JSC “NATIONAL BANK FOR FOREIGN ECONOMIC ACTIVITY OF THE REPUBLIC OF UZBEKISTAN”

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

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Company "National Bank For Foreign Economic Activity of the Republic of Uzbekistan" 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 and the Russian Federation;
- 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 28 April 2023.

On behalf of the Management:

Alisher Mirsoatov
Chairman of the Management Board

28 April 2023

Tashkent, Uzbekistan

Bokhodir Rikhsiev
Chief Accountant

28 April 2023

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Independent auditor's report

To the Board of Directors of JSC "National Bank of Foreign Economic Activity of the Republic of Uzbekistan"

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Joint Stock Company "National Bank of Foreign Economic Activity of the Republic of Uzbekistan" (hereinafter, the "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.

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Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans to customers	
Assessment of expected credit losses ("ECL") on loans to customers based on the requirements of IFRS 9 Financial Instruments ("IFRS 9") is a key area of management's judgment. The assessment of events that cause a significant increase in credit risk, the determination of probability of default, the distribution of assets into three stages of impairment, and the analysis of the criteria for transition between stages involve significant professional judgment and use of assumptions. The calculation of the ECL involves the use of estimation methods with unobservable inputs, including the determination of the probability of default, the exposure at default and loss given default on the basis of available historical data, adjusted for forecast information, including forecast macroeconomic parameters. The use of different models and assumptions can lead to significantly different estimates of the provision for ECL for loans to customers. Due to the significance of the carrying amount of loans to customers for the Group's consolidated financial position, as well as the complexities and judgments associated with the assessment of the ECL, we considered this area a key audit matter. Information on the provision for ECL and the management's approach to assessing the provision and managing credit risk are disclosed in Notes 8 and 12 to the consolidated financial statements.	Our audit procedures included evaluating the methodology developed by the Group for calculating ECL on loans to customers, testing controls over the customer lending process, including testing controls on accounting for overdue debts, procedures for assessing events that cause a significant increase in credit risk for borrowers based on internal classification, and procedures for calculating the provision for ECL. We have analysed the consistency of judgments used by the Group's management in calculating the provision for ECL. To test allowance calculated on a portfolio basis, we evaluated the underlying models, key inputs and assumptions used by the Group to calculate the ECL, as well as the allocation of loans to the stages. We assessed the reasonableness of the management's judgement in relation to the determination of whether significant increase in credit risk has occurred on an individual basis. For the selected credit impaired loans, we have checked the estimation of the expected cash flows from the sale of collateral and cash repayment. We recalculated the provision for ECL. We also evaluated the disclosures in the notes to the consolidated financial statements on the provision for ECL on loans to customers.

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Responsibilities of management and those charged with governance 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 Bank's 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.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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, those charged with governance, 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 those charged with governance 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;
- 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 authorized 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, those charged with governance 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, those charged with governance 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.

Address: Tashkent, Uzbekistan

28 April 2023

FE Audit Organization "Ernst & Young" LLC

FE Audit Organization «Ernst & Young» LLC
Certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan Under #11 dated 22 July 2019

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHAR AUDITORLIK TASHKILOTI MAS'ULIYATI CHEKLANGAN JAMIYAT SHAKLIDAGI ERNST & YOUNG

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

Consolidated statement of financial position
for the year ended 31 December 2022

(millions of Uzbek Soums)

	Notes	*2022*	*2021*
Assets			
Cash and cash equivalents	5	24,446,019	10,185,391
Amounts due from credit institutions	6	6,528,713	2,680,960
Derivative financial assets	7	92,385	-
Loans to customers	8	86,475,664	72,089,675
Investment securities	9	1,746,759	1,112,917
Investments in associates	34	229,403	345,610
Property and equipment	10	1,072,656	924,455
Current income tax assets		19,955	-
Deferred income tax assets	11	280,785	421,268
Other assets	13	385,110	471,937
Total assets		**121,277,449**	**88,232,213**
Liabilities			
Amounts due to the CBU	14	725,946	708,828
Amounts due to credit institutions	15	16,487,592	3,083,328
Amounts due to customers	16	38,951,852	22,243,551
Derivative financial liabilities		-	41,491
Other borrowed funds	18	43,286,779	43,376,477
Subordinated loans	19	1,648,202	1,612,487
Debt securities issued	17	3,409,313	3,334,500
Current income tax liabilities		-	8,571
Other liabilities	13	347,485	327,224
		104,857,169	**74,736,457**
Equity			
Share capital	20	14,350,285	12,209,351
Contribution from shareholders		126,096	126,096
Retained earnings		1,710,706	904,616
Other reserves		208,865	100,791
Total equity attributable to shareholders of the Group		**16,395,952**	**13,340,854**
Non-controlling interests		24,328	154,902
Total equity		**16,420,280**	**13,495,756**
Total equity and liabilities		**121,277,449**	**88,232,213**

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

Alisher Mirsoatov — Chairman of the Management Board

Bokhodir Rikhsiev — Chief Accountant

28 April 2023

The accompanying notes on pages 13 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

for the year ended 31 December 2022

(millions of Uzbek Soums)

	Notes	*2022*	*2021*
Interest income	22	8,714,331	5,443,092
Interest expense	22	(3,450,852)	(2,138,839)
Net interest income		**5,263,479**	**3,304,253**
Credit loss expense	12	(2,210,248)	(1,241,528)
Initial recognition adjustment on interest bearing assets	8	(166,632)	(110,930)
Net interest income after credit loss expense and initial recognition of adjustment		**2,886,599**	**1,951,795**
Fee and commission income	23	585,470	422,783
Fee and commission expense	23	(156,696)	(80,491)
Net gain/(loss)from financial instruments at fair value through profit or loss		133,876	(154,291)
Net (losses)/gains from foreign currencies:			
- dealing		2,425,387	190,211
- translation differences		(95,958)	27,325
Share of gain/(loss) of associates	34	59,428	(38,194)
Dividend income		90,580	34,761
Other income	24	73,995	120,934
Impairment of investments in associates	34	(138,667)	(18,784)
Provision for impairment losses on other operations		(64,453)	(24,295)
Personnel and other operating expenses	25	(1,497,931)	(1,200,325)
Revenue from non-banking activities	26	144,998	338,933
Costs of sales from non-banking activities	27	(57,409)	(124,928)
Net non-interest income/(expense)		**1,502,620**	**(506,361)**
Profit before income tax expense		**4,389,219**	**1,445,434**
Income tax expense	11	(987,172)	(251,373)
Profit for the year		**3,402,047**	**1,194,061**
Attributable to:			
- shareholders of the Group		3,358,527	1,109,956
- non-controlling interests		43,520	84,105
		3,402,047	**1,194,061**

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

Alisher Mirsoatov — Chairman of the Management Board

Bokhodir Rikhsiev — Chief Accountant

28 April 2023

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

(millions of Uzbek Soums)

	2022	*2021*
Profit for the year	**3,402,047**	**1,194,061**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations, net of tax	(15,116)	2,145
Other comprehensive income to be reclassified to profit or loss in subsequent periods	**(15,116)**	**2,145**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Revaluation reserve of financial assets measured at FVTOCI	153,988	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(30,798)	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	**123,190**	
Other comprehensive income for the year, net of tax	**108,074**	**2,145**
Total comprehensive income for the year	**3,510,121**	**1,196,206**
Attributable to:		
- shareholders of the Bank	3,467,221	1,112,013
- non-controlling interests	42,900	84,193
	3,510,121	**1,196,206**

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

Alisher Mirsoatov — Chairman of the Management Board

Bokhodir Rikhsiev — Chief Accountant

28 April 2023

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

(millions of Uzbek Soums)

		Attributable to shareholders of the Bank						
	Notes	*Share capital*	*Contribution from shareholders*	*Retained earnings*	*Other reserves*	*Total*	*Non-controlling interests*	*Total equity*
Balance at January 1, 2021		**11,978,074**	**126,096**	**72,956**	**121,258**	**12,298,384**	**131,776**	**12,430,160**
Net profit for the year		-	-	1,109,956	-	**1,109,956**	84,105	**1,194,061**
Other comprehensive income		-	-	-	2,057	**2,057**	88	**2,145**
Total Comprehensive income for the year		-	-	**1,109,956**	**2,057**	**1,112,013**	**84,193**	**1,196,206**
Dividends to shareholders of the Bank:		**231,277**	-	**(278,296)**	-	**(47,019)**	-	**(47,019)**
Capitalization of retained earnings		231,277	-	(231,277)	-	-	-	-
Paid Dividends		-	-	(47,019)	-	**(47,019)**	-	**(47,019)**
Diposal of subsidiary		-	-	-	(22,524)	**(22,524)**	(61,067)	**(83,591)**
Balance at 31 December, 2021		**12,209,351**	**126,096**	**904,616**	**100,791**	**13,340,854**	**154,902**	**13,495,756**
Net profit for the year				3,358,527	-	**3,358,527**	43,520	**3,402,047**
Other comprehensive income/(loss)				-	108,694	**108,694**	(620)	**108,074**
Total Comprehensive income for the year		-	-	**3,358,527**	**108,694**	**3,467,221**	**42,900**	**3,510,121**
Dividends to shareholders of the Bank:		**2,209,055**	-	**(2,267,198)**	-	**(58,143)**	-	**(58,143)**
Capitalization of dividends	20	2,209,055	-	(2,209,055)	-	-	-	-
Paid dividends	20	-	-	(58,143)	-	**(58,143)**	-	**(58,143)**
Tax paid on Capitalization of Dividends	20	-	-	(116,266)	-	**(116,266)**	-	**(116,266)**
Other distributions to the shareholders of the Bank	20	(68,121)	-	(168,973)	-	**(237,094)**	-	**(237,094)**
Disposal of subsidiaries	33	-	-	-	(620)	**(620)**	(173,474)	**(174,094)**
Balance at 31 December, 2022		**14,350,285**	**126,096**	**1,710,706**	**208,865**	**16,395,952**	**24,328**	**16,420,280**

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

Alisher Mirsoatov — Chairman of the Management Board

Bokhodir Rikhsiev — Chief Accountant

28 April 2023

The accompanying notes on pages 13 to 75 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2022
(millions of Uzbek Soums)

	Notes	*2022*	*2021*
Cash flows from operating activities			
Profit before income tax		**4,389,219**	**1,445,434**
Adjustments for:			
Provision for impairment losses on interest bearing assets	12	2,210,248	1,241,528
Other impairment and provisions		64,453	24,295
Impairment of investments in associates	34	138,667	18,784
Initial recognition adjustment on interest bearing assets	8	166,632	110,930
Net unrealized loss on foreign exchange operations		(174,243)	196,381
Net gains from financial instruments at FVTPL		(133,876)	154,291
Depreciation and amortization	10	162,536	151,406
Dividends received		-	(34,761)
Share of profit or loss from associates	34	(59,428)	38,194
Change in interest income accrual		(1,460,678)	(527,922)
Change in interest expenses accrual		281,694	98,380
Other non-cash accruals		-	2,659
Cash flows from operating activities before changes in operating assets and liabilities		**5,585,224**	**2,919,599**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(3,832,385)	(797,277)
Loans to customers		(14,435,714)	(7,950,033)
Other assets		27,005	(23,425)
Net increase/(decrease) in operating liabilities			
Amounts due to the CBU and the Government		17,118	(695,551)
Amounts due to credit institutions		13,326,859	564,297
Amounts due to customers		16,663,138	4,417,484
Derivative financial liabilities		-	(112,800)
Other liabilities		(19,789)	(15,306)
Net cash flows used in operating activities before income tax		**17,331,456**	**(1,693,012)**
Income tax paid		(906,013)	(270,863)
Net cash used in operating activities		**16,425,443**	**(1,963,875)**

Consolidated statement of cash flows (continued)

	Notes	2022	2021
Cash flows from investing activities			
Purchase of investment securities		(1,528,340)	(953,452)
Proceeds from sale and redemption of investment securities		1,041,969	377,160
Proceeds from sale of associates		30,283	-
Purchase of investments in associates		(55,000)	(34,192)
Dividends received from associates and investments securities		-	32,559
Purchase of property and equipment		(560,426)	(212,089)
Proceeds from sale of property and equipment		17,513	191,689
Net cash used in investing activities		**(1,054,001)**	**(598,325)**
Cash flows from financing activities			
Proceeds from issue of debt securities	35	-	35,008
Redemption of debt securities issued	35	(44,754)	-
Proceeds from other borrowed funds	35	22,189,144	12,721,095
Repayment of other borrowed funds	35	(23,068,072)	(9,333,730)
Dividends paid, including atributable taxes		(174,409)	(47,019)
Net cash from financing activities		**(1,098,091)**	**3,375,354**
Effect of changes in foreign exchange rates on cash and cash equivalents		(15,913)	(2,113)
Effect of expected credit losses on cash and cash equivalents	12	3,190	(4,697)
Net increase in cash and cash equivalents		**14,260,628**	**806,344**
Cash and cash equivalents, beginning		10,185,391	9,379,047
Cash and cash equivalents, ending	5	**24,446,019**	**10,185,391**
Interest received		7,250,190	4,915,170
Interest paid		(3,165,695)	(2,040,459)

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

Alisher Mirsoatov	Chairman of the Management Board
Bokhodir Rikhsiev	Chief Accountant

28 April 2023

(millions of Uzbek Soums)

1. Principal activities

The Joint Stock Company “National Bank for Foreign Economic Activity of the Republic of Uzbekistan” (“the Bank”) is the parent company in the Group, it was formed by the Decree of the President of the Republic of Uzbekistan No. PD-244 dated 7 September 1991. The Bank is part of the banking system of the Republic of Uzbekistan and operates under a general banking license No. 22 reissued by the Central Bank of the Republic of Uzbekistan (“CBU”) on 25 December 2021.

The Bank provides services to the Government of the Republic of Uzbekistan, accepts deposits from the public and extends credits, transfers payments in the Republic of Uzbekistan and abroad, exchanges currencies and provides other banking services to its corporate and individual customers. The head office of the Bank is located in Tashkent. The Bank has 68 regional branches, 30 mini banks and 42 currency exchange units located in the territory of the Republic of Uzbekistan.

The Bank’s registered legal address is 101 Amir Temur avenue, Tashkent, the Republic of Uzbekistan.

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.

As of 31 December, the following shareholders owned the issued shares of the Group:

Shareholders	***2022, %***	***2021, %***
The Fund for Reconstruction and Development of the Republic of Uzbekistan	59.3	59.3
The Ministry of Finance of the Republic of Uzbekistan	40.7	40.7
Total	**100**	**100**

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

These consolidated financial statements were authorized for issue by the Management Board of the Group on 28 April 2023.

2. Basis of preparation

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, the Russian Federation. These consolidated financial statements have been prepared from statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassification of certain assets and liabilities, income and expenses to appropriate financial statement caption.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, investment securities have been measured at fair value.

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

The Group presents its consolidated statement of financial position broadly in 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 30.

(millions of Uzbek Soums)

3. Summary of accounting policies

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss.

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group’s share of net assets of the associate. The Group’s share of its associates’ profits or losses is recognised in profit or loss, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Changes in accounting policies

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

Fair value measurement

The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets such as investment property, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

Date of recognition

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. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investments securities at amortised cost

The Group only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group’s assessment.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognised at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2022.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the Central Bank, 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.

Obligatory reserves with the Central Banks

Obligatory reserves with the Central Banks represent the amount of mandatory reserves deposited with the Central Banks of the Republic of Uzbekistan and the Russian Federation, which are not available to finance the Group’s day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gains/(losses) from financial instruments at fair value through profit or loss or net dealing gains/(losses) from foreign currencies, depending on the nature of the instrument.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in liabilities and non-financial host contacts are treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of profit or loss.

Financial assets are classified based on the business model and SPPI assessments.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Offsetting of financial instruments (continued)

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, presented within interest revenue calculated using EIR in the consolidated statement of profit or loss, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Uzbekistan and of Russian Federation.

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

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Taxation (continued)

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

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

Uzbekistan and Russia also have various operating taxes that are assessed on the Group’s activities. These taxes are included as a component of operating expenses.

Property and equipment

Property and equipment are carried at restated cost after the change of functional currency adjustment applied on 1 January 2007, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

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

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

	Years
Buildings	20-30
Furniture and equipment	2-10

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

The asset’s residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

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

Intangible assets

Intangible assets with finite useful lives (5 years) that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their useful lives. The useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Right-of-use-assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Right-of-use-assets (continued)

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Group’s management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognizes an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Provisions

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

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Republic of Uzbekistan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Group has no significant post-employment benefits.

Share capital

Share capital represents contributions made by the Fund for Reconstruction and Development of the Republic of Uzbekistan and the Ministry of Finance of the Republic of Uzbekistan.

Other reserves

Other reserves represent the special purpose tax privileges and exchange difference on translation of foreign operations. The special purpose tax privileges are granted to newly established subsidiaries on the base of foreclosed property of former bankrupt entities and recognised by the Group at the time of their granting. At the time of utilization of these privileges, e.g. for financing capital expenditures, technological modernization and other reimbursements related to those subsidiaries, the special tax privileges are debited to the Group’s retained earnings. The exchange difference on translation of foreign operations arises on translation of the financial statements of foreign consolidated entities.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar revenue and expense

The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in “Other interest revenue” in the consolidated statement of profit or loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following category:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Group’s performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Dividend income

Revenue is recognised when the Group’s right to receive the payment is established.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in Uzbek Soums, which is the Group’s presentation currency. The functional currency of the Group entities operating in the Republic of Uzbekistan is UZS, while the functional currency of the Group entity operating in the Russian Federation is Russian Ruble. The Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as net gain on foreign exchange operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the CBU exchange rate on the date of the transaction are included in net gain/(loss) on foreign exchange operations. The official CBU exchange rates at 31 December 2022 and 31 December 2021, were 11,225.46 and 10,837.66 UZS to 1 USD, 11,961.85 and 12,224.88 to 1 EUR, 156.64 and 147.07 UZS to 1 Ruble respectively.

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into UZS at the rate of exchange ruling at the reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the consolidated statement of profit or loss.

Application of new and revised International Financial Reporting Standards (IFRSs)

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Group as of 1 January 2022:

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB’s Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- **Annual Improvements 2018-2020** make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases**

The above standards and interpretations were reviewed by the Group’s management, but did not have a effect on the financial statements of the Group.

(millions of Uzbek Soums)

3. Summary of accounting policies (continued)

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRS Standards in issue but not yet effective	Applicable to Annual reporting periods beginning on or after
IFRS 17: Insurance Contracts	January 1, 2023
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)	January 1, 2023
IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)	January 1, 2023
IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)	January 1, 2023
IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)	January 1, 2024
IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)	January 1, 2024

The Group does not expect that the adoption of Standards listed above will have material impact on the financial statements of the Group in the future periods.

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group’s accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 32.

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. 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. Deterioration in credit quality of loan portfolios (amongst other items) as a result of the COVID-19 pandemic may have a significant impact on the Group’s ECL measurement. The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group’s internal credit grading model, which assigns PDs to the individual grades;
- The Group’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

(millions of Uzbek Soums)

4. Significant accounting judgments and estimates (continued)

Borrowings from financial institutions

The Group obtains long term financing from government, state and international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets and which may be lower than rates at which the Group could source the funds from local lenders. As a result of this financing, the Group is able to advance funds to specific customers at advantageous rates. 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.

Recoverability of deferred tax assets

The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary since it is probable that the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to UZS 280,785 and UZS 421,268 as at 31 December 2022 and 2021, respectively.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2022	*2021*
Current accounts with other credit institutions	18,080,337	6,559,234
Current accounts with the Central Banks	4,331,284	2,619,627
Cash on hand	1,412,531	955,663
Time deposits with credit institutions up to 90 days	623,464	55,654
	24,447,616	**10,190,178**
Less – allowance for impairment	(1,597)	(4,787)
Cash and cash equivalents	**24,446,019**	**10,185,391**

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is, as follows:

	2022	*2021*
ECL allowance as at 1 January	**4,787**	**90**
Changes in ECL	(3,190)	4,697
At 31 December	**1,597**	**4,787**

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2022	*2021*
Time deposits for more than 90 days	6,173,025	2,299,428
Obligatory reserve with the Central Banks	443,021	423,075
	6,616,046	**2,722,503**
Less – allowance for impairment	(87,333)	(41,543)
Amounts due from credit institutions	**6,528,713**	**2,680,960**

(millions of Uzbek Soums)

6. Amounts due from credit institutions (continued)

Credit institutions are required to maintain a non-interest earning cash deposit obligatory reserve with the Central Banks, the amount of which depends on the level of funds attracted by the credit institution. The Group’s ability to withdraw such deposit is significantly restricted by the statutory legislation. The Obligatory reserves with Central Banks are formed on the basis of the level of funds attracted from customers and reserves against assets impairment.

As at 31 December 2022, obligatory reserves with Central Banks comprise mandatory cash balances with the Central Banks of the Republic of Uzbekistan and the Russian Federation in the amounts of UZS 438,404 and UZS 4,617 respectively (2021: UZS 361,629 and UZS 61,446).

All balances of amounts due from credit institutions allocated to Stage 1. An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from credit institutions during the years ended 31 December is as follows:

	2022	*2021*
Gross carrying value as at 1st January 2022	**2,722,503**	**1,880,225**
New assets originated or purchased	4,014,250	1,006,694
Assets repaid	(105,371)	(190,995)
Foreign exchange adjustments	(15,336)	26,579
As at 31 December	**6,616,046**	**2,722,503**

	2022	*2021*
ECL allowance as at 1 January 2022	**41,543**	**28,881**
New assets originated or purchased	46,307	13,445
Assets repaid	(2,402)	(1,075)
Foreign exchange adjustments	1,885	292
As at 31 December	**87,333**	**41,543**

7. Derivative financial instruments

	2022			*2021*		
	Notional amount	*Fair values*		*Notional amount*	*Fair values*	
		Asset	*Liability*		*Asset*	*Liability*
Foreign exchange contracts						
Swaps – foreign	529,342	92,385		529,342	-	41,491
Total derivative liabilities	**529,342**	**92,385**	**-**	**529,342**	**-**	**41,491**

As of 31 December 2022, the Group has positions in the following type of derivative:

In 2021, the Group signed a SWAP agreement with CitiBank London and placed USD 50,000,000 at a rate of Federal Funds per annum for 37 months. For the same period, CitiBank London provided the Group with the amount of USD 50,000,000 in equivalent of UZS 529,342 as other borrowed funds at a rate of 15.65%. Besides this, the Group placed USD 5,000,000 as collateral amount which will be filled periodically when exchange rate differences will result in the amount higher than USD 250,000. Swap contract is classified as financial instrument at fair value through profit and loss.

(millions of Uzbek Soums)

8. Loans to customers

Loans to customers comprise:

	2022	*2021*
Corporate lending		
Private companies	40,063,562	32,247,317
State companies	35,002,433	27,936,797
State budget or local authorities	8,044,435	8,994,185
Gross investment in finance lease	214,701	829,137
Non-banking financial institutions	142,944	141,269
Total corporate lending	**83,468,075**	**70,148,705**
Loans to individuals		
Mortgage loans	7,465,138	4,602,863
Car loans	1,116,171	914,053
Consumer loans	558,969	438,064
Agriculture loans	163,980	187,502
Education loans	8,514	65,664
Total loans to individuals	**9,312,772**	**6,208,146**
Gross loans to customers	**92,780,847**	**76,356,851**
Less: allowance for impairment	(6,305,183)	(4,267,176)
Loans to customers	**86,475,664**	**72,089,675**

Allowance for impairment of loans to customers at amortised cost

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 2022 is as follows:

State companies	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**27,361,573**	**362,856**	**212,368**	**27,936,797**
New assets originated or purchased	10,422,388	-	-	**10,422,388**
Assets repaid	(3,501,083)	(312,443)	(35,463)	**(3,848,989)**
Transfers to Stage 1	254,425	(254,124)	(301)	**-**
Transfers to Stage 2	(943,325)	943,325	-	**-**
Transfers to Stage 3	(46,890)	(117)	47,007	**-**
Foreign exchange adjustments	464,231	21,907	6,099	**492,237**
At 31 December 2022	**34,011,319**	**761,404**	**229,710**	**35,002,433**

State companies	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**1,419,192**	**126,966**	**47,556**	**1,593,714**
New assets originated or purchased	380,402	-	-	**380,402**
Assets repaid	(141,862)	(38,015)	(12,841)	**(192,718)**
Transfers to Stage 1	88,973	(88,943)	(30)	**-**
Transfers to Stage 2	(17,814)	17,814	-	**-**
Transfers to Stage 3	(6,453)	(8)	6,461	**-**
Impact on period end ECL of exposures	(77,122)	(7,558)	1,153	**(83,527)**
Net remeasurement of loss allowance	(35,923)	(454)	39,138	**2,761**
Foreign exchange adjustments	23,086	454	1,003	**24,543**
At 31 December 2022	**1,632,479**	**10,256**	**82,440**	**1,725,175**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value 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 value as at 1 January 2022	**27,472,569**	**1,892,695**	**2,882,053**	**32,247,317**
New assets originated or purchased	15,779,360	-	-	**15,779,360**
Assets repaid	(7,438,015)	(318,566)	(391,604)	**(8,148,185)**
Transfers to Stage 1	1,911,153	(937,242)	(973,911)	**-**
Transfers to Stage 2	(7,932,232)	8,041,003	(108,771)	**-**
Transfers to Stage 3	(1,027,475)	(554,506)	1,581,981	**-**
Amounts written off	-	-	(89,569)	**(89,569)**
Foreign exchange adjustments	314,595	(72,101)	32,145	**274,639**
At 31 December 2022	**29,079,955**	**8,051,283**	**2,932,324**	**40,063,562**

Private companies	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**822,386**	**346,693**	**1,105,479**	**2,274,558**
New assets originated or purchased	484,115	-	-	**484,115**
Assets repaid	(115,262)	(5,743)	(120,139)	**(241,144)**
Transfers to Stage 1	484,272	(88,721)	(395,551)	**-**
Transfers to Stage 2	(457,622)	481,408	(23,786)	**-**
Transfers to Stage 3	(89,502)	(199,247)	288,749	**-**
Impact on period end ECL of exposures	(414,829)	1,935,380	322,923	**1,843,474**
Net remeasurement of loss allowance	(143,637)	(26,198)	117,245	**(52,590)**
Amounts written off	-	-	(89,569)	**(89,569)**
Foreign exchange adjustments	10,658	(6,936)	11,073	**14,795**
At 31 December 2022	**580,580**	**2,436,637**	**1,216,424**	**4,233,640**

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

State budget or local authorities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	**8,994,185**	**-**	**-**	**8,994,185**
New assets originated or purchased	1,039,531	-	-	**1,039,531**
Assets repaid	(2,149,923)	-	(24,707)	**(2,174,630)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	(77,467)	-	77,467	**-**
Foreign exchange adjustments	185,349	-	-	**185,349**
At 31 December 2022	**7,991,675**	**-**	**52,760**	**8,044,435**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

State budget or local authorities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**185,510**	**-**	**-**	**185,510**
New assets originated or purchased	59,829	-	-	**59,829**
Assets repaid	(47,454)	-	-	**(47,454)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	(48,112)	-	48,112	**-**
Impact on period end ECL of exposures	-	-	88	**88**
Net remeasurement of loss allowance	(8,244)	-	-	**(8,244)**
Foreign exchange adjustments	3,188	-	-	**3,188**
At 31 December 2022	**144,716**	**-**	**48,200**	**192,916**

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

Gross investment in finance lease	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	**829,137**	**-**	**-**	**829,137**
Assets repaid	(644,105)	-	-	**(644,105)**
Foreign exchange adjustments	29,669	-	-	**29,669**
At 31 December 2022	**214,701**	**-**	**-**	**214,701**

Gross investment in finance lease	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**37,490**	**-**	**-**	**37,490**
Assets repaid	-	-	-	**-**
Net remeasurement of loss allowance	(26,621)	-	-	**(26,621)**
Foreign exchange adjustments	1,341	-	-	**1,341**
At 31 December 2022	**12,210**	**-**	**-**	**12,210**

An analysis of changes in the gross carrying value and corresponding ECL in relation to non-banking financial institutions during the year ended 31 December 2022 is as follows:

Non-banking financial institutions	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2022	**141,269**	**-**	**-**	**141,269**
New assets originated or purchased	76,030	-	-	**76,030**
Assets repaid	(74,355)	-	-	**(74,355)**
Foreign exchange adjustments	-	-	-	**-**
At 31 December 2022	**142,944**	**-**	**-**	**142,944**

Non-banking financial institutions	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2022	**4,491**	**-**	**-**	**4,491**
New assets originated or purchased	1,484	-	-	**1,484**
Assets repaid	(2,337)	-	-	**(2,337)**
Net remeasurement of loss allowance	(1,591)	-	-	**(1,591)**
At 31 December 2022	**2,047**	**-**	**-**	**2,047**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

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

Loans to Individuals	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2022	**5,777,064**	**149,181**	**281,901**	**6,208,146**
New assets originated or purchased	4,460,457	-	-	**4,460,457**
Assets repaid	(1,268,997)	(22,011)	(64,823)	**(1,355,831)**
Transfers to Stage 1	189,527	(94,222)	(95,305)	**-**
Transfers to Stage 2	(87,433)	105,056	(17,623)	**-**
Transfers to Stage 3	(84,415)	(27,190)	111,605	**-**
At 31 December 2022	**8,986,203**	**110,814**	**215,755**	**9,312,772**

Loans to Individuals	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2022	**47,052**	**13,166**	**111,195**	**171,413**
New assets originated or purchased	21,643	-	-	**21,643**
Assets repaid	(4,122)	(941)	(26,532)	**(31,595)**
Transfers to Stage 1	31,868	(8,027)	(23,841)	**-**
Transfers to Stage 2	(2,018)	6,922	(4,904)	**-**
Transfers to Stage 3	(3,122)	(2,750)	5,872	**-**
Impact on period end ECL of exposures	(30,735)	(675)	22,718	**(8,692)**
Net remeasurement of loss allowance	(18,187)	(335)	4,948	**(13,574)**
At 31 December 2022	**42,379**	**7,360**	**89,456**	**139,195**

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 companies	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2021	**23,990,065**	**1,970,278**	**11,328**	**25,971,671**
New assets originated or purchased	7,618,857	-	-	**7,618,857**
Assets repaid	(5,449,730)	(520,992)	(84,995)	**(6,055,717)**
Transfers to Stage 1	908,367	(908,367)	-	**-**
Transfers to Stage 2	(791)	791	-	**-**
Transfers to Stage 3	(24,090)	(178,854)	202,944	**-**
Recoveries	-	-	84,921	**84,921**
Foreign exchange adjustments	318,895	-	(1,830)	**317,065**
At 31 December 2021	**27,361,573**	**362,856**	**212,368**	**27,936,797**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

State companies	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2021	**1,081,062**	**256,569**	**6,423**	**1,344,054**
New assets originated or purchased	288,723	-	-	**288,723**
Assets repaid	(89,090)	(37,758)	(11)	**(126,859)**
Transfers to Stage 1	135,211	(135,211)	-	**-**
Transfers to Stage 2	(3)	3	-	**-**
Transfers to Stage 3	(913)	64,516	(63,603)	**-**
Impact on period end ECL of exposures transferred between stages during the period	(29,026)	4	20,820	**(8,202)**
Net remeasurement of loss allowance	19,033	(21,157)	(789)	**(2,913)**
Recoveries	-	-	84,921	**84,921**
Foreign exchange adjustments	14,195	-	(205)	**13,990**
At 31 December 2021	**1,419,192**	**126,966**	**47,556**	**1,593,714**

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

Private companies	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2021	**20,609,126**	**2,218,394**	**1,877,044**	**24,704,564**
New assets originated or purchased	12,586,811	-	-	**12,586,811**
Assets repaid	(4,660,195)	(498,888)	(174,143)	**(5,333,226)**
Transfers to Stage 1	1,132,312	(726,199)	(406,113)	**-**
Transfers to Stage 2	(1,214,882)	1,499,484	(284,602)	**-**
Transfers to Stage 3	(1,196,154)	(642,316)	1,838,470	**-**
Foreign exchange adjustments	215,551	42,220	31,397	**289,168**
At 31 December 2021	**27,472,569**	**1,892,695**	**2,882,053**	**32,247,317**

Private companies	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2021	**493,450**	**250,022**	**520,811**	**1,264,283**
New assets originated or purchased	319,379	-	-	**319,379**
Assets repaid	(27,034)	(29,131)	(62,571)	**(118,736)**
Transfers to Stage 1	128,037	(71,054)	(56,983)	**-**
Transfers to Stage 2	(72,885)	110,929	(38,044)	**-**
Transfers to Stage 3	(49,302)	(107,990)	157,292	**-**
Impact on period end ECL of exposures transferred between stages during the period	(102,966)	200,097	481,187	**578,318**
Net remeasurement of loss allowance	128,168	(8,286)	100,496	**220,378**
Foreign exchange adjustments	5,539	2,106	3,291	**10,936**
At 31 December 2021	**822,386**	**346,693**	**1,105,479**	**2,274,558**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

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

State budget or local authorities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**9,034,437**	**125,821**	**-**	**9,160,258**
New assets originated or purchased	641,637	-	-	**641,637**
Assets repaid	(772,469)	(125,821)	-	**(898,290)**
Foreign exchange adjustments	90,580	-	-	**90,580**
At 31 December 2021	**8,994,185**	**-**	**-**	**8,994,185**

State budget or local authorities	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**143,367**	**1,622**	**-**	**144,989**
New assets originated or purchased	31,175	-	-	**31,175**
Assets repaid	(2,562)	(1,622)	-	**(4,184)**
Net remeasurement of loss allowance	11,383			**11,383**
Foreign exchange adjustments	2,147	-	-	**2,147**
At 31 December 2021	**185,510**	**-**	**-**	**185,510**

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

Gross investment in finance lease	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**887,302**	**-**	**-**	**887,302**
Assets repaid	(89,213)	-	-	**(89,213)**
Foreign exchange adjustments	31,048	-	-	**31,048**
At 31 December 2021	**829,137**	**-**	**-**	**829,137**

Gross investment in finance lease	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**36,120**	**-**	**-**	**36,120**
Assets repaid	(216)	-	-	**(216)**
Net remeasurement of loss allowance	342	-	-	**342**
Foreign exchange adjustments	1,244	-	-	**1,244**
At 31 December 2021	**37,490**	**-**	**-**	**37,490**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the gross carrying value and corresponding ECL in relation to non-banking financial institutions during the year ended 31 December 2021 is as follows:

Non-banking financial institutions	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2021	**122,076**	**-**	**-**	**122,076**
New assets originated or purchased	91,000	-	-	**91,000**
Assets repaid	(71,807)	-	-	**(71,807)**
Foreign exchange adjustments	-	-	-	**-**
At 31 December 2021	**141,269**	**-**	**-**	**141,269**

Non-banking financial institutions	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**2,691**	**-**	**-**	**2,691**
New assets originated or purchased	4,055	-	-	**4,055**
Assets repaid	(226)	-	-	**(226)**
Net remeasurement of loss allowance	(2,029)	-	-	**(2,029)**
At 31 December 2021	**4,491**	**-**	**-**	**4,491**

An analysis of changes in the gross carrying value and corresponding ECL in relation 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	**5,063,147**	**297,907**	**277,918**	**5,638,972**
New assets originated or purchased	2,107,950	-	-	**2,107,950**
Assets repaid	(1,398,813)	(98,207)	(41,756)	**(1,538,776)**
Transfers to Stage 1	258,491	(125,959)	(132,532)	**-**
Transfers to Stage 2	(122,106)	143,545	(21,439)	**-**
Transfers to Stage 3	(131,605)	(68,105)	199,710	**-**
At 31 December 2021	**5,777,064**	**149,181**	**281,901**	**6,208,146**

Loans to Individuals	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2021	**60,766**	**42,045**	**114,220**	**217,031**
New assets originated or purchased	24,784	-	-	**24,784**
Assets repaid	(6,240)	(15,148)	(26,426)	**(47,814)**
Transfers to Stage 1	56,980	(14,595)	(42,385)	**-**
Transfers to Stage 2	(3,307)	10,227	(6,920)	**-**
Transfers to Stage 3	(10,618)	(8,998)	19,616	**-**
Impact on period end ECL of exposures transferred between stages during the period	(54,328)	944	53,159	**(225)**
Net remeasurement of loss allowance	(20,985)	(1,309)	(69)	**(22,363)**
At 31 December 2021	**47,052**	**13,166**	**111,195**	**171,413**

(millions of Uzbek Soums)

8. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

During 2022, the Group recognised loss on loans bearing interest rates lower than market interest in total amount of UZS 123,951 (2021: UZS 110,930).

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 regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, third party guarantees, vehicles and cash deposits;
- For retail lending, mortgages over residential properties and vehicle;
- For letters of credit and guarantees cash deposits.

The Group also obtains guarantees from Government of the Republic of Uzbekistan for loans to the government related entities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December 2022 and 2021 would have been higher by:

	2022	*2021*
Private companies	3,447,396	1,095,125
Loans to individuals	223,738	110,175
State companies	323,458	101,481
	3,994,592	**1,306,781**

During the years ended 31 December 2022 and 2021, the Group received financial and non-financial assets by taking possession of collateral it held as security and calling on guarantees and similar credit enhancements. As at 31 December 2022 and 2021 such assets amounting to UZS 142,698 and UZS 88,516 (See Note 13), respectively, are included in other assets. The management of the Group expects to dispose these assets within 12 months period through public auctions.

Concentration of loans to customers

As of 31 December 2022, the Group had a concentration of loans in the amount of UZS 42,423,572 due from ten largest borrowers representing 45.7% of gross loan portfolio (2021: UZS 35,293,383 or 50%). An allowance of UZS 3,757,103 (2021: UZS 1,638,535) was recognised against these loans.

As at 31 December 2022 and 2021, a significant amount of loans was granted to companies operating in the Republic of Uzbekistan, which represented a significant geographical concentration in one region.

(millions of Uzbek Soums)

8. Loans to customers (continued)

Concentration of loans to customers (continued)

Loans are principally issued to companies operating in the following industry sectors:

	2022	*2021*
Manufacturing	31,784,718	23,915,705
Transport and communication	22,676,395	20,783,057
Individuals	9,312,772	6,208,144
Government social structure	7,690,167	8,343,640
Trade and catering	6,162,395	4,105,289
Tourism	5,382,704	2,972,142
Agriculture	3,167,799	3,562,076
Construction	1,857,558	2,116,399
Housing and Utilities	748,057	381,408
Other	3,998,282	3,968,991
Total loans to customers	**92,780,847**	**76,356,851**
Less: allowance for impairment	(6,305,183)	(4,267,176)
Loans to customers	**86,475,664**	**72,089,675**

9. Investment securities

Investment securities including those pledged under repurchase agreements comprise:

	2022	*2021*
Debt securities at amortised cost		
State bonds	1,417,650	1,007,493
Less: allowance for impairment	(9,394)	(2,878)
Debt securities at amortised cost	**1,408,256**	**1,004,615**
Equity securities at FVOCI		
Corporate shares	338,503	108,302
Equity securities at FVOCI	**338,503**	**108,302**
Investment securities	**1,746,759**	**1,112,917**

State bonds comprise debt securities issued by the Central Bank of the Republic of Uzbekistan as zero coupon bonds and the Ministry of Finance of the Republic of Uzbekistan at 16% and 17% interest rates with original maturity up to a year. State bonds also includes euro bonds issued by Ministry of Finance of the Republic of Uzbekistan, JSC “Uzbekneftegaz” and JSC “National Bank for Foreign Economic Activity of the Republic of Uzbekistan” itself with interest rates of 4%-5% and contractual maturity from 2 to 10 years.

(millions of Uzbek Soums)

9. Investment securities (continued)

Equity securities at FVOCI comprise equity investments in:

	2022	*2021*
JSC "Uzmetkombinat"	149,329	7,715
JSC "KDB Bank Uzbekistan"	77,444	26,144
"Uzbekinvest" Export-Import Insurance Company JSC	67,035	47,036
JSC "Uzbek Republican Currency Exchange"	28,152	119
JSC "Mortgage Refinancing Company of Uzbekistan"	10,170	10,000
"Solfy CA" LLC	2,226	-
JSC "RSLC Qurilishmashlizing"	1,249	1,500
OJSC "Uzbekiston Pochtasi"	-	10,000
Other	2,898	5,788
Total investment securities	**338,503**	**108,302**

All balances of investment in securities are allocated to Stage 1. An analysis of changes in the gross carrying values and associated ECL during the year is, as follows:

Debt securities at amortised cost	*2022*	*2021*
Gross carrying value as at 1 January	1,007,493	438,736
New assets originated or purchased	1,452,126	971,919
Repaid	(1,041,969)	(403,162)
At 31 December	**1,417,650**	**1,007,493**

Debt securities at amortised cost	*2022*	*2021*
ECLs as at 1 January	2,878	2,039
New assets originated or purchased	6,516	839
Repaid	-	-
At 31 December	**9,394**	**2,878**

10. Property and equipment

The movements in property and equipment were as follows:

	Buildings and other real estate	*Construction in progress*	*Furniture and equipment*	*Other*	*Total*
Cost					
31 December 2020	**417,610**	**263,031**	**1,302,715**	**24,395**	**2,007,751**
Additions	484	142,091	69,514	-	**212,089**
Acquisition of subsidiaries	34,270	650	-	-	**34,920**
Disposals and write-offs	(19,152)	(66,405)	(32,786)	(5,313)	**(123,656)**
Disposal of subsidiaries	(90,324)	(66,395)	(497,883)	(9,935)	**(664,537)**
Transfers	136,260	(148,439)	8,746	3,433	**-**
31 December 2021	**479,148**	**124,533**	**850,306**	**12,580**	**1,466,567**
Additions	101,396	49,712	403,403	5,187	**559,698**
Acquisition of subsidiaries					**-**
Disposal and write-offs	(7,712)	(358)	(21,556)	(844)	**(30,470)**
Disposal of subsidiaries (Note 33)	(91,255)	(80,002)	(112,089)	-	**(283,346)**
Transfers	31,314	(54,545)	(1,452)	24,683	**-**
31 December 2022	**512,891**	**39,340**	**1,118,612**	**41,606**	**1,712,449**

(millions of Uzbek Soums)

10. Property and equipment (continued)

	Buildings and other real estate	*Construction in progress*	*Furniture and equipment*	*Other*	*Total*
Accumulated depreciation					
31 December 2020	**(220,336)**	**-**	**(389,810)**	**689**	**(609,457)**
Charge for the year	(18,490)	-	(131,518)	(1,398)	**(151,406)**
Disposals and write-offs	4,277	-	20,584	92	**24,953**
Disposal of subsidiaries	71,896	-	121,820	82	**193,798**
31 December 2021	**(162,653)**	**-**	**(378,924)**	**(535)**	**(542,112)**
Charge for the year	(16,522)	-	(141,095)	(4,842)	**(162,459)**
Transfers	-	-	19,973	(19,973)	**-**
Disposals and write-offs	1,104	-	7,862	843	**9,809**
Disposal of subsidiaries (Note 33)	21,564		33,405	-	**54,969**
31 December 2022	**(156,507)**	**-**	**(458,779)**	**(24,507)**	**(639,793)**
Net book value					
31 December 2021	**316,495**	**124,533**	**471,382**	**12,045**	**924,455**
31 December 2022	**356,384**	**39,340**	**659,833**	**17,099**	**1,072,656**

11. Taxation

The corporate income tax expense comprises:

	2022	*2021*
Current income tax	877,487	275,470
Deferred tax charge/(credit) - origination and reversal of temporary differences	109,685	(24,097)
Income tax expense	**987,172**	**251,373**

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 and the Russian Federation, 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.

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 (20% for 2022 and 2021 in the Russian Federation).

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

	2022	*2021*
Profit before tax	**4,389,219**	**1,445,434**
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	**877,844**	**289,087**
Non-deductible expenditures	134,792	7,386
Income tax privileges	(25,464)	(45,100)
Income tax expense	**987,172**	**251,373**

(millions of Uzbek Soums)

11. Taxation (continued)

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

		Origination and reversal of temporary differences		*Origination and reversal of temporary differences*		
Tax effect of deductible temporary differences	***1 January 2021***	***In the statement of profit or loss***	***31 December 2021***	***In the statement of profit or loss***	***Other comprehensive income***	***31 December 2022***
Loans to customers	371,130	(99,737)	271,393	45,557	-	316,950
Other borrowed funds	-	-	-	-	-	-
Amounts due from credit institutions	31,348	105,444	136,792	(9,590)	-	127,202
Property and equipment	36,039	(11,505)	24,534	(2,715)	-	21,819
Other liabilities	21,338	16,316	37,654	(30,272)	-	7,382
Deferred tax asset	**459,855**	**10,518**	**470,373**	**2,980**	**-**	**473,353**
Tax effect of taxable						
Financial assets at fair value through other	-	-	-	-	30,798	30,798
Investments in associates and subsidiaries	30,707	(51,249)	(20,542)	23,560	-	3,018
Other borrowed funds	24,322	89,899	114,221	(669)	-	113,552
Derivative financial assets	23,834	(32,132)	(8,298)	26,775	-	18,477
Amounts due to credit institutions	6,401	(6,401)	-	-	-	-
Other provisions and accruals	(22,580)	(13,696)	(36,276)	62,999	-	26,723
Deferred tax liability	**62,684**	**(13,579)**	**49,105**	**112,665**	**30,798**	**192,568**
Net deferred tax asset	**397,171**	**24,097**	**421,268**	**(109,685)**	**(30,798)**	**280,785**

12. Credit loss expense and other impairment and provisions

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2022:

	Note	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Cash and cash equivalents	5	(3,190)	-	-	**(3,190)**
Amounts due from credit institutions	6	45,790			**45,790**
Loans to customers at amortised cost	8	(120,453)	1,855,462	390,704	**2,125,713**
Debt securities measured at amortised cost	9	6,516	-	-	**6,516**
Other financial assets	13	(4,631)	-	-	**(4,631)**
Financial guarantees	21	42,080	-	-	**42,080**
Loan commitments	21	30,327	-	-	**30,327**
Letters of credit	21	(32,357)	-	-	**(32,357)**
Total credit loss expense		**(35,918)**	**1,855,462**	**390,704**	**2,210,248**

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2021:

	Note	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Cash and cash equivalents	5	4,697	-	-	**4,697**
Amounts due from credit institutions	6	12,662	-	-	**12,662**
Loans to customers at amortised cost	8	675,544	(303,996)	773,222	**1,144,770**
Debt securities measured at amortised cost	9	839	-	-	**839**
Other financial assets	15	16,632	(632)	(14,653)	**1,347**
Financial guarantees	30	18,253	-	-	**18,253**
Loan commitments	30	36,799	-	-	**36,799**
Letters of credit	30	22,161	-	-	**22,161**
Total credit loss expense		**787,587**	**(304,628)**	**758,569**	**1,241,528**

(millions of Uzbek Soums)

13. Other assets and liabilities

Other assets comprise:

	2022	*2021*
Other financial assets		
Trade receivables	86,080	134,831
Receivables as a result of court proceedings	3,793	3,171
	89,873	**138,002**
Less allowance for impairment of other financial assets	(13,400)	(18,031)
Total other financial assets	**76,473**	**119,971**
Other non-financial assets:		
Prepayments for materials and services	199,563	142,602
Repossessed assets	142,698	88,516
Inventory	19,070	39,206
Tax settlements	1,534	-
Other property	-	38,781
Other non-financial assets	45,234	77,869
	408,099	**386,974**
Less allowance for impairment of other non-financial assets	(99,461)	(35,008)
Total other non-financial assets	**308,638**	**351,966**
Other assets	**385,110**	**471,937**

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL at January 2022	**18,031**	-	-	**18,031**
ECL charge	(4,631)	-	-	**(4,631)**
At 31 December 2022	13,400	-	-	**13,400**

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2021 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL at 1 January 2021	**1,399**	**632**	**14,653**	**16,684**
ECL charge	16,632	(632)	(14,653)	**1,347**
At 31 December 2021	**18,031**	**-**	**-**	**18,031**

(millions of Uzbek Soums)

13. Other assets and liabilities (continued)

Other liabilities comprise:

	2022	2021
Other financial liabilities		
Accounts payable	97,363	120,538
Payables to employees	29,570	17,232
Total other financial liabilities	**126,933**	**137,770**
Other non-financial liabilities:		
Contingent liability for litigations	21,398	17,991
Unearned revenue	3,991	3,901
Taxes payable, other than income tax	-	8,631
Other	2,058	5,877
Total other non-financial liabilities	**27,448**	**36,400**
Allowance for credit related liabilities and financial guarantees (Note 21)	193,104	153,054
Total other liabilities	**347,485**	**327,224**

14. Amounts due to the CBU

Amounts due to the Central Bank of the Republic of Uzbekistan consist of the following short-term balances:

	2022	2021
Current accounts	725,946	708,828
Amounts due to the CBU	**725,946**	**708,828**

15. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2022	2021
Time deposits	9,913,665	588,366
Correspondent accounts with other banks	6,573,927	2,494,962
Amounts due to Credit Institutions	**16,487,592**	**3,083,328**

As of 31 December 2022, time deposits included UZS 7,857,822 of deposits from single foreign financial institution maturing in 2024 (31 December 2021 – nil).

16. Amounts due to customers

The amounts due to customers include the following:

	2022	2021
Current accounts	27,233,551	12,058,967
Term deposits	11,718,301	10,184,584
Amounts due to customers	**38,951,852**	**22,243,551**

Included in term deposits are deposits placed by the Ministry of Finance of the Republic of Uzbekistan in the amount of UZS 3,229,463 (2021: UZS 1,183,045) directed to financing of mortgage loans to individuals. Funds were provided at interest rate of 13% with a maturity of 20 years.

As at 31 December 2022 and 2021, customer accounts in the amount of UZS 24,499,111 and UZS 11,630,453 (60% and 52.3% of total customer accounts), respectively, were due to ten customers, which represents a significant concentration.

(millions of Uzbek Soums)

16. Amounts due to customers (continued)

Amounts due to customers include accounts with the following types of customers:

	2022	*2021*
State and budgetary organizations	20,333,573	10,892,077
Private enterprises	10,337,874	5,744,239
Individuals	8,165,501	5,553,551
Other	114,904	53,685
Amounts due to customers	**38,951,852**	**22,243,551**

An analysis of customer accounts by economic sector follows:

	2022	*2021*
Financial sector	14,134,247	114,520
Individuals	8,165,501	5,764,883
Government social structure	6,237,559	5,807,825
Manufacturing	4,742,325	5,811,867
Transport and communication	2,653,030	1,906,697
Trading and catering	560,712	938,272
Construction	544,996	459,019
Agriculture	101,291	202,881
Other	1,812,191	1,237,588
Amounts due to customers	**38,951,852**	**22,243,551**

17. Debt securities issued

Debt securities issued consisted of the following:

	2022	*2021*
Eurobonds	3,404,906	3,285,339
Certificates of Deposits	4,407	49,161
Debt securities issued	**3,409,313**	**3,334,500**

In October 2020, the Group had issued Eurobonds in London Stock Exchange having aggregate nominal value of USD 300,000,000 (UZS 3,404,906) bearing annual interest rate of 4.85% and maturing in October 2025.

The debt securities issued do not stipulate financial covenants except for Eurobonds, which stipulate the Group is to comply with the certain financial covenants, non-compliance of which may give the lender a right to demand repayment. As at 31 December 2022, the Group was in compliance with respective financial covenants for Eurobonds.

(millions of Uzbek Soums)

18. Other borrowed funds

Other borrowed funds consisted of the following:

	2022	*2021*
Eximbank of China	10,439,226	11,149,236
China Development Bank Corporation	8,215,128	8,704,599
Ministry of Finance of the Republic of Uzbekistan	5,072,262	4,683,455
Gazprombank (JSC)	3,972,689	106,470
Fund for Reconstruction and Development of the Republic of Uzbekistan	3,007,179	3,467,706
"International Development Projects" LLC	2,340,949	-
Silk Road Fund	2,297,440	2,420,575
Credit Suisse AG	2,114,922	1,223,872
Deutsche Bank AG	1,272,281	1,475,310
Natixis Bank	1,265,612	1,671,881
Sumitomo Mitsui Banking Corporation	853,807	1,145,244
Landesbank Baden-Wuerttemberg	584,572	595,009
Eximbank of Korea	416,745	656,938
Commerzbank	238,516	170,129
Islamic Development Bank	195,183	753,761
Baobab Securities Limited	192,257	288,321
European Bank for Reconstruction and Development	128,099	380,527
Asian Infrastructure Investment Bank	124,413	-
KEB Hana Bank	123,108	147,905
Fund for Supporting Youth Entrepreneurship	113,025	43,192
Agency for the Promotion of Export under the MIFT of the Republic of Uzbekistan	87,034	31,580
Raiffeisen Bank International AG	71,270	91,023
Eximbank of Turkey	66,125	81,335
State Development Corporation "VEB.RF"*	-	2,381,773
VTB Bank (Europe)*	-	1,416,630
Eximbank of Russia*	-	184,330
Other	94,937	105,677
Other borrowed funds	**43,286,779**	**43,376,477**

The Group entered into a new loan agreement with Eximbank of Korea in April 2022 with a total commitment of USD 150,000,000 for financing import of goods which are Korean origin or manufacture and services rendered by Korean. The drawdown amount in 2022 was USD 15,301,362 (the equivalent of UZS 166,852).

In accordance with the loan agreement with Eximbank of China signed in August 2021 the Group received funds in the amount USD 44,392,041 (the equivalent of UZS 498,321).

The Group entered into a new loan agreement with Fund for Reconstruction and Development of the Republic of Uzbekistan (FRDU) in June 2022 with a total commitment of UZS 303,423. The maturity for the loan agreement is set to June 2029 with a grace period of 3 years. The loan is provided for financing services sector in accordance with the Decree of the President of the Republic of Uzbekistan No. 212 dated 19 April 2022. The drawdown amount in 2022 was UZS 41,017. On the basis of the loan agreement concluded in August 2021 the Group received a loan in the amount of UZS 114,680.

In accordance with the loan contract with Fund for Supporting Youth Entrepreneurship under Ministry of Investments and Foreign Trade of the Republic of Uzbekistan for Implementation of projects of young entrepreneurs and investment projects by young people in the "Youth Industrial and Entrepreneurial Zones" signed in May 2021 total commitment underdrawn by the Group by the year end was UZS 58,737 from which UZS 15,342 were denominated in USD.

The Group signed a new contract with JSC "Mortgage Refinancing Company of Uzbekistan" in April 2022 with a grace period of 5 years. The drawdown amount in 2022 was UZS 40,871.

(millions of Uzbek Soums)

18. Other borrowed funds (continued)

In 2022 the Group has entered into multiple contracts with Ministry of Finance of the Republic of Uzbekistan and received in total UZS 292,262 till 2023 and UZS 40,026 till 2029. In addition to this the Group received UZS 789,175 amount based on the agreement signed earlier in November 2021. According to the loan agreements signed with Ministry of Finance of the Republic of Uzbekistan represented by International Bank for Reconstruction and Development in 2021 and 2020 the Group has made a selection of USD 6,771,150 (the equivalent of UZS 74,445) and UZS 17,505.
Based on the loan agreement with China Development Bank Corporation signed in December 2021 the Group received funds in the amount of USD 14,340,500 (the equivalent of UZS 160,978). Maturity period for the loan is set to December 2031 with a grace period of 3 years.

Based on the agreement with Agency for the Promotion of Export under the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan signed in 2021 the Group received a loan in the amount of USD 9,030,000 (the equivalent of UZS 100,589). The funds were granted to be refinanced as loan not exceeding USD 1,000,000 per client with maturity of one year.

On the basis of the loan agreement signed with Landesbank Baden-Wuerttemberg in July 2021 the Group received funds in the amount of EUR 7,927,644 (the equivalent of UZS 94,829).

In accordance with the loan agreement signed with Asian Infrastructure Investment Bank in December 2021 the Group received funds in the amount of USD 10,961,833 (the equivalent of UZS 123,669).

The Group concluded a new loan agreement with Credit Suisse AG in September 2022 with a total commitment of EUR 100,000,000. The loan shall be repaid by September 2025 with a grace period of 1,5 years.

The Group entered into new loan agreements Commerzbank in April-May 2022 and June 2022 with maximum commitments up to EUR 27,860,000 and EUR 9,535,000 respectively. The first loan is to be repaid by September 2032 with a grace period of 2 years. The expiration date for the second loan agreement is set to February 2027 with a grace period of 18 months. The Group has made a total drawdown of the amount of EUR 9,760,671 (the equivalent of UZS 116,755).

Except the above-mentioned collections the Group has received funds in total amount of EUR 1,200,000 (the equivalent of UZS 13,272) and USD 200,000 (the equivalent of UZS 2,233) from European Bank for Reconstruction and Development. Furthermore, Group has also received funds from Sumitomo Mitsui Banking Corporation in the amount of JPY 19,934,436 (the equivalent of UZS 1,663) and Natixis Bank in the amount of EUR 11,878,266 (the equivalent of UZS 128,975).

In 2022 the Group repaid loans in the total amount of UZS 23,068,072 under the loan agreements with Eximbank of China, Eximbank of Turkey, Eximbank of Korea, Central Bank of the Republic of Uzbekistan (CBU), Fund for Reconstruction and Development of the Republic of Uzbekistan (FRDU), Qashqadaryo viloyat hokimligi, Baobab Securities Limited, Fund of Tashkent Region Provision and Prosperity, Fund for Development of Children Sport, Ministry of Finance of the Republic of Uzbekistan, Islamic Development Bank, European Bank for Reconstruction and Development (EBRD), China Development Bank Corporation, Sumitomo Mitsui Banking Corporation, Agency for the Promotion of Export under the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan, Raiffeisen Bank International AG, Natixis Bank, Landesbank Baden-Wuerttemberg, KEB Hana Bank, Instituto de Credito Official, Deutsche Bank AG, Commerzbank and Asian Infrastructure Investment Bank.

The above-mentioned amount includes fully repaid funds to Eximbank of Korea in the amount of USD 21,919,575 (the equivalent UZS 243,604), UZS 42,521 to CBU, UZS 207,354 and USD 7,669,486 (the equivalent of UZS 83,793) to FRDU, UZS 4,621 to Fund for Supporting Youth Entrepreneurship, UZS 244 to Qashqadaryo viloyat hokimligi, UZS 95,376 to Baobab Securities limited, UZS 177 to Fund of Tashkent region Provision and Prosperity, UZS 534 to Fund for Development of Children Sport, UZS 169,034 to EBRD, EUR 8,096,712 (the equivalent of UZS 93,422) to Deutsche Bank AG leading the year-end balance to zero.

***** For the reporting period, the assignment of rights by some lenders of the Group on due payments was carried out in accordance with the terms and conditions of relevant credit/facility agreements caused by restrictive measures are imposed on the lender by the United States, the EU or any regional, national or international body, particularly:

- Eximbank of Russia and State Development Corporation "VEB.RF" to "International Development Projects" LLC;
- VTB Bank (Europe) to "Oesterreichische Kontrollbank AG".

The Group managed to repay in full all its obligations to “Oesterreichische Kontrollbank AG”.

As of 31 December 2021, the Group was in breach of non-performing loan ratio, financial covenant of the loan agreement with the Silk Road Fund. On 29 June 2022, the Group concluded a deed of amendment with Silk Road Fund in connection with breach of abovementioned covenant in accordance with which the breach will be disregarded until January 2024.

(millions of Uzbek Soums)

19. Subordinated loans

Subordinated loans consisted of the following:

	2022	*2021*
International Bank for Reconstruction and Development	987,631	957,528
Ministry of Finance of the Republic of Uzbekistan	361,055	361,055
Asian Development Bank	299,516	293,904
Subordinated loans	**1,648,202**	**1,612,487**

20. Equity

Distribution to shareholders of the Bank

At the Shareholders’ meeting in 2022, the Group declared dividends in the amount of UZS 512,178 (UZS 42 per share) and UZS 1,813,143 (UZS 143 per share) in respect of 2020 and 2021 on ordinary shares. UZS 2,209,055 of the declared dividends was capitalized to Share Capital in proportion to the size of share of shareholders. The Group paid the remaining UZS 116,266 as tax on capitalization of dividends.

At the Shareholders’ meeting in June 2022, the Group declared dividends in respect of 2021 in the amount of UZS 58,143 on ordinary shares.

During 2022, based on the Decree of the President of the Republic of Uzbekistan dated 18 March 2022 №PD-168, the Group transferred “Common Republican Processing Center” LLC, its subsidiary, and equity securities to "State Assets Management Agency". Furthermore, following the same Decree, the Group settled the 2021 transfer of Tashkent Palace New LLC, another subsidiary, for the decrease in Share capital. As a result of these transactions, the Group decreased Share capital for the amount of UZS 68,121, based on this Decree. The difference between the net book value and the amount of transfer of “Common Republican Processing Center” LLC was recognized as a reduction in Retained Earnings (see Note 33).

Other reserves

Other reserve represents exchange difference arising from the translation of the financial statements of foreign subsidiary JSCB Asia Invest Bank.

21. Commitments and contingencies

Operating environment

Uzbekistan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Uzbekistan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group’s business in the current circumstances.

Influence of domestic political and geopolitical events in the world

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation. Due to the growth of geopolitical tensions, since February 2022, there has been a significant increase in volatility in the stock and currency markets, and there was also a significant depreciation of the Uzbek sum against the Ruble, US dollar and the Euro. On 18 March 2022, Central Bank of the Republic of Uzbekistan made a decision to raise the refinancing rate to 17% per annum and then later on 22 July 2022 the refinancing rate was decreased to 15% per annum. The management of the Group was and is still monitoring the current changes in the economic and political situation and taking the necessary measures to maintain the sustainability and development of the Group's business in the current circumstances.

(millions of Uzbek Soums)

21. Commitments and contingencies (continued)

Influence of domestic political and geopolitical events in the world (continued)

For the purpose of the country risk management, the Bank monitors and controls transactions with counterparties within the limits defined on a regular basis. The Bank continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance.

The Group also monitors the activities of its Russian subsidiary – JSCB Asia Invest Bank, for any transactions with the financial institutions and entities, upon which sanctions were applied. In 2022 the activities of JSCB Asia Invest Bank were not significantly hindered by consequences of conflict between Russian and Ukraine and it remained profitable during this period.

As of 31 December 2022, the total assets of JSCB Asia Invest Bank, the largest subsidiary of the Bank located in Russian Federation, comprised 3.6% of total assets of the Group. JSCB Asia Invest Bank was not under any sanctions during the reporting period and there were no limitations externally imposed upon transactions between the Bank and JSCB Asia Invest Bank.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. By 2022 the Group has litigation cases with "Uzinterimpeks" JSC and "Uzmarkazimpeks" JCS in the amounts of USD 550,000 and USD 1,100,000 respectively (the equivalent of UZS 6,174 and UZS 12,348). The cases were fully satisfied by the court. Therefore, there is a high possibility for the Group to pay off these contingent liabilities. Management believes that the ultimate liability, 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 of the Republic of Uzbekistan 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.

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.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision

(millions of Uzbek Soums)

21. Commitments and contingencies (continued)

Commitments and contingencies

As of 31 December, the Group's commitments and contingencies comprised the following:

	2022	*2021*
Credit related commitments		
Undrawn loan commitments	7,130,144	5,926,392
Letters of credit	2,771,414	4,385,071
Financial guarantees	1,775,335	1,374,355
	11,676,893	**11,685,817**
Other commitments		
Performance guarantees	524,730	285,294
	524,730	**285,294**
Commitments and contingencies	**12,201,623**	**11,971,112**
Provision for ECL for credit related commitments	(193,104)	(153,054)
Deposits held as securities against letters of credit	(1,383,807)	(1,161,704)

All balances of commitments and contingencies are allocated to Stage 1.An analysis of changes in the ECL allowances during the years ended 31 December is as follows:

Undrawn loan commitments	*2022*	*2021*
ECL allowance as at 1 January	**47,945**	**11,146**
New exposures	72,741	46,103
Amounts paid	(43,795)	(11,146)
Changes to models and inputs used for ECL calculations	1,381	1,841
At 31 December	**78,272**	**47,945**

Letters of credit	*2022*	*2021*
ECL allowance as at 1 January	**46,308**	**24,147**
New exposures	13,140	35,157
Amounts paid	(39,327)	(20,833)
Changes to models and inputs used for ECL calculations	(6,170)	7,837
At 31 December	**13,951**	**46,308**

Financial guarantees	*2022*	*2021*
ECL allowance as at 1 January	**58,801**	**40,548**
New exposures	62,169	18,329
Amounts paid	(19,746)	(959)
Changes to models and inputs used for ECL calculations	(343)	883
At 31 December	**100,881**	**58,801**

(millions of Uzbek Soums)

21. Commitments and contingencies (continued)

Commitments and contingencies (continued)

Undrawn loan commitments include UZS 1,987,631 (2021: UZS 3,444,071) of commitments that shall be satisfied only after receiving related funds from the Fund for Reconstruction and Development of the Republic of Uzbekistan and foreign banks.

Letter of credits included commitments in the amount of UZS 225,399 or 8% (2021: UZS 1,876,646 or 43%), where the Group acted as an agent, thus bearing no risk.

22. Net interest income

Net interest income comprises:

	2022	*2021*
Loans to customers	6,914,573	5,168,704
Cash equivalents	1,182,427	45,571
Amounts due from credit institutions	483,641	127,880
Investment securities	128,601	95,644
Interest revenue calculated using effective interest rate	**8,709,242**	**5,437,799**
Finance leases	5,089	5,293
Other interest revenue	**5,089**	**5,293**
Total interest revenue	**8,714,331**	**5,443,092**
Other borrowed funds	(1,608,678)	(1,238,630)
Amounts due to customers	(1,145,437)	(662,335)
Amounts due to credit institutions	(497,096)	(28,686)
Debt securities issued	(167,509)	(159,129)
Subordinated loans	(32,132)	(36,152)
Amounts due to CBU	-	(13,907)
Interest expense calculated using effective interest rate	**(3,450,852)**	**(2,138,839)**
Net interest income	**5,263,479**	**3,304,253**

23. Net fee and commission income

Net fee and commission income comprises:

	2022	*2021*
Settlement operations	216,749	187,464
Foreign settlement operations	114,769	51,949
Cash operations	93,478	66,798
Operations with plastic cards	46,769	33,890
Letters of credit and guarantee issuance	45,099	42,617
Foreign currency exchange operations	4,390	11,786
Other	64,216	28,280
Fee and commission income	**585,470**	**422,783**
Operations with plastic cards	43,547	29,037
Settlement expenses	43,399	27,484
Cash collection services	18,437	12,299
Conversion expenses	11,663	7,330
Other	39,650	4,341
Fee and commission expense	**156,696**	**80,491**
Net fee and commission income	**428,774**	**342,292**

(millions of Uzbek Soums)

24. Other income

	2022	*2021*
Gain on disposal of fixed assets	28,389	92,986
Gain from disposal of subsidaries	19,746	19,651
Fines and penalties	9,570	683
Rental Income	5,684	1,647
Other	10,605	5,967
Total other income	**73,995**	**120,934**

25. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2022	*2021*
Salaries and bonuses	747,264	633,149
Social security costs	76,572	66,011
Personnel expenses	**823,836**	**699,160**
Depreciation and amortization	147,277	116,025
Legal and consultancy	95,660	66,791
Property and software maintenance	78,485	53,956
Security	75,543	58,681
Membership fee	66,697	42,234
Charity and sponsorship	47,640	34,132
Operating taxes	37,745	31,566
Office supplies	26,520	18,361
Utilities and rent	24,176	24,684
Communications	11,350	11,939
Business travel and related expenses	5,081	1,281
Penalties incurred and related	4,470	2,701
Transportation expenses	2,162	3,153
Other	51,289	35,660
Other operating expenses	**674,095**	**501,165**
Total operating expenses	**1,497,931**	**1,200,325**

26. Revenue from non-banking activities

	2022	*2021*
Payment processing	110,655	315,610
Manufacturing	25,212	-
Services	9,131	756
Textile	-	5,269
Asset management	-	8,337
Other	-	8,961
Revenues from non-banking activities	**144,998**	**338,933**

27. Cost of sales from non-banking activities

	2022	*2021*
Cost of sales	33,317	74,678
Depreciation and amortisation	15,259	35,381
Staff cost	8,833	14,869
Cost of sales from non-banking activities	**57,409**	**124,928**

(millions of Uzbek Soums)

28. Risk management

Introduction

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.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Group.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Risk Controlling

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits, across the Group. Each business group has a decentralised unit which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Bank Treasury

Bank Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

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.

(millions of Uzbek Soums)

28. Risk management (continued)

Introduction (continued)

Monitoring and controlling risks is 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 analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk 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 geographic risks takes place. Senior management assesses the appropriateness of the allowance for expected credit losses on a quarterly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Group.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Group on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks (see below for more detail).

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.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which allocates each counterparty to a certain risk category. Risk are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

(millions of Uzbek Soums)

28. Risk management (continued)

Credit risk (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.

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

(millions of Uzbek Soums)

28. Risk management (continued)

Credit risk (continued)

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Other impairment triggers include:

- Loan restructure with “default” category;
- Default rating;
- The moratorium on the satisfaction of creditors;
- Implementation measures for financial recovery/ or prevention of bankruptcy (reorganization);
- Withdrawal of the license for operations.

It is the Group’s policy to consider a financial instrument as ‘cured’ and therefore re-classified out of Stage 3 when none of the default criteria are present at reporting date. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on whether there has been a significant increase in credit risk compared to initial recognition.

PD estimation process

The Group Risk Management Department estimates PD on a portfolio divided by its key segments. The estimation process incorporates payment behavior information and, where practical, also utilizes information from the international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each PD bucket. This is repeated for each economic scenario as appropriate.

The Group’s internal credit rating grades are as follows:

Internal rating grade	*International external rating agency (Fitch) rating*	*Internal rating description*
1	AA+ to AAA	
	AA	High grade
2	A+ to AA-	
	A-	
	BBB+	
	BBB	Standard grade
	BBB-	
	BB+	
3	BB- to BB	
	B- to B+	Sub-standard grade
	CCC	
	CCC-	
4-5	D	Impaired

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing client’s ability to increase its exposure while approaching default. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group’s models.

(millions of Uzbek Soums)

28. Risk management (continued)

Credit risk (continued)

Loss given default

For corporate lending assets, LGD values are assessed at least semiannually by account managers and reviewed and approved by the Group’s Risk Management Department.

The credit risk assessment is based on a LGD assessment process that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Where appropriate, further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group.

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 financial assets are past due for 31-90 days;
- Restructure of loans “potentially bad debt”;
- External rating decreases for 3 notches.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as the account becoming restructured due to credit event. In certain cases, the Bank may also consider that events explained in “Definition of default” section above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- Stage 3 assets, with exposure greater than UZS 200,000.

For other assets classes the Group calculates ECL on a collective basis.

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example internal grade, overdue bucket, product type, loan-to-value ratios, or borrower’s industry.

Forward-looking information and multiple economic scenarios

In its ECL estimation process, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Inflation rates.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(millions of Uzbek Soums)

28. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

A methodology to determine credit ratings of borrowers has been developed in the Group to assess corporate borrowers. This method allows for calculation and assignment/confirmation of a borrower's rating and rating of collateral for a loan. The system is based on a scoring model depending on key performance indicators of the borrower with the possibility of insignificant expert adjustments in case of insufficient objectivity of the benchmark. The method provides for the rating assignment on the basis of the following criteria groups: market indicators of the borrower, goodwill, credit history, transparency and reliability of information, information on business and business environment, relations of the Group and the borrower, financial situation of the borrower, business activity, and collateral provided. The financial situation and business activity are the most important criteria. Therefore, the scoring model provides for overall assessment of the borrower and the loan.

The scoring assessment based on the borrower's parameters is one of the main factors for the decision-making process relating to loans.

A methodology of evaluation of borrowers-individuals is based on following criteria: education, occupancy, financial position, credit history, property owned by the borrower. Based on information obtained the maximum limit of a loan is calculated. The maximum limit of a loan is calculated using a ratio of debt burden on a borrower.

Financial assets other than loans to customers are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The credit quality of financial assets is managed by the Group internal credit ratings, as described above. The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position, based on the Group's credit rating system.

31 December 2022	*Note*	*Stage*	*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	5	Stage 1	9,072,568	13,933,888	27,032	-	**23,033,488**
Amounts due from credit institutions	6	Stage 1	34,089	1,653,284	4,841,340	-	**6,528,713**
Loans to customers at amortised cost	8						
- State companies		Stage 1	27,007,203	5,135,515	236,121	-	**32,378,839**
		Stage 2	-	751,148	-	-	**751,148**
		Stage 3	-	-	14,660	132,611	**147,271**
- Private companies		Stage 1	20,524,333	7,294,538	103,155	-	**27,922,027**
		Stage 2	-	6,086,675	105,326	-	**6,192,001**
		Stage 3	-	-	428,268	1,287,633	**1,715,901**
- State budget or local authorities		Stage 1	7,740,717	106,242	-	-	**7,846,958**
		Stage 2	-	-	-	-	**-**
		Stage 3	-	-	947	3,614	**4,561**
- Gross investment in finance lease		Stage 1	202,491	-	-	-	**202,491**
		Stage 2	-	-	-	-	**-**
		Stage 3	-	-	-	-	**-**
- Non-banking financial institutions		Stage 1	131,200	9,697	-	-	**140,897**
		Stage 2	-	-	-	-	**-**
		Stage 3	-	-	-	-	**-**
- Individuals		Stage 1	8,839,797	100,318	3,702	-	**8,943,817**
		Stage 2	-	101,811	1,643	-	**103,454**
		Stage 3	-	-	29,333	96,966	**126,299**
Debt investment securities	9						
- Measured at amortised cost		Stage 1	-	1,408,256	-	-	**1,408,256**
		Stage 1	89,873	-	-	-	**89,873**
Other financial assets	13	Stage 2	-	-	-	-	**-**
		Stage 3	-	-	-	-	**-**
Financial guarantees	21	Stage 1	1,775,335	-	-	-	**1,775,335**
Undrawn loan commitments	21	Stage 1	7,130,144	-	-	-	**7,130,144**
Letters of credit	21	Stage 1	2,771,414	-	-	-	**2,771,414**
			85,319,163	**36,581,372**	**5,791,528**	**1,520,824**	**129,212,887**

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

(millions of Uzbek Soums)

28. Risk management (continued)

Credit risk (continued)

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.

31 December 2021	*Note*	*Stage*	*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	5	Stage 1	3,500,694	3,636,173	2,092,861	-	**9,229,728**
Amounts due from credit institutions	6	Stage 1	642,415	2,038,545	-	-	**2,680,960**
Loans to customers at amortised cost	8						
- State companies		Stage 1	21,908,767	-	-	-	**21,908,767**
		Stage 2	-	4,763,147	10,135	-	**4,773,282**
		Stage 3	-	-	-	368,970	**368,970**
- Private companies		Stage 1	24,401,983	-	-	-	**24,401,983**
		Stage 2	-	2,600,719	1,178,558	-	**3,779,277**
		Stage 3	-	-	-	1,083,725	**1,083,725**
- State budget or local authorities		Stage 1	8,701,541	-	-	-	**8,701,541**
		Stage 2	-	106,974	-	-	**106,974**
		Stage 3	-	-	-	-	**-**
- Gross investment in finance lease		Stage 1	791,647	-	-	-	**791,647**
		Stage 2	-	-	-	-	**-**
		Stage 3	-	-	-	-	**-**
- Non-banking financial institutions		Stage 1	136,778	-	-	-	**136,778**
		Stage 2	-	-	-	-	**-**
		Stage 3	-	-	-	-	**-**
- Individuals		Stage 1	5,530,117	-	-	-	**5,530,117**
		Stage 2	-	108,805	116,124	-	**224,929**
		Stage 3	-	-	-	281,684	**281,684**
Debt investment securities	9						
- Measured at amortised cost		Stage 1	-	1,004,615	-	-	**1,004,615**
Other financial assets	13	Stage 1	138,002	-	-	-	**138,002**
		Stage 2	-	-	-	-	**-**
		Stage 3	-	-	-	-	**-**
Financial guarantees	21	Stage 1	1,374,355	-	-	-	**1,374,355**
Undrawn loan commitments	21	Stage 1	5,926,392	-	-	-	**5,926,392**
Letters of credit	21	Stage 1	4,385,071	-	-	-	**4,385,071**
			77,437,762	**14,258,978**	**3,397,679**	**1,734,379**	**96,828,798**

The Assets and Liabilities Management Committee (“ALMC”) exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group’s activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Uzbekistan.

(millions of Uzbek Soums)

28. Risk management (continued)

Credit risk (continued)

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	4,104,123	19,284,219	1,057,677	**24,446,019**
Amounts due from credit institutions	4,848,419	1,143,193	537,102	**6,528,713**
Derivative financial assets	-	92,385	-	**92,385**
Loans to customers	86,209,822	-	265,842	**86,475,664**
Investment securities	1,746,759	-	-	**1,746,759**
Other financial assets	89,873	-	-	**89,873**
	96,998,996	**20,519,797**	**1,860,620**	**119,379,413**
Liabilities				
Amounts due to CBU	725,946	-	-	**725,946**
Amounts due to the credit institutions	4,267,423	7,861,885	4,358,284	**16,487,592**
Amounts due to customers	38,951,852	-	-	**38,951,852**
Debt securities issued	4,407	3,404,906	-	**3,409,313**
Other borrowed funds	8,345,007	18,064,346	16,877,426	**43,286,779**
Subordinated loans	1,648,202	-	-	**1,648,202**
Other financial liabilities	126,933	-	-	**126,933**
	54,069,770	**29,331,137**	**21,235,710**	**104,636,617**
Net assets/(liabilities)	**42,929,226**	**(8,811,340)**	**(19,375,090)**	**14,742,796**

	2021			
	Republic of Uzbekistan	***OECD***	***CIS and other foreign countries***	***Total***
Assets				
Cash and cash equivalents	3,065,981	5,713,874	1,405,536	**10,185,391**
Amounts due from credit institutions	2,638,241	41,449	1,270	**2,680,960**
Loans to customers	72,010,126	-	79,549	**72,089,675**
Investment securities	1,112,917	-	-	**1,112,917**
Other financial assets	138,002	-	-	**138,002**
	78,965,267	**5,755,323**	**1,486,355**	**86,206,945**
Liabilities				
Amounts due to CBU	708,828	-	-	**708,828**
Amounts due to the credit institutions	2,504,611	2,176	576,542	**3,083,328**
Amounts due to customers	22,243,551	-	-	**22,243,551**
Derivative financial liabilities	-	41,491	-	**41,491**
Debt securities issued	49,161	3,285,339	-	**3,334,500**
Other borrowed funds	8,294,110	19,845,729	15,236,638	**43,376,477**
Subordinated loans	1,612,487	-	-	**1,612,487**
Other financial liabilities	137,770	-	-	**137,770**
	35,550,518	**23,174,735**	**15,813,180**	**74,538,432**
Net assets/(liabilities)	**43,414,748**	**(17,419,411)**	**(14,326,825)**	**11,668,513**

(millions of Uzbek Soums)

28. Risk management (continued)

Liquidity risk and funding management

Liquidity risk refers to the availability of sufficient funds to meet deposits withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial periods. Current liability is managed by the Treasury Department, which deals in the money markets for current liquidity and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on customers' and banking operations, which is part of assets/liabilities management process. The Board of Management of the Group sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

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 except for trading derivatives which are shown at fair value in a separate column and gross settled derivatives which are shown by contractual maturity. 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 Bank's deposit retention history.

As at 31 December 2022	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to CBU	725,946	-	-	-	**725,946**
Amounts due to credit institutions	6,636,819	8,274,128	1,641,011	189,559	**16,741,517**
Gross settled derivative financial	-	-	-	-	**-**
-Contractual amounts payable	-	-	571,103	-	**571,103**
-Contractual amounts receivable	-	-	(665,581)	-	**(665,581)**
Amounts due to customers	30,184,497	5,907,461	5,056,851	2,535	**41,151,344**
Debt securities issued	68,897	122,498	3,667,077	-	**3,858,472**
Other borrowed funds	1,001,415	4,149,554	22,771,778	27,906,263	**55,829,010**
Subordinated loans	8,189	36,850	196,532	2,155,852	**2,397,422**
Other liabilities	112,519	-	-	-	**112,519**
Total undiscounted financial liabilities	**38,738,283**	**18,490,490**	**33,238,771**	**30,254,209**	**120,721,753**

As at 31 December 2021	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to CBU	708,828	-	-	-	**708,828**
Amounts due to credit institutions	2,507,897	66,931	539,849	192,066	**3,306,743**
Gross settled derivative financial	-	-	-	-	**-**
-Contractual amounts payable	-	-	736,560	-	**736,560**
-Contractual amounts receivable	-	-	656,558	-	**656,558**
Amounts due to customers	12,598,130	3,042,368	5,351,063	6,421,167	**27,412,728**
Debt securities issued	109,483	118,266	3,684,940	-	**3,912,689**
Other borrowed funds	1,122,413	3,119,361	15,258,902	33,143,161	**52,643,837**
Subordinated loans	6,842	30,790	164,211	2,035,338	**2,237,181**
Other liabilities	137,770	-	-	-	**137,770**
Total undiscounted financial liabilities	**17,191,363**	**6,377,716**	**26,392,083**	**41,791,732**	**91,752,894**

(millions of Uzbek Soums)

28. Risk management (continued)

Liquidity risk and funding management (continued)

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 amounts of financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Group has received significant funds from Eximbank of China, China Development Bank Corporation, Ministry of Finance of the Republic of Uzbekistan, Gazprombank (JSC), Fund for Reconstruction and Development of the Republic of Uzbekistan, "International Development Projects" LLC, Silk Road Fund, Credit Suisse AG, Deutsche Bank AG, Natixis Bank and other financial institutions (See Note 18). 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 that 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 reasonable possible change in interest rates, 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. The sensitivity of equity is calculated by revaluing fixed rate debt financial assets at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

(millions of Uzbek Soums)

28. Risk management (continued)

Market risk (continued)

Assets/Liabilities	*Increase in basis point 2022*	*Sensitivity of net interest income 2022*	*Sensitivity of equity 2022*
Financial assets	+202	385,887	-
Financial liabilities		(443,549)	

Assets/Liabilities	*Decrease in basis point 2022*	*Sensitivity of net interest income 2022*	*Sensitivity of equity 2022*
Financial assets	-202	(385,887)	-
Financial liabilities		443,549	

Assets/Liabilities	*Increase in basis point 2021*	*Sensitivity of net interest income 2021*	*Sensitivity of equity 2021*
Financial assets	+125	210,721	-
Financial liabilities		(172,080)	

Assets/Liabilities	*Decrease in basis point 2021*	*Sensitivity of net interest income 2021*	*Sensitivity of equity 2021*
Financial assets	-25	(42,144)	-
Financial liabilities		34,416	

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)

28. Risk management (continued)

Market risk (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	3,151,269	16,239,860	1,071,316	3,983,574	**24,446,019**
Amounts due from credit institutions	1,791,752	4,334,310	941,152	127,080	**7,194,294**
Loans to customers	26,661,942	49,649,883	7,765,925	2,397,914	**86,475,664**
Investment securities	1,248,820	497,939	-	-	**1,746,759**
Other financial assets	53,861	28,648	-	7,364	**89,873**
Total financial assets	**32,907,644**	**70,750,640**	**9,778,393**	**6,515,932**	**119,952,609**
Financial liabilities					
Amounts due to CBU	367	145,674	401,980	177,925	**725,946**
Amounts due to credit institutions	647,979	13,980,716	989,655	869,242	**16,487,592**
Amounts due to customers	10,783,316	25,314,308	1,704,417	1,149,811	**38,951,852**
Debt securities issued	4,407	3,404,906	-	-	**3,409,313**
Other borrowed funds	5,920,000	26,998,439	6,727,346	4,212,097	**43,857,882**
Subordinated loans	370,121	1,278,081	-	-	**1,648,202**
Other financial liabilities	112,519	14,414	-	-	**126,933**
Total financial liabilities	**17,838,709**	**71,136,538**	**9,823,398**	**6,409,075**	**105,207,720**
Open balance sheet position	**15,068,935**	**(385,898)**	**(45,005)**	**106,857**	

	UZS	*USD*	*EURO*	*Other Currency*	*2021*
Financial assets					
Cash and cash equivalents	1,846,786	5,451,783	1,616,162	1,270,660	**10,185,391**
Amounts due from credit institutions	655,230	1,694,075	270,209	61,446	**2,680,960**
Loans to customers	21,537,383	39,174,297	7,395,679	3,982,316	**72,089,675**
Investment securities	1,112,917	-	-	-	**1,112,917**
Other financial assets	124,228	6,064	664	7,046	**138,002**
Total financial assets	**25,276,544**	**46,326,219**	**9,282,714**	**5,321,468**	**86,206,945**
Financial liabilities					
Amounts due to CBU and Government	-	181,420	502,218	25,190	**708,828**
Amounts due to credit institutions	599,584	1,799,550	137,887	546,307	**3,083,328**
Amounts due to customers	8,101,932	12,729,644	1,036,934	375,041	**22,243,551**
Debt securities issued	49,161	3,285,339	-	-	**3,334,500**
Other borrowed funds	5,666,866	26,059,554	7,445,978	4,204,079	**43,376,477**
Subordinated loans	378,559	1,233,928	-	-	**1,612,487**
Other financial liabilities	134,266	3,504	-	-	**137,770**
Total financial liabilities	**14,930,368**	**45,292,939**	**9,123,017**	**5,150,617**	**74,496,941**
Open balance sheet position	**10,346,176**	**1,033,280**	**159,697**	**170,851**	

Currency risk sensivity

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate 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.

(millions of Uzbek Soums)

28. Risk management (continued)

Market risk (continued)

Currency	*Change in currency rate in %* *2022*	*Effect on profit before tax* *2022*	*Change in currency rate in %* *2021*	*Effect on profit before tax* *2021*
USD	23.7%	91,458	20.8%	214,922
EUR	23.4%	10,531	20.2%	32,259

Currency	*Change in currency rate in %* *2022*	*Effect on profit before tax* *2022*	*Change in currency rate in %* *2021*	*Effect on profit before tax* *2021*
USD	-23.7%	(91,458)	-20.8%	(214,922)
EUR	-23.4%	(10,531)	-20.2%	(32,259)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

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 include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

29. Fair value measurements

Fair value measurement procedures

The Group's investment committee determines the policies and procedures for both recurring fair value measurement, such as investment securities.

At each reporting date, the investment committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the investment committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The investment committee also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the investment committee present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

(millions of Uzbek Soums)

29. Fair value measurements (continued)

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.

For the purpose of fair value disclosures, the Group 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.

	Date of	*Fair value measurement using*			
At 31 December 2022	***valuation***	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value					
Investment securities - equity securities at FVOCI	31-Dec-22	149,329	-	189,173	**338,503**
Derivative assets	31-Dec-22	-	-	92,385	**92,385**
Assets for which fair values are disclosed					
Cash and cash equivalents	31-Dec-22	24,446,019	-	-	**24,446,019**
Amounts due from credit institutions	31-Dec-22	-	-	6,515,452	**6,515,452**
Investment securities measured at amortised cost	31-Dec-22	-	1,390,576	-	**1,390,576**
Loans to customers	31-Dec-22	-	-	86,594,284	**86,594,284**
Liabilities for which fair values are disclosed					
Amounts due to CBU	31-Dec-22	-	725,946	-	**725,946**
Amounts due to credit institutions	31-Dec-22	-	-	16,405,897	**16,405,897**
Amounts due to customers	31-Dec-22	-	-	39,079,717	**39,079,717**
Debt securities issued	31-Dec-22	-	3,409,313	-	**3,409,313**
Other borrowed funds	31-Dec-22	-	-	39,608,412	**39,608,412**
Subordinated loans	31-Dec-22	-	-	1,637,636	**1,637,636**

	Date of	*Fair value measurement using*			
At 31 December 2021	***valuation***	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value					
Investment securities - equity securities at FVOCI	31-Dec-21	-	-	108,301	**108,301**
Derivative assets					**-**
Assets for which fair values are disclosed					
Cash and cash equivalents	31-Dec-21	10,185,391	-	-	**10,185,391**
Amounts due from credit institutions	31-Dec-21	-	-	2,689,453	**2,689,453**
Investment securities measured at amortised cost	31-Dec-21	-	-	1,014,191	**1,014,191**
Loans to customers	31-Dec-21	-	-	74,132,435	**74,132,435**
Liabilities for which fair values are disclosed					
Amounts due to CBU	31-Dec-21	708,828	-	-	**708,828**
Amounts due to credit institutions	31-Dec-21	-	-	3,085,264	**3,085,264**
Amounts due to customers	31-Dec-21	-	-	22,767,396	**22,767,396**
Derivative liabilities	31-Dec-21	-	-	41,491	**41,491**
Debt securities issued	31-Dec-21	-	3,334,500	-	**3,334,500**
Other borrowed funds	31-Dec-21	-	-	41,625,290	**41,625,290**
Subordinated loans	31-Dec-21	-	-	1,583,947	**1,583,947**

(millions of Uzbek Soums)

29. 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	6,528,713	6,515,452	(13,261)	2,680,960	2,689,453	8,493
Loans to customers	86,475,664	86,594,284	118,620	72,089,675	71,997,165	(92,510)
Investment securities - debt securities at amortised cost	1,408,256	1,390,576	(17,680)	1,004,615	1,014,191	9,576
Financial liabilities						
Amounts due to CBU	725,946	725,946	-	708,828	708,828	-
Amounts due to credit institutions	16,487,592	16,405,897	81,695	3,083,328	3,085,264	(1,936)
Amounts due to customers	38,951,852	39,079,717	(127,865)	22,243,551	22,767,396	(523,845)
Debt securities	3,409,313	3,409,313	-	3,334,500	3,334,500	-
Other borrowed funds	43,286,779	39,608,412	3,678,367	43,376,477	41,625,290	1,751,188
Subordinated loans	1,648,202	1,637,636	10,566	1,612,487	1,583,947	28,540
Total unrecognised change in fair value			**3,730,442**			**1,179,506**

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 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.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. These contracts are generally Level 2 unless adjustments to yield curves or credit spreads are based on significant non-observable inputs, in which case, they are Level 3.

Investment securities

Investment securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

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

(millions of Uzbek Soums)

29. Fair value measurements (continued)

Valuation techniques and assumptions (continued)

Movements in level 3 assets and liabilities at fair value

The following tables show a reconciliation of the opening and closing amount of Level 3 assets and liabilities which are recorded at fair value:

	At 31 December 2021	*Total gain recorded in profit and loss*	*Total gain recorded in other comrehensive income*	*Purchases*	*Sales*	*Settlements*	*At 31 December 2022*
Financial assets							
Derivative financial instruments	-	92,385	-	-	-	-	92,385
Investment securities - equity securities at FVOCI	108,302	-	153,988	81,893	(5,680)	-	338,503
Total level 3 financial assets	**108,302**	**92,385**	**153,988**	**81,893**	**(5,680)**	**-**	**430,888**
Financial liabilities							
Derivative financial instruments	41,491	(41,491)	-	-	-	-	-
Total level 3 financial liabilites	**41,491**	**(41,491)**	**-**	**-**	**-**	**-**	**-**
assets/(liabilities)	**66,811**	**133,876**	**153,988**	**81,893**	**(5,680)**	**-**	**430,888**

	At 31 December 2020	*Total gain recorded in profit and loss*	*Total gain recorded in other comrehensive income*	*Purchases*	*Sales*	*Settlements*	*At 31 December 2021*
Financial assets							
Derivative financial instruments	119,170	-	-	-	-	(119,170)	-
Investment securities - equity securities at FVOCI	100,766	-	-	11,696	(4,160)	-	108,302
Total level 3 financial assets	**219,936**	**-**	**-**	**11,696**	**(4,160)**	**(119,170)**	**108,302**
Financial liabilities							
Derivative financial instruments	-	-	-	41,491	-	-	41,491
Total level 3 financial liabilites	**-**	**-**	**-**	**41,491**	**-**	**-**	**41,491**
Total net level 3 financial assets/(liabilities)	**219,936**	**-**	**-**	**(29,795)**	**(4,160)**	**(119,170)**	**66,811**

During the year ended 31 December, there were no transfers between the levels of fair value hierarchy.

(millions of Uzbek Soums)

29. Fair value measurements (continued)

Significant unobservable inputs and sensitivity of level 3 financial instruments measured at fair value to changes to key assumptions

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

31 December 2022	*Carrying amount*	*Valuation techniques*	*Unobservable input*	*Range (weighted average)*	*Sensitivity of the input to fair value*
Derivative financial instruments					
Foreign currency swaps	92,385	Discounted cash flow	Discount rate	12-16% (14%)	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Derivative financial instruments by UZS 10,586 / (UZS 10,586)
Investment securities measured at FVOCI					
Equity securities	338,532	Discounted cash flow of dividend payments	Discount rate	12-16% (14%)	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Investment securities measured at FVOCI by UZS 5,834 /(UZS 5,834)

31 December 2021	*Carrying amount*	*Valuation techniques*	*Unobservable input*	*Range (weighted average)*	*Sensitivity of the input to fair value*
Derivative financial instruments					
Foreign currency swaps	41,491	Discounted cash flow	Discount rate	12-16% (14%)	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Derivative financial instruments by UZS 20,440 / (UZS 21,679)
Investment securities measured at FVOCI					
Equity securities	100,766	Discounted cash flow of dividend payments	Discount rate	12-16% (14%)	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Investment securities measured at FVOCI by UZS 1,018 / (UZS 1,018)

Gains or losses on level 3 financial instruments included in the profit or loss and other comprehensive income for the period comprise:

	2022			*2021*		
	Realised gains/ (losses)	***Unrealised gains/ (losses)***	***Total***	***Realised gains/ (losses)***	***Unrealised gains/ (losses)***	***Total***
Net gain from financial instruments at fair value through profit or loss	-	133,876	**133,876**	**-**	(154,291)	**(154,291)**
Net gain from financial instruments at fair value through other comprehensive income	60,166	153,988	**214,154**	-	-	-

Unrealised gains are recognised in net gain from financial instruments at fair value through profit or loss.

(millions of Uzbek Soums)

30. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 28 "Risk management" for the Group's contractual undiscounted repayment obligations.

	2022		
	Within one year	*More than one year*	*Total*
Cash and cash equivalents	24,446,019	-	**24,446,019**
Amounts due from credit institutions	2,204,946	4,323,767	**6,528,713**
Derivative financial assets	92,385	-	**92,385**
Loans to customers	10,465,808	76,009,856	**86,475,664**
Investment securities	944,793	801,966	**1,746,759**
Investments in associates	-	229,403	**229,403**
Property and equipment	-	1,072,656	**1,072,656**
Deferred income tax assets	-	280,785	**280,785**
Other assets	385,110	-	**385,110**
Total	**38,539,061**	**82,718,433**	**121,257,494**
Amounts due to the CBU	725,946	-	**725,946**
Amounts due to credit institutions	13,405,229	3,082,363	**16,487,592**
Amounts due to customers	27,917,952	11,033,900	**38,951,852**
Debt securities issued	41,676	3,367,637	**3,409,313**
Other borrowed funds	3,606,356	39,680,423	**43,286,779**
Subordinated loans	-	1,648,202	**1,648,202**
Other liabilities	347,485	-	**347,485**
Total	**46,044,644**	**58,812,525**	**104,857,169**
Net	**(7,505,583)**	**23,905,908**	**16,400,325**

	2021		
	Within one year	*More than one year*	*Total*
Cash and cash equivalents	10,185,391	-	**10,185,391**
Amounts due from credit institutions	604,387	2,076,573	**2,680,960**
Loans to customers	16,397,550	55,692,125	**72,089,675**
Investment securities	969,017	143,900	**1,112,917**
Investments in associates	-	345,610	**345,610**
Property and equipment	-	924,455	**924,455**
Deferred income tax assets	-	421,268	**421,268**
Other assets	471,937	-	**471,937**
Total	**28,628,282**	**59,603,931**	**88,232,213**
Amounts due to the CBU	708,828	-	**708,828**
Amounts due to credit institutions	35,217	3,048,111	**3,083,328**
Amounts due to customers	14,818,253	7,425,298	**22,243,551**
Derivative financial instruments	-	41,491	**41,491**
Debt securities issued	83,202	3,251,298	**3,334,500**
Other borrowed funds	7,896,252	35,480,225	**43,376,477**
Subordinated loans	-	1,612,487	**1,612,487**
Other liabilities	327,224	-	**327,224**
Total	**23,868,976**	**50,858,910**	**74,727,886**
Net	**4,759,306**	**8,745,021**	**13,504,327**

(millions of Uzbek Soums)

31. 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 Government of the Republic of Uzbekistan, acting through The Fund of Reconstruction and Development of the Republic of Uzbekistan and The Ministry of Finance of the Republic of Uzbekistan controls over the Group.

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 (together referred to as “government-related entities”). 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 and derivative transactions. These transactions comprise a large portion of the Group’s transactions.

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

(millions of Uzbek Soums)

31. Related party disclosures (continued)

The outstanding balances of related party transactions are as follows:

	2022					*2021*				
	Parent	***Government controlled entities***	***Associates***	***Key management personnel***	***Total category as per financial statement caption***	***Parent***	***Government controlled entities***	***Associates***	***Key management personnel***	***Total category as per financial statement caption***
Cash and cash equivalents	-	4,331,284	-	-	**24,446,019**	-	2,619,627	146,175	-	**10,185,391**
Due from credit institutions	-	3,803,602	-	-	**6,528,713**	-	1,350,859	-	-	**2,680,960**
Investment securities	-	1,592,770	-	-	**1,746,759**	-	1,112,916	-	-	**1,112,917**
Loans to customers	-	36,553,099	3,633,641	680	**86,475,664**	-	37,520,735	3,097,996	-	**72,089,675**
Allowance for impairment losses – loans to customers	-	(1,646,802)	(2,459,504)	(3)	**(6,305,183)**	-	(1,779,223)	(221,196)	-	**(4,267,176)**
Debt securities	-	1,900	-	-	**3,409,313**	-	14,900	-	-	**3,334,500**
Subordinated loans	-	1,648,202	-	-	**1,648,202**	-	1,612,487	-	-	**1,612,487**
Amounts due to CBU	-	725,946	-	-	**725,946**	-	708,828	-	-	**708,828**
Customer accounts	45,598	10,958,552	88,127	2	**38,951,852**	-	9,899,302	28,802	-	**22,243,551**
Due to credit institutions	-	4,879,504	-	-	**16,487,592**	-	1,273,216	12,827	-	**3,083,328**
Other borrowed funds	3,007,179	5,337,827	-	-	**43,286,779**	3,467,706	4,820,504	-	-	**43,376,477**
Guarantees	-	2,300,064	-	-	**2,300,065**	-	1,659,649	-	-	**1,659,649**
Letters of credit	-	2,771,414	-	-	**2,771,414**	-	4,385,071	-	-	**4,385,071**

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

	2022					*2021*				
	Parent	***Government controlled entities***	***Associates***	***Key management personnel***	***Total category as per financial statement caption***	***Parent***	***Government controlled entities***	***Associates***	***Key management personnel***	***Total category as per financial statement caption***
Interest income on loans	-	2,391,781	345,712	123	**6,911,110**	-	1,791,749	171,970	-	**5,168,704**
Impairment charge for loans	-	132,421	(2,238,308)	(3)	**(2,210,248)**	-	(250,752)	(183,205)	-	**(1,258,008)**
Interest expense on deposits	-	542,452	1,192	-	**(1,145,437)**	-	(238,346)	(2,624)	-	**(662,335)**
Amounts due to CBU	-	-	-	-	**-**	-	(13,907)	-	-	**(13,907)**
Interest expense on other borrowed funds	(45,479)	(21,582)	-	-	**(1,605,215)**	(28,275)	(22,743)	-	-	**(1,238,630)**
Fee and commission income	-	117,721	-	-	**585,470**	-	52,821	-	-	**422,783**
Fee and commission expense	(494)	(57,602)	-	-	**(156,696)**	(2,179)	(16,982)	-	-	**(80,491)**
Operating expenses	-	-	-	(5,909)	**(674,095)**	-	-	-	(5,621)	**(1,200,325)**
Salaries and other benefits	-	-	-	(5,276)	**(747,264)**	-	-	-	(5,019)	**(699,160)**
Social Security Costs	-	-	-	(633)	**(76,572)**	-	-	-	(602)	**(66,011)**

(millions of Uzbek Soums)

32. Segmentation information

The Group’s operations are a single reportable segment.

The Group provides mainly banking services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8, *Operating Segments*, and based on the way of operations of the Group are regularly reviewed by the chief operating decision-maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker (“CODM”) has been determined as the Group’s Chairman of the Management Board. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. The Management has determined a single operating segment being banking services based on these internal reports.

Revenue from transactions with a single external customer comprised more than 10% of the Group’s total revenue and amounted to UZS 568,235 (2021: UZS 557,892) (See Note 31).

Substantially part of the Group’s operations and assets are located in the Republic of Uzbekistan.

33. Subsidiaries

The consolidated financial statements include the following major subsidiaries:

			2022		
Subsidiary	***Principal place of business***	***Country of incorporation***	***Date of incorporation***	***Nature of activities***	***Ownership/ voting, %***
JSC NBU Invest Group	Tashkent	Uzbekistan	2008	Asset management	100%
CJSC Asia Invest Bank	Moscow	Russia	1996	Banking	96%
NBU Samarkand Invest LLC	Samarkand	Uzbekistan	2017	Asset management	100%
NBU Gazgan Invest LLC	Navoiy	Uzbekistan	2017	Asset management	73%
Marmarobod LLC	Navoiy	Uzbekistan	2019	Manufacturing	100%
Invest Group Center LLC	Tashkent	Uzbekistan	1999	Office maintenance	100%
Zomin Ropeway LLC	Tashkent	Uzbekistan	2021	Trade service	100%
Zominsoy Development Invest LLC	Tashkent	Uzbekistan	2020	Payment processing	100%
Suffa Spa LLC	Jizzakh	Uzbekistan	2017	Textile	100%
Royal Silk LLC	Andijan	Uzbekistan	2020	Textile	100%

			2021		
Subsidiary	***Principal place of business***	***Country of incorporation***	***Date of incorporation***	***Nature of activities***	***Ownership/ voting, %***
Asia Invest Bank CJSC	Moscow	Russia	1996	Banking	96%
NBU Invest Group JSC	Tashkent	Uzbekistan	2008	Asset management	100%
NBU Samarkand Invest LLC	Samarkand	Uzbekistan	2017	Asset management	100%
NBU Gazgan Invest LLC	Navoiy	Uzbekistan	2017	Asset management	100%
NBU Bunyodkor Invest LLC	Tashkent	Uzbekistan	2017	Construction	100%
Marmarobod LLC	Navoiy	Uzbekistan	2019	Manufacturing	100%
Invest Group Center LLC	Tashkent	Uzbekistan	1999	Office maintenance	100%
Property Market LLC	Tashkent	Uzbekistan	2021	Trade service	96%
Unified Republican Processing Center LLC	Tashkent	Uzbekistan	2020	Payment processing	51%
United National Company LLC	Tashkent	Uzbekistan	2019	Manufacturing	86%
Royal Silk LLC	Andijan	Uzbekistan	2020	Textile	100%
Zarbdor Textile LLC	Jizzakh	Uzbekistan	2017	Textile	53%

(millions of Uzbek Soums)

33. Subsidiaries (continued)

Disposal of Subsidiaries

Disposal of Common Republican Processing Center LLC

In May 2022, the Group has passed full 51% ownership in “Common Republican Processing Center” LLC to State Assets Management Agency. The transfer was made according to the Decree of the President of the Republic of Uzbekistan №168 dated 18 March 2022.

The assets and liabilities of Common Republican Processing Center LLC as at the date of disposal were as follows:

Assets	
Loans to customers	118,100
Property and equipment	101,243
Investments in associates	39,599
Cash and cash equivalents	9,659
Other assets	118,552
	387,153
Liabilities	
Other liabilities	13,292
Amounts due to credit institutions	381
	13,673

According to the Presidential Decree, in effect of this transaction, the share capital of the Bank was decreased by UZS 21,502. The Group also recognised decrease of UZS 168,973 in Retained earnings for the difference between the net book value and reduction in share capital.

Disposal of “Zarbdor Textile” LLC

In May 2022, the Group has disposed of its full 53% ownership in "Zarbdor Textile" LLC. The shares owned by the Group were sold to "Oq Saroy Textile" LLC on instalment ending 5 June 2025.

The assets and liabilities of “Zarbdor Textile” LLC as at the date of disposal were as follows:

Assets	
Property and equipment	65,935
Cash and cash equivalents	23
Other assets	5,401
	71,359
Liabilities	
Amounts due to credit institutions	59,183
Other liabilities	24,904
	84,087

As a result of this transaction, the Group recognised in gain on disposal of UZS 19,124.

(millions of Uzbek Soums)

33. Subsidiaries (continued)

Disposal of Property Market LLC

In December 2022, the Group has disposed its full 82,92% ownership in "Property Market" LLC. The shares owned by the Group were sold to an individual, that holds the rest part of shares of subsidiary, Vakhabov Abror on instalment ending 5 December 2029.

The assets and liabilities of Property Market LLC as at the date of disposal were as follows:

Assets	
Property, Plant and Equipment	24,278
Cash and cash equivalents	9
Other assets	328
	24,615
Liabilities	
Other liabilities	7
	7

As a result of this transaction, the Group recognised in gain on disposal of UZS 622.

34. Investments in associates

The following major associates are accounted for under the equity method:

31 December 2022	*Ownership/ voting, %*	*Principal place of business*	*Country of incorporation*	*Nature of activities*	*Carrying Value*
JSC Uzbek Leasing International	46%	Tashkent	Uzbekistan	Leasing	135,797
Khorezm Invest Project LLC	33%	Khorezm	Uzbekistan	Invest project	31,756
Navro'z Bogi LLC	37%	Tashkent	Uzbekistan	Construction	17,000
Paxtakor Gold Textile LLC	36%	Djizzakh	Uzbekistan	Asset management	10,704
Gazgan Stone Invest LLC	43%	Navoiy	Uzbekistan	Asset management	16,249
O'zbegim Otlari LLC	42%	Tashkent	Uzbekistan	Horse	8,563
Samarkand Hospitality Partners LLC	25%	Samarkand	Uzbekistan	Hotel	7,500
Kattakurgan Business Services LLC	33%	Samarkand	Uzbekistan	Textile	1,734
Samarkand Touristic Center LLC	40%	Samarkand	Uzbekistan	Tourism	-
Uzautotrans Service LLC	49%	Tashkent	Uzbekistan	Transportation	-
Other associates, individually immaterial		Other	Other	Other	100
Total carrying value of investments in associates					**229,403**

(millions of Uzbek Soums)

34. Investments in associates (continued)

31 December 2021	*Ownership/ voting, %*	*Principal place of business*	*Country of incorporation*	*Nature of activities*	*Carrying Value*
Samarkand Touristic Center LLC	40%	Samarkand	Uzbekistan	Tourism	71,934
JSC Uzbek Leasing International	42%	Tashkent	Uzbekistan	Leasing	69,239
ATTO LLC	42%	Tashkent	Uzbekistan	Transportation	35,335
Navro'z Bogi LLC	50%	Tashkent	Uzbekistan	Construction	34,000
Khorezm Invest Project LLC	33%	Khorezm	Uzbekistan	Invest project	28,192
Shomanay Eco Teks LLC	24%	Karakalpakstan	Uzbekistan	Textile	23,784
O'zbegim Otlari LLC	42%	Tashkent	Uzbekistan	Horse	17,126
Sherobod Textile Invest LLC	49%	Tashkent	Uzbekistan	Textile	21,102
Ostex Jizzakh LLC	48%	Tashkent	Uzbekistan	Textile	16,246
Paxtakor Gold Textile LLC	36%	Djizzakh	Uzbekistan	Asset management	10,704
Gazgan Stone Invest LLC	48%	Navoiy	Uzbekistan	Asset management	10,246
Samarkand Hospitality Partners LLC	25%	Samarkand	Uzbekistan	Hotel	7,500
Uzautotrans Service LLC	49%	Tashkent	Uzbekistan	Transportation	-
Other associates, individually immaterial		Other	Other	Other	201
Total carrying value of investments in associates					**345,610**

The summarised financial information of material associates is presented below:

"Uzbek Leasing International" JSC	***2022***	***2021***
Current assets	218,587	502,270
Non-current assets	658,402	230,856
Total assets	**876,989**	**733,126**
Current liabilities	24,539	37,455
Non-current liabilities	557,239	530,816
Total liabilities	**581,778**	**568,271**
Net assets	**295,211**	**164,855**
The Group's share of ownership	46%	42%
Carrying value of the investment in the associate	**135,797**	**69,239**

"Uzbek Leasing International" JSC	***2022***	***2021***
Gross profit	119,217	90,626
Profit for the year	**29,879**	**29,308**
Share of the Group in the profit of company	**13,744**	**12,310**

(millions of Uzbek Soums)

34. Investments in associates (continued)

The Group’s share of profit or loss and other comprehensive income of individually immaterial associates is as follows:

	2022	*2021*
Loss for the year	**(7,126)**	**(7,621)**
Other comprehensive income/(loss)	**-**	**-**
Total comprehensive loss for the year	**(7,126)**	**(7,621)**

As at 31 December 2022, there were no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

As at 31 December 2022, the Group identified signs of impairment for the investments in Navruz Bogi LLC and Uzbegim Otlari LLC. The total impairment loss amount recognized in the consolidated statement of profit or loss for the abovementioned associates was UZS 102,252. Besides, The Group also recognized 100% impairment loss for the investment in Samarkand Touristic Centre LLC in the amount of UZS 153,756.

35. 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	**3,188,044**	**39,274,816**	**1,566,814**	**42,462,860**
Proceeds from issue	35,008	12,721,095	-	**12,756,103**
Redemption	-	(9,333,730)	-	**(9,333,730)**
Foreign currency translation	108,222	669,043	41,072	**777,265**
Other	3,226	45,253	4,601	**48,479**
Carrying amount at 31 December 2021	**3,334,500**	**43,376,477**	**1,612,487**	**46,710,977**
Proceeds from issue	-	22,189,145	-	**22,189,145**
Redemption	(44,754)	(23,068,072)	-	**(23,112,826)**
Foreign currency translation	116,340	624,893	44,153	**741,233**
Other	3,227	164,336	(8,438)	**167,563**
Carrying amount at 31 December 2022	**3,409,313**	**43,286,779**	**1,648,202**	**46,696,092**

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.

36. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group’s capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the CBU in supervising the Group.

During the past year, the Group had complied in full of all its externally imposed capital requirements.

The primary objectives of the Group’s capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders’ value.

(millions of Uzbek Soums)

36. Capital adequacy (continued)

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group’s general policy in relation to risks related to capital management is reflected in the Bank’s Capital Management Policy approved by the Supervisory Board and amended from time to time based on the Group’s strategic goals and the regulatory requirements of the Central Bank of the Republic of Uzbekistan.

The following table analyses the Group’s regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basel Committee:

Capital adequacy ratio under Basel Capital Accord 1988

The Group’s capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as of 31 December 2022 and 2021, comprised:

Composition of regulatory capital:	***2022***	***2021***
Tier 1 capital		
Share capital	14,350,285	12,209,351
Contribution from shareholders	126,096	126,096
Retained earnings	1,710,706	904,616
	16,187,087	**13,240,063**
Tier 2 capital		
Subordinated debt	1,648,202	1,612,487
General provision	1,449,920	520,116
Other reserves	208,865	100,791
Total capital	**19,494,074**	**15,473,457**
Capital adequacy ratio:		
Tier 1 capital ratio	23%	18%
Total capital ratio	28%	21%
Leverage - Debt-to-Equity ratio (Total liabilities/Equity)	6.39	5.53

37. Events after the reporting period

New borrowings

The Group entered into multiple loan agreements with Ministry of Finance of the Republic of Uzbekistan from January to April 2023 according to which the Group received funds in the amount of UZS 700,600. Besides this, the Group received the amount of USD 39,997,886 based on a new loan agreement with Citi Bank. Furthermore, based on earlier agreements the Group received USD 43,500 from Eximbank of Korea, EUR 2,558,972 from Commerzbank, CNY 500,000,000 from China Development Bank Corporation, USD 40,491,700 from Eximbank of Korea, USD 463,000 from Fund for Supporting Youth Entrepreneurship. Moreover, the Group received funds in the amounts of UZS 4,373 from Fund for Supporting Youth Entrepreneurship and UZS 50,694 from Fund for Reconstruction and Development of the Republic of Uzbekistan (FRDU). In accordance with the loan agreement signed with FRDU in June 2022 the Group received UZS 25,880.

(millions of Uzbek Soums)

37. Events after the reporting period (continued)

Shareholders

In accordance with the Decree of the President of the Republic of Uzbekistan №83 dated March 1, 2023, on 16 March 2023 a state-owned stake in the amount of 5,871,646,831 ordinary shares (40.72%) in the authorized capital of the Bank owned by the Ministry of Finance of the Republic of Uzbekistan was transferred to the Agency for Strategic Reforms under the President of the Republic of Uzbekistan in the prescribed manner.