)	(17 267)
Distribution of income to the participants:		
- for the current financial year, including coverage of prior years' deficit, if applicable	703 088	575 467
inflation rate	*12.30%*	*9.98%*
- for the previous years, due to inflation rate recalibration	1 337	6 149
Distribution of income to the reserve fund:	99 304	22 000
Balance as at 31 December	**6 449 128**	**5 668 287**

According to the resolution of the Ministry of Finance and the CBU dd. 25.12.2021 “On the order of placement of accumulated pension system’s funds in financial instruments”, the Bank should place pension system funds into the following financial instruments:

- 60% - government debt securities and corporate debt securities of companies, refinancing mortgage;
- 20% - corporate debt securities of companies with an external rating not lower than the sovereign one;
- 19% - debt securities of banks with an external rating not lower than the sovereign one;
- not less than 0,5% should be kept at the correspondent account to meet obligations on pensions payments.

(millions of Uzbek Soums)

14. Accumulated pension fund liabilities (continued)

As at 31 December 2022 and 2021 pension savings are invested into the following financial instruments:

	31 December 2022		31 December 2021	
	Carrying amount	WAEIR	Carrying amount	WAEIR
Debt secutities of the CBU and the Ministry of Finance	3 744 499	16.71%	2 729 259	14.00%
Term deposits of credit institutions	1 477 733	11.00%	1 491 016	14.00%
Loans to customers*	217 529	27.82%	509 456	16.71%
	5 439 761		**4 729 731**	

*placements in loans to customers were made prior to introduction of the order or placement

Interest income calculated at the effective interest rate on pension savings' financial assets for the year ended 31 December 2022 equals to UZS 809 681 million (2021: UZS 597 467 million). The difference between the amounts earned from the placement of pension funds and distributed to pension accounts forms the reserve fund, which is to be directed to indexation of balances of individual pension accounts in future periods in case of deficit in the amounts earned, i.e. when the amounts that will be earned from the placement of pension funds will be lower than those to be distributed to pension accounts. As at 31 December 2022 carrying amount of the reserve fund, included in accumulated pension fund liabilities balance, equals to UZS 121 304 million (31 December 2021: UZS 22 000 million).

15. Equity

As at 31 December 2022 and 2021 the number of authorised ordinary shares is 7 433 379 7990 with a nominal value per share of UZS 1000. All authorised shares have been issued and fully paid.

In 2021, based on the decision made during the extraordinary shareholders meeting that took place on 29 September 2021, cash contribution received from the Fund for Reconstruction and Development of the Republic of Uzbekistan (hereinafter – the "FRDU") in the amount of UZS 2 516 532 million and dividends in the amount of UZS 283 983 million payable to the FRDU and UZS 121 092 million payable to Ministry of Finance were capitalized to the share capital of the Group.

In 2021, according to the Presidential Decree №5041 dated 27 March 2021, the Group's share capital was increased by UZS 200 000 million following a cash contribution made by the Ministry of Finance.

According to the Presidential Decree №3694 dated 4 May 2018, the Bank had been granted a relief from payment of all taxes for the period till 31 December 2020. In 2021, the Bank capitalized accumulated taxes in the amount of UZS 80 861 million to the share capital as a contribution of the Ministry of Finance.

The Group's distributable reserves among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. In the consolidated statement of financial position, non-distributable reserves are part of retained earnings.

(millions of Uzbek Soums)

16. Commitments and contingencies

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.

Taxation

Uzbekistan currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Implementing regulations are often unclear or non-existent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations (like the State Tax Committee and its various inspectorates) thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities that are empowered by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in Uzbekistan substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

As at 31 December 2022 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Commitments and contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 December 2022 and 2021, the Group's commitments and contingencies comprised the following:

	31 December 2022	31 December 2021
Credit related commitments		
Letters of credit	13 125	31 162
Undrawn loan commitments	673 627	682 196
Commitments and contingencies	**686 752**	**713 358**
Provision for ECL for credit related commitments	(29 891)	(14 808)
Deposits held as securities against letters of credit	(13 125)	(24 186)

As at 31 December 2022 commitments and contingencies in the amount of UZS 491 027 million are allocated to Stage 1, UZS 91 158 million – to Stage 2, UZS 104 567 million – to Stage 3 (31 December 2021: UZS 490 329 million – to Stage 1, UZS 111 985 million – to Stage 2, UZS 111 044 million – to Stage 3).

(millions of Uzbek Soums)

17. Net interest income

Net interest income for the years ended 31 December 2022 and 2021 comprises:

	2022	2021
Loans to customers	3 036 413	2 932 762
Investment securities	582 374	244 756
Amounts due from credit institutions	363 488	272 964
Interest revenue calculated using effective interest rate	**3 982 275**	**3 450 482**
Other borrowed funds	(663 416)	(767 560)
Amounts due to customers	(484 999)	(555 576)
Amounts due to credit institutions	(74 179)	(127 714)
Subordinated loans	(64 088)	(7 454)
Debt securities issued	(2 215)	(11 607)
Interest expense calculated using effective interest rate	**(1 288 897)**	**(1 469 911)**
Net interest income	**2 693 378**	**1 980 571**

18. Net fee and commission income

Net fee and commission income for the years ended 31 December 2022 and 2021 comprises:

	2022	2021
Social pension distribution income	330 435	286 753
Agency fee and commission income	241 830	446 294
Settlement operations	132 644	179 102
Foreign settlement operations	69 607	70 922
Cash operations	24 632	14 039
Terminal operations	15 400	16 316
Other	8 615	12 408
Fee and commission income	**823 163**	**1 025 834**
Agency commission expenses	(102 981)	(313 847)
Settlement operations	(40 012)	(24 255)
Cash collection services	(12 387)	(8 969)
Securities commissions	(2 739)	(1 068)
Terminal operations	(1 186)	(1 293)
Other	(18 005)	(10 917)
Fee and commission expense	**(177 310)**	**(360 349)**
Net fee and commission income	**645 853**	**665 485**

19. Other income

Other income for 2022 includes lottery income in the amount of UZS 82 953 million (2021: UZS 84 741 million), gain from disposal of property in the amount of UZS 38 966 million (2021: UZS 10 128 million).

(millions of Uzbek Soums)

20. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2022	2021
Salaries and bonuses	847 781	760 440
Social security costs	93 937	84 696
Personnel expenses	**941 718**	**845 136**
Depreciation	159 444	116 397
Utility and maintenance expense	176 637	146 426
Expenses related to property and equipment	**336 081**	**262 823**
Other operating expenses	**240 929**	**203 577**
Total operating expenses	**1 518 728**	**1 311 536**

21. Corporate governance and risk management

Corporate governance

The Bank established and maintains a comprehensive corporate governance system, which includes its shareholders, the Supervisory Board (including five of its committees), the Management Board (including two of its committees) the Internal Control and Compliance Department and the Internal Audit Department.

The Supervisory Board is represented by members with international banking and financial services experience. The Supervisory Board of the Bank represents interests of the shareholders and investors of the Bank and determines s the main directions of the Bank's development. There are four independent members in the Supervisory Board.

There are five committees operating under the Supervisory Board:

- *Audit and Anti-Corruption Committee* - the main goal of the Committee is to assist the Supervisory Board in fulfilling its oversight responsibilities: to ensure the reliability and efficiency of the internal control and risk management systems, the independence of the Compliance Service, and compliance with the law of the Republic of Uzbekistan and internal regulatory documents, as well as making recommendations for the Supervisory Board on developing of priority areas of the Bank operations, and improving and enhancing the risk management and internal control systems.

- *Strategy and Investment Committee* - the main goal of the Committee is to support the Supervisory Board in its oversight responsibilities relating to the Bank’s strategy development, business and organisation development plans, major financing and investment proposals and other material issues that affect the Bank’s operations and business activities. The Committee advises on establishment of the processes of planning, implementing, assessing and adjusting the business strategy.

- *Remuneration and HR Committee* - the main goal of the Committee is to ensure that the Bank complies with the HR policy and strategy, and the internal remuneration system with regards to the laws and regulations of the Republic of Uzbekistan, internal control rules, the levels of accepted risks and risk appetite, as well as the long-term strategy and financial results. The Committee assists the Bank in implementation of effective methods and practices of HR management and motivation.

- *Corporate Governance, Nominations and Ethics Committee* - the main goal of the Committee is to assist the Supervisory Board in fulfilling its oversight responsibilities with regard to assessing all aspects of the Bank’s corporate governance practices and any relevant governance issues, including opportunities for improving the governance framework, and make recommendations to the Supervisory Board with respect to any changes in the Bank’s governance practices.

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

- *Risk Management Committee* - the main goal of the Committee is to assist the Supervisory Board in fulfilling its oversight responsibilities with regard to the Bank's risk governance framework (RGF) and risk appetite statement (RAS) to ensure that Supervisory Board's decisions enable the Bank to build an efficient risk management system.

The Management Board comprises of experienced and trained professionals with a proven track record of achieving growth and meeting financial performance targets, and with an experience in Uzbekistan's banking market and a strong understanding of the local financial services sector. Management Board is responsible for the operating management of the Bank.

Risk management

Risk management structure

The presence of an efficient and modern risk management system integrated into all areas of the Bank's activities is one of the essential conditions for successful operation. The development and implementation of effective control procedures is the most important component of the risk management system, which is necessary for making balanced decisions in terms of risks and profitability at all levels of management. During the recent years management of the Group is focused on improvement of risk management system and implementation of effective control procedures in all key areas of the Bank's operations.

The principal risk management bodies of the Bank are:

- the Supervisory Board and the Risk Management Committee under the Supervisory Board;
- the Management Board and the committees operating under it: Asset & Liability Management Committee and Credit Committee;
- the Risk Management Department under the leadership of the Chief Risk Officer;
- the Internal Control and Compliance Department and the Internal Audit Department.

The Bank's risk management structure is based upon the principle of three lines of defense. The banking business units and financial and operating functions represent the first line of defense and are responsible for ensuring adherence to the Bank's policies and procedures on a day-to-day basis. The Risk Management Department under the leadership of the Chief Risk Officer represents the second line of defense and is responsible for monitoring and coordinating the business units and financial and operational functions. The Risk Management Department reports to the Management Board and the Supervisory Board. The Internal Audit Department represents the third line of defense. The Internal Audit Department reports to the Supervisory Board (through the Audit Committee of the Supervisory Board) and is responsible for reviewing and ensuring the integrity of the risk management processes at the Bank.

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Management Board, the Risk Management Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and types of products takes place. Senior management assesses the appropriateness of the allowance for expected credit losses on a recurring basis.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

During 2022 the Group implemented several initiatives to manage and control credit risk, among which are:

- development and implementation of new credit policy, formalizing levels of authority for loan issuance process;
- development and implementation of credit process manual, which allowed to establish effective process of loan issuance with clear control procedures;
- implementation of scoring models for retail loans - new scoring program for retail clients is integrated with 8 external data bases, and it automatically collects information about the creditability of potential borrowers;
- launch of soft collection program to prevent new non-performing loans and to increase the efficiency of loans repayment process.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

Impairment assessment

The Group calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. The Group records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

Significant increase in credit risk

In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk using following criteria:

- The principal and/or interest on loans to customers are past due for 31-90 days;
- Loans to corporate customers, the terms of which have been renegotiated since initial recognition, while the volume of repayments of the renegotiated debt on a semi-annual basis is more than 25%;
- Loans to customers with 2 prolongations during the last 12 months;
- Loans to customers that were credit-impaired at the end of the previous quarter and that at the end of the current quarter have indicators for Stage 1 or 2.
- Delay in payment of accrued interest (coupon) and/or principal debt for more than 1 day, except for technical delays for due from banks and investment debt securities;
- External rating decreases for 2 notches;
- For financial instruments rated 'CCC+' or lower at the reporting date on the S&P Global Ratings scale.

Definition of default

Loans to customers are classified in Stage 3 for which one or more default events have occurred that have an adverse effect on the estimated future cash flows of that financial instrument. Loans to customers classified in Stage 3 are credit-impaired or non-performing (NPL). The Bank applies the following default criteria for loans to customers:

- Loans to customers for which the number of days of delay on principal or interest as of the reporting date is more than 90 days;
- Loans to customers in the category "4 - doubtful" and "5 - bad" in accordance with the Regulations on the classification procedure of the CBU;
- Loans to corporate customers, the terms of which have been renegotiated since initial recognition, while the volume of repayments of the renegotiated debt on a semi-annual basis is less than 25%;
- Loans to customers for which there is a court decision or litigation is underway;
- The presence of debt on off-balance accounts for the principal debt and/or accrued interest;
- Loans to customers with 3 prolongations during the last 12 months;
- A purchased or originated credit-impaired financial asset (POCI).

Additionally, for individually significant corporate customers, the following factors may be taken into account when classifying debt into one or another Stage:

- The nature and reason for the granted restructuring: in the case of granting the first restructuring and in the presence of a stable financial position of the borrower, it can be concluded that there are no signs of SICR or default. A similar conclusion can be made when granting restructuring by decision of higher authorities;
- Other qualitative information that would more appropriately classify the debt according to its inherent level of credit risk, for example:

i. violation by the borrower of covenants,
ii. significant negative information about the activities of the borrower, including in the media,
iii. presence of signs of probable non-payment by the borrower,
iv. downgrading of the external credit rating (if any) by 2 or more notches,
v. reduction of financial support from the state, parent organization or other affiliated organization,
vi. significant deterioration in the quality or condition of the collateral, significant financial difficulties of the guarantor or guarantor.

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

The Bank applies the following default criteria for other financial instruments:

- Issuers with a rating of "D" at the reporting date;
- Negative information about the issuer/counterparty: liquidation, restructuring or other reorganization of the issuer/counterparty related to its inability to pay its obligations, catastrophic events as a result of which the issuer/counterparty's activities are suspended;
- Delay in accrued interest (coupon) and/or principal debt for more than 30 days.
- Purchased or originated credit-impaired financial asset (POCI);
- Cross-default event on other obligations of the issuer/counterparty.

Grouping financial assets measured on a collective basis

For the purpose of ECL calculation loans issued to customers are grouped into:
- loans issued to individuals,
- loans issued to corporate clients.
Loans to corporate customers are, in turn, grouped into homogeneous and individually significant.

For the purpose of determining the list of individually significant loans as of the reporting date, if there are several loan agreements between the Bank and the borrower, the debts under all existing agreements of such a borrower are summed up.

Individually significant borrower – a borrower whose gross carrying amount as of the reporting date exceeds materiality level. Materiality level - 2% of the amount of equity as of the reporting date, calculated in accordance with the statutory accounting rules. The materiality level is analyzed at least once a year to assess its adequacy and applicability, and based on the results of such an analysis, the materiality level may be revised.

Calculation of reserves for ECL is carried out:
- on an individual basis for credit-impaired individually significant loans to corporate customers;
- on a collective basis for other loans issued to customers.

Forward-looking information and multiple economic scenarios

The Group incorporates forward-looking information into measurement of ECL when there is a statistically proven correlation between the macro-economic variables and the NPL. As at the reporting dates, statistical tests demonstrated correlation between the GDP rate and default rates, the appropriate adjustment to ECL calculation has been made, accordingly. The management updates its statistical tests for correlation as at each reporting date.

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

See Note 8 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

The geographical concentration of Group's financial assets and liabilities is set out below:

				2022
	Republic of Uzbekistan	**OECD**	**CIS and other foreign countries**	**Total**
Assets				
Cash and cash equivalents	2 592 536	302 787	76 576	**2 971 899**
Amounts due from credit institutions	1 762 314	-	-	**1 762 314**
Loans to customers	17 547 680	-	-	**17 547 680**
Investment securities	4 124 661	-	-	**4 124 661**
Other financial assets	37 043	-	-	**37 043**
	26 064 234	**302 787**	**76 576**	**26 443 597**
Liabilities				
Amounts due to the credit institutions	2 003 083	-	882 543	**2 885 626**
Amounts due to customers	6 037 405	-	-	**6 037 405**
Other borrowed funds	5 844 421	3 514 658	419 623	**9 778 702**
Subordinated loans	790 088	-	-	**790 088**
Accumulated pension fund liabilities	6 449 128	-	-	**6 449 128**
Other financial liabilities	24 389	-	-	**24 389**
	21 148 514	**3 514 658**	**1 302 166**	**25 965 338**
Net assets/(liabilities)	**4 915 720**	**(3 211 871)**	**(1 225 590)**	**478 259**

				2021
	Republic of Uzbekistan	**OECD**	**CIS and other foreign countries**	**Total**
Assets				
Cash and cash equivalents	2 074 461	12 167	185 918	**2 272 546**
Amounts due from credit institutions	1 683 183	2 029	55 167	**1 740 379**
Loans to customers	15 125 969	-	-	**15 125 969**
Investment securities	3 153 336	-	-	**3 153 336**
Other financial assets	30 696	-	-	**30 696**
	22 067 645	**14 196**	**241 085**	**22 322 926**
Liabilities				
Amounts due to the credit institutions	519 432	-	426 767	**946 199**
Amounts due to customers	5 638 869	-	-	**5 638 869**
Debt securities issued	49 427	-	-	**49 427**
Other borrowed funds	6 344 548	1 369 127	806 573	**8 520 248**
Subordinated loans	249 925	-	-	**249 925**
Accumulated pension fund liabilities	5 668 287	-	-	**5 668 287**
Other financial liabilities	32 770	-	-	**32 770**
	18 503 258	**1 369 127**	**1 233 340**	**21 105 725**
Net assets/(liabilities)	**3 564 387**	**(1 354 931)**	**(992 255)**	**1 217 201**

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily regularly. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can assess to meet liquidity needs. In addition, the Group maintains a cash deposit (obligatory reserve) with the CBU, the amount of which depends on the level of customer funds attracted.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

31 December 2022	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Amounts due to credit institutions	1 334 305	560 414	1 200 600	132 111	**3 227 430**
Amounts due to customers	3 107 579	2 091 592	743 638	471 679	**6 414 488**
Other borrowed funds	739 292	1 797 825	6 332 065	8 614 343	**17 483 525**
Subordinated loans	18 096	50 370	861 228	169 711	**1 099 405**
Other liabilities	24 389	-	-	-	**24 389**
Letters of credit	13 125	-	-	-	**13 125**
Undrawn loan commitments	673 625	-	-	-	**673 625**
Total undiscounted financial liabilities	**5 910 411**	**4 500 201**	**9 137 531**	**9 387 844**	**28 935 987**

31 December 2021	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Amounts due to credit institutions	167 332	47 954	648 065	331 882	**1 195 233**
Amounts due to customers	2 386 301	1 536 644	1 990 074	-	**5 913 019**
Debt securities issued	-	-	49 427	-	**49 427**
Other borrowed funds	631 416	1 660 423	4 237 484	6 669 090	**13 198 413**
Subordinated loans	1 864	5 591	29 817	314 621	**351 893**
Other liabilities	31 868	-	-	-	**31 868**
Letters of credit	31 162	-	-	-	**31 162**
Undrawn loan commitments	682 196	-	-	-	**682 196**
Total undiscounted financial liabilities	**3 932 139**	**3 250 612**	**3 985 140**	**7 315 593**	**21 453 211**

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

Apart from the financial liabilities disclosed in the tables above, the Group also has accumulated pension fund liabilities with the carrying values of UZS 6 499 128 million and UZS 5 668 287 million as at 31 December 2022 and 2021, accordingly. Participants of the pension system are eligible to receive payments from the individual pension accounts upon achievement of retirement age, disability or loss of breadwinner. The Group invests pension funds in various categories of liquid financial assets as part of managing the liquidity risk associated with these liabilities (Note 14).

The Group's all commitments and contingencies are considered to be as on demand due to the fact that according to contractual terms they can be allocated to the earliest period in which they can be called. The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The Group's capability to repay its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time.

The Group has received significant funds from *Fund for Reconstruction and Development of the Republic of Uzbekistan, Ministry of Finance of the Republic of Uzbekistan, JSC Uzbekistan Mortgage Refinancing of Uzbekistan, PJSC Vitabank, ICBC Standard Bank Plc, ODDO BHF AKTIENGESELLSCHAFT DE and Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan* included in other borrowed funds. Any significant withdrawal of these funds would have an adverse impact on the operations of the Group. Management believes that this level of funding will remain with the Group for the foreseeable future and that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Market risk

Market risk is the risk that the Group's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk, credit spreads, and equity prices that the Group is exposed to. There have been no changes as to the way the Group measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.

The Group is exposed to interest rate risks as it borrows funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The Treasury Department also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Treasury Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

Market risk – non-trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a change in floating interest rates by 100 basis points, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

Sensitivity of net interest income 2022	Increase in basis point (LIBOR, Principal rate of the CBU) +100	Decrease in basis point (LIBOR, Principal rate of the CBU) -100
Financial assets	17 437	(17 437)
Financial liabilities	(9 642)	9 642

Sensitivity of net interest income 2021	Increase in basis point (LIBOR, Principal rate of the CBU) +100	Decrease in basis point (LIBOR, Principal rate of the CBU) -100
Financial assets	6 413	(6 413)
Financial liabilities	(12 446)	12 446

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Treasury Department controls currency risk by managing the open currency position on the estimated basis of UZS devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of the Central Bank of the Republic of Uzbekistan.

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	UZS	USD	EURO	Other Currency	2022
Financial assets					
Cash and cash equivalents	1 089 459	1 576 739	277 878	27 823	**2 971 899**
Amounts due from credit institutions	1 761 334	976	4	-	**1 762 314**
Loans to customers	14 275 587	2 972 873	299 220	-	**17 547 680**
Investment securities	4 124 661	-	-	-	**4 124 661**
Other financial assets	29725	6 141	1 177	-	**37 043**
Total financial assets	**21 280 766**	**4 556 729**	**578 279**	**27 823**	**26 443 597**
Financial liabilities					
Amounts due to credit institutions	1 286 646	1 220 600	378 380	-	**2 885 626**
Amounts due to customers	5 152 560	872 125	10 772	1 948	**6 037 405**
Other borrowed funds	5 871 000	3 504 313	403 390	-	**9 778 703**
Subordinated loans	790 088	-	-	-	**790 088**
Accumulated pension fund liabilities	6 449 128	-	-	-	**6 449 128**
Other financial liabilities	23 944	445	-	-	**24 389**
Total financial liabilities	**19 573 366**	**5 597 483**	**792 542**	**1 948**	**25 965 339**
Open balance sheet position	**1 707 400**	**(1 040 754)**	**(214 263)**	**25 875**	
Off-balance sheet position	**(55 171)**	**56 127**	**-**	**-**	
Total open position	**1 652 229**	**(984 627)**	**(214 263)**	**25 875**	

	UZS	USD	EURO	Other Currency	2021
Financial assets					
Cash and cash equivalents	1 422 565	767 752	71 225	11 004	**2 272 546**
Amounts due from credit institutions	1 411 330	328 794	255	-	**1 740 379**
Loans to customers	11 322 096	3 178 819	625 054		**15 125 969**
Investment securities	3 153 336	-	-	-	**3 153 336**
Other financial assets	30 623	-	-	-	**30 623**
Total financial assets	**17 339 950**	**4 275 365**	**696 534**	**11 004**	**22 322 853**
Financial liabilities					
Amounts due to credit institutions	409 709	535 503	986	1	**946 199**
Amounts due to customers	4 552 890	1 071 788	13 200	991	**5 638 869**
Debt securities issued	49 427	-	-	-	**49 427**
Other borrowed funds	4 059 254	3 633 043	827 951	-	**8 520 248**
Subordinated loans	249 925	-	-	-	**249 925**
Accumulated pension fund liabilities	5 668 287	-	-	-	**5 668 287**
Other financial liabilities	32 770	-	-	-	**32 770**
Total financial liabilities	**15 022 262**	**5 240 334**	**842 137**	**992**	**21 105 725**
Open balance sheet position	**2 317 688**	**(964 969)**	**(145 603)**	**10 012**	

(millions of Uzbek Soums)

21. Corporate governance and risk management (continued)

The tables below indicates the currencies to which the Group had significant exposure as at 31 December on its monetary assets and liabilities. The analysis calculates the effect of movement of the currency rate by 20% against the UZS, with all other variables held constant on the consolidated statement of profit or loss. The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate, %	Effect on loss for the year 2022	Effect on loss for the year 2021
USD	+20.00%	(157 540)	(154 395)
EURO	+20.00%	(34 282)	(23 296)
USD	-20.00%	150 540	154 395
EURO	-20.00%	34 282	23 296

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

22. Fair value measurements

Fair value measurement procedures

The Group does not have material assets or liabilities that require recurring fair value measurement. For non-recurring fair value measurements the Group can involve external valuers.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(millions of Uzbek Soums)

22. Fair value measurements (continued)

For the purpose of fair value disclosures, the Group's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	Fair value measurement using			
At 31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Investment securities - equity securities at FVOCI	-	-	16 123	**16 123**
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1 762 314	-	**1 762 314**
Investment securities measured at amortised cost	-	4 108 538	-	**4 108 538**
Loans to customers	-	-	17 547 680	**17 547 680**
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	-	2 885 626	-	**2 885 626**
Amounts due to customers	-	-	6 037 405	**6 037 405**
Other borrowed funds	-	-	9 778 703	**9 778 703**
Subordinated loans	-	-	790 088	**790 088**

	Fair value measurement using			
At 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Investment securities - equity securities at FVOCI	-	-	15 375	**15 375**
Assets for which fair values are disclosed				
Amounts due from credit institutions	-	1 740 379	-	**1 740 379**
Investment securities measured at amortised cost	-	3 137 961	-	**3 137 961**
Loans to customers	-	-	15 125 969	**15 125 969**
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	-	946 199	-	**946 199**
Amounts due to customers	-	-	5 638 869	**5 638 869**
Debt securities issued		49 427	-	**49 427**
Other borrowed funds	-	-	8 520 248	**8 520 248**
Subordinated loans	-	-	249 925	**249 925**

(millions of Uzbek Soums)

22. Fair value measurements (continued)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2022			2021		
	Carrying value	**Fair value**	**Unrecog-nised gain/(loss)**	**Carrying value**	**Fair value**	**Unrecog-nised gain/(loss)**
Financial assets						
Amounts due from credit institutions	1 762 314	1 375 544	(386 770)	1 740 379	1 732 314	(8 065)
Loans to customers	17 547 680	17 147 962	(399 718)	15 125 969	15 081 389	(44 580)
Investment securities - debt securities at amortised cost	4 108 538	4 076 811	(31 727)	3 153 336	3 151 083	(2 253)
Financial liabilities						
Amounts due to credit institutions	2 885 626	2 651 774	233 852	946 199	855 033	91 166
Amounts due to customers	6 037 405	5 775 828	261 577	5 638 869	5 575 018	90 985
Debt securities	-	-	-	49 427	49 583	(156)
Other borrowed funds	9 778 703	9 584 649	194 054	8 520 248	8 344 831	175 417
Subordinated loans	790 088	699 537	90 551	249 925	248 464	1 461
Total unrecognised change in fair value			**(38 181)**			**276 841**

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the financial statements and those items that are not measured at fair value in the consolidated statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities carried at amortised cost

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

(millions of Uzbek Soums)

23. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities based on their contractual terms. See Note 21 for the Group's contractual undiscounted repayment obligations.

			2022
	Within one year	More than one year, overdue or no stated maturity	Total
Cash and cash equivalents	2 971 899	-	**2 971 899**
Amounts due from credit institutions	873 103	889 211	**1 762 314**
Loans to customers	801 720	16 745 960	**17 547 680**
Investment securities	3 531 125	593 536	**4 124 661**
Property and equipment	-	1 072 129	**1 072 129**
Deferred income tax assets	-	1 196 348	**1 196 348**
Other assets	75 605	107 445	**183 050**
Total	**8 253 452**	**20 604 629**	**28 858 081**
Amounts due to credit institutions	1 833 565	1 052 061	**2 885 626**
Amounts due to customers	4 926 217	1 111 188	**6 037 405**
Other borrowed funds	1 794 113	7 984 590	**9 778 703**
Subordinated loans	-	790 088	**790 088**
Accumulated pension fund liabilities	236 580	6 212 548	**6 449 128**
Other liabilities	24 389	99 111	**123 500**
Total	**8 814 864**	**17 249 586**	**26 064 450**
Net	**(561 412)**	**3 355 043**	**2 793 631**

			2021
	Within one year	More than one year, overdue or no stated maturity	Total
Cash and cash equivalents	2 272 546	-	**2 272 546**
Amounts due from credit institutions	1 209 670	530 709	**1 740 379**
Loans to customers	2 682 666	12 443 303	**15 125 969**
Investment securities	3 137 961	15 375	**3 153 336**
Property and equipment	-	931 614	**931 614**
Deferred income tax assets	-	1 115 399	**1 115 399**
Other assets	41 274	97 313	**138 587**
Total	**9 344 117**	**15 133 713**	**24 477 830**
Amounts due to credit institutions	158 468	787 731	**946 199**
Amounts due to customers	4 215 122	1 423 747	**5 638 869**
Debt securities issued	49 427	-	**49 427**
Other borrowed funds	1 836 467	6 683 781	**8 520 248**
Subordinated loans	-	249 925	**249 925**
Accumulated pension fund liabilities	212 004	5 456 283	**5 668 287**
Other liabilities	31 864	64040	**95 904**
Total	**6 503 352**	**14 665 507**	**21 168 859**
Net	**2 840 765**	**468 206**	**3 308 971**

(millions of Uzbek Soums)

24. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with government-related entities

The Group recognises the following categories of related parties:

- *Shareholders* - the government of the Republic of Uzbekistan, acting through the FRDU and the Ministry of Finance of the Republic of Uzbekistan controls over the Group.

- *Government related entities* - the Government of the Republic of Uzbekistan, directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organizations.

The Group enters into banking transactions with these entities including but not limited to lending, deposit taking, cash settlement, foreign exchange, providing guarantees, as well as securities transactions. These transactions comprise a large portion of the Group's transactions.

- *Key management personnel*, including members of the Supervisory Board and the Management Board.

Transactions between the Bank and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

(millions of Uzbek Soums)

24. Related party disclosures (continued)

The outstanding balances of related party transactions are as follows:

	2022				2021			
	Sharehol-ders	Government related entities	Key management personnel	Total per financial statement caption	Sharehol-ders	Government related entities	Key management personnel	Total per financial statement caption
Cash and cash equivalents	-	1 124 779	-	2 971 899	-	968 207	-	2 272 546
Due from credit institutions	-	1 701 673	-	1 762 314	-	1 593 429	-	1 740 379
Investment securities	2 088 651	2 036 010	-	4 124 661	1 137 824	2 015 513	-	3 153 336
Loans to customers, gross	-	1 058 028	22	23 031 717	-	968 207	-	20 778 532
ECL for loans to customers	-	(347 620)	-	(5 484 037)	-	(243 963)	-	(5 652 563)
Due to credit institutions	-	1 847 378	-	2 885 626	-	462 601	-	946 199
Due to customers	2 103 082	58 638	466	6 037 405	1 915 762	634 201	-	5 638 869
Other borrowed funds	7 508 891	1 166 785	-	9 778 703	5 482 761	873 514	-	8 520 248
Subordinated loans	790 088	-	-	790 088	249 925	-	-	249 925
Guarantees obtained	-	3 318 735	-	4 629 314	-	2 935 173	-	5 250 689
Letters of credit	-	-	-	13 125	-	-	-	31 162

(millions of Uzbek Soums)

24. Related party disclosures (continued)

The income and expense arising from related party transactions are as follows:

	2022				2021			
	Share-holders	**Government related entities**	**Key management personnel**	**Total per financial statement caption**	**Share-holders**	**Government controlled entities**	**Key management personnel**	**Total per financial statement caption**
Interest income on loans	-	72 519	2	3 036 413	-	87 139	-	2 932 762
Interest income on investments securities	582 374	-	-	582 374	244 756	-	-	244 756
Interest income on due from credit institutions	-	330 001	-	363 488	-	225 163	-	272 964
Impairment charge for loans	-	(86 681)	-	(1 700 568)	-	(194 006)	-	(3 249 072)
Interest expense on other borrowed funds	(306 528)	(90 205)	-	(663 416)	(445 840)	(78 258)	-	(767 560)
Interest expense on deposits	(229 358)	(135 795)	-	(484 999)	(219 357)	(67 139)	-	(555 576)
Interest expense on due to credit institutions	-	(51 931)	-	(74 179)	-	(63 127)	-	(127 714)
Interest expense on subordinated loans	(64 088)	-	-	(64 088)	(7 454)	-	-	(7 454)
Fee and commission income	330 435	-	-	823 163	286 753	-	-	1 025 834
Fee and commission expense	-	(12 387)	-	(177 310)	(6 621)	(107)	-	(360 349)
Operating expenses	-	(176 637)	-	(1 518 728)	-	(162 847)	-	(1 311 536)
*Salaries and other benefits**	-	-	*(9 200)*	*(847 781)*	-	-	*(5 872)*	*(760 440)*
Social Security Costs	-	-	*(1 104)*	*(93 937)*	-	-	*(705)*	*(84 696)*

**In August 2021 new management has joint the Group. Prior to this number of key management personnel was significantly lower.*

(millions of Uzbek Soums)

25. Subsidiaries

(i) Subsidiaries

The Group includes the following subsidiaries:

	Principal place of business and country of incorporation	Date of incorporation	Nature of activities	Ownership/ voting, % 31 December 2022	Ownership/ voting, % 31 December 2021
Xalq Sugurta LLC	Uzbekistan	2012	Insurance	100%	100%
UZPAYNET JV LLC	Uzbekistan	2005	Payment system	-	100%

(i) Disposal of a subsidiary

On April 14, 2022, according to the Decree of the President of Uzbekistan dated April 8, 2022, the Group transferred 100% share of UZPAYNET JV LLC to the State Assets Management Agency in exchange for reduction of share capital of the Bank by the nominal value of investment in amount of UZS 82 240 million. As a result of this operation under the common control of the government the Group has lost control over the investee on that date. As at 31 December 2022 until formal registration of share capital reduction, the respective amount is presented as other equity component. By the end of 1Q2023 share capital has been reduced.

Disposal of a subsidiary has the following impact on the Group's assets and liabilities as a result of deconsolidation.

	Balance value as at the date of disposal
Cash and cash equivalents	83 075
Property and equipment and intangible assets	26 282
Other assets	140 023
Total assets	**249 380**
Amounts due to financial institutions and customers	120 041
Total liabilities	**120 041**
Net assets	**129 339**
Nominal value of the investment, recognised as other equity component directly in equity	82 240
Recognised as a reduction of retained earnings directly in equity	47 099

Net cash and cash equivalents outflow due to deconsolidation equals to UZS 83 075 million.

In 2022 the Group has also transferred to the State Assets Management Agency in exchange for reduction of share capital of the Bank equity investment security in the amount of UZS 2 838 million, which is accounted for as other equity component directly in equity as at 31 December 2022.

(millions of Uzbek Soums)

26. Changes in liabilities arising from financing activities

	Debt securities issued	Other borrowed funds	Subordinated loans	Total liabilities from financing activities
Carrying amount at 31 December 2020	**70 127**	**8 642 718**	**249 925**	**8 962 770**
Proceeds from issue	340 000	4 711 988	-	**5 051 988**
Redemption	(360 700)	(4 887 995)	-	**(5 248 695)**
Foreign currency translation	-	72 258	-	**72 258**
Other	-	18 721	-	**18 721**
Carrying amount at 31 December 2021	**49 427**	**8 520 248**	**249 925**	**8 857 042**
Proceeds from issue	-	3 754 907	540 000	**4 294 907**
Redemption	(49 200)	(2 665 453)	-	**(2 714 653)**
Foreign currency translation	-	122 262	-	**122 262**
Other	(227)	46 739	163	**46 675**
Carrying amount at 31 December 2022	**-**	**9 778 703**	**790 088**	**10 568 791**

The "Other" line includes the effect of accrued but not yet paid interest on bonds issued, other borrowed funds and subordinated loans. The Group classifies interest paid as cash flows from operating activities.

27. Capital management

The Group manages regulatory capital as the Bank's capital. The Group's objectives when managing capital are to comply with the capital requirements set by the CBU, to safeguard the Bank's ability to continue as a going concern, to ensure stable growth corresponding to the strategic goals of the Group.

Compliance with capital adequacy ratios set by the CBU is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman and the Chief Accountant. Under the current capital requirements set by the CBU, banks have to maintain ratios of:

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13% (31 December 2021: 13%). Actual ratio as at 31 December 2022: 18.84% (31 December 2021: 17.93%).
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2021: 10%). Actual ratio as at 31 December 2022: 16.86% (31 December 2021: 17.33%).
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6.0% (31 December 2021: 6.0%). Actual ratio as at 31 December 2022: 15.76% (31 December 2021: 18.63%).

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

	31 December 2022	31 December 2021
Tier 1	5 231 172	5 159 420
Tier 2	616 212	177 807
Total regulatory capital	**5 847 384**	**5 646 287**

Regulatory capital consists of Tier 1 capital, which comprises share capital and retained earnings excluding current year profit under local accounting principles and less intangible assets. The other component of regulatory capital is Tier 2 capital, which includes current year profit under the local accounting principles, unamortised part of subordinated loan and general allowance for impairment.

(millions of Uzbek Soums)

28. Material information on accounting policies

(a) Financial instruments

(i) Initial recognition of financial instruments

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability.

(ii) Classification and measurement of financial instruments

Financial assets

At initial recognition a financial asset is classified as:
- measured at amortised cost
- measured at fair value through other comprehensive income (FVOCI)
- measured at fair value through profit or loss (FVTPL)

In general circumstances classification of financial assets depends on the business model for managing the instruments and on whether the contractual terms of financial asset are solely payments of principle and interest on the principal amount outstanding (the SPPI criterion).

The Group measures the following categories of financial assets at amortised cost:
- cash and cash equivalents;
- amounts due from credit institutions;
- debt investment securities;
- loans to customers;
- other financial assets.

The Group measured the following categories of financial assets at FVOCI:
- equity investment securities.

The Group does not have financial assets measured at FVTPL.

Financial liabilities

The Group classifies financial liabilities except of financial guarantee contracts, undrawn loan commitments and accumulated pension fund at amortised cost.

REPO transactions

Agreements to sell securities with an obligation to repurchase them (“direct REPO”) are recorded as financing transactions.

(b) Impairment of financial instruments

The Group recognises allowances for expected credit losses (ECL) for the following financial instruments:
- debt financial assets measured at amortised cost or FVOCI;
- financial guarantee contracts;
- undrawn loan commitments.

The ECL measurement model is described in Note 21 of the *‘Credit Risk’* section.

(c) Taxation

The amount of income tax includes the amount of current tax and the amount of deferred tax. Income tax is recognised in profit or loss, with the exception of amounts relating to transactions recognised in other comprehensive income or transactions with shareholders recognised directly in equity, and which, respectively, are recognised in other comprehensive income or directly in equity.

The Group's operations in the Republic of Uzbekistan are also subject to a number of other taxes. Such taxes (other than VAT receivable) are recognised in profit or loss as part of administrative expenses.

(millions of Uzbek Soums)

28. Material information on accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, correspondent accounts with 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.

(e) Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment.

The Group capitalises borrowing costs eligible for capitalisation as a part of the cost of the qualifying assets. When determining the amount of borrowing cost eligible for capitalisation the Group applies a capitalisation rate to the expenditures on the qualifying asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the general purpose borrowings of the Group that are outstanding during the period.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

- Buildings and premises	20-10 years
- Furniture and equipment	2,5-6,5 years
- Other	6,5 years

(f) Accumulated pension fund

Under the terms of operating the accumulated pension plan derived from the legislation the Group is not exposed to a significant insurance risk from operating the fund, and the Group does not guarantee any additional benefits from the plan to the participants except of those presumed by the legislation.

(g) Transactions with the shareholders

Transactions with shareholders of the Group may include various contributions and distributions other than equity contributions or dividend payments. Such transactions are accounted for in equity and presented in the consolidated statement of changes in equity for the reporting period separately from other transactions. Distributions in-kind are accounted for at carrying value of assets distributed, contributions in-kind – at fair value of assets contributed.

(h) Financial guarantee contracts and undrawn loan commitments

Financial liabilities recognised in respect of financial guarantee contracts and undrawn loan commitments are included in other liabilities.

(i) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however the Group has not early adopted the new and amended standards in preparing these consolidated financial statements, except as described in Note 2 (e).

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *Classification of Liabilities as Current and Non-current (Amendments to IAS 1)*
- *IFRS 17 Insurance Contracts* and amendments to *IFRS 17 Insurance Contracts*
- *Definition of Accounting Estimates (Amendments to IAS 8)*
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*

(millions of Uzbek Soums)

29. Events after the reporting period

Pursuant to the Decree of the President of the Republic of Uzbekistan No. PD-83 dated March 1, 2023 “On measures to accelerate the processes of reforming enterprises with the state share” in order to continue the systematic work in the country, to introduce corporate governance in the state-owned enterprises, to increase operational efficiency and ensuring openness, as well as speeding up the transition of enterprises and state-owned enterprises to market mechanisms, the share of the Ministry of Finance in the Bank’s share capital of 22% was transferred to OJSC “Investment company “UzAssets”.