



**JOINT-STOCK COMPANY  
«MORTGAGE REFINANCING COMPANY  
OF UZBEKISTAN»**

**Financial statements for the year ended 31 December 2022  
and Independent auditor's opinion  
(Translated from Russian language)**

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## Independent Auditor's opinion

To shareholders and the Supervisory Board of  
JSC «Mortgage Refinancing Company of Uzbekistan»

### *Opinion*

We have audited the financial statements of Joint-Stock Company "Mortgage Refinancing Company of Uzbekistan" (hereinafter referred to as the "Company"), which consist of the statement of financial position as at 31 December 2022 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date and the notes to the financial statements, including a summary of key accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects the financial position of the Company as at 31 December 2022, as well as its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section "Auditor's responsibility for auditing financial statements" of our opinion. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the schedule in the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (PAIESB Code) and ethical requirements applicable to our audit of the financial statements in the Republic of Uzbekistan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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## ***Other information***

Management is responsible for other information. Other information includes information contained in the annual report, but does not include the financial statements and our audit report about it.

Our view of the financial statements does not apply to other information, and we will not provide conclusion with assurance of any form regarding this information.

In a view of conducting our audit of the financial statements, our responsibility is to review other information and consider whether there are significant discrepancies between other information and the financial statements or our knowledge gained during the audit and whether other information contains other significant distortion.

If, based on the work we have carried out, we conclude that other information contains a material misstatement, we must report this fact.

## ***Responsibility of the Management and Those Charged with Corporate Governance for the Financial Statements***

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

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

The management and those charged with governance are responsible for overseeing the preparation of the financial statements of the Company.

## ***Auditor's responsibility for auditing financial statements***

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

As part of an audit conducted in accordance with International Standards on Auditing, we apply professional judgment to retain professional skepticism throughout the audit. In addition, we perform the following:

- identify and assess the risks of material misstatement of financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of non-detection of material as a result of unfair acts is higher than the risk of not detecting a significant distortion as a result of an error, since unfair acts may include conspiracy, fraud, intentional omission, misrepresentation of information or actions bypassing the internal control system;
- get an understanding of the internal control system that is relevant to the audit, in order to develop audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system;
- assess the proper nature of the accounting policies applied and the reasonableness of accounting estimates and the corresponding disclosure of information prepared by management;



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- make a conclusion about the legitimacy of management's use of the assumption of business continuity, and on the basis of the obtained audit evidence - the conclusion whether there is a significant uncertainty in connection with events or conditions that may raise significant doubts in the ability of the Company to continue its business continuously. If we conclude that there is significant uncertainty, we must draw attention to our disclosure in the financial statements, or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence received before the date of our audit report. However, future events or conditions may lead to the Company losing the ability to continue its business continuously;
- assess the presentation of the financial statements in general, its structure and content, including disclosure of information, as well as whether the financial statements present the underlying operations and events in a manner that ensures their reliable representation;
- obtain sufficient appropriate audit evidence relating to the financial information of the organization or activities within the Company in order to express an opinion on the financial statements. We are responsible for the management, control and conduct of the Company's audit. We remain fully responsible for our audit opinion.

We collaborate with Management and those responsible for corporate governance, including, among other things, information on the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify in the course of the audit.

We also provide the Management and those responsible for corporate governance with a statement that we have complied with all relevant ethical requirements regarding independence and informed these individuals about all relationships and other issues that can reasonably be considered to affect the independence of the auditor. And if it is required - on appropriate precautions.

From those questions that we brought to the attention of the Management and to those responsible for corporate governance, we identify issues that were most essential to the audit of the financial statements for the current period and, therefore, are considered as key audit issues. We describe these issues in our audit report, except when public disclosure of information on these matters is prohibited by law or regulation or, in extremely rare cases, when we conclude that information on any matter should not be communicated in our report, since it can be reasonably assumed that the negative consequences of communicating such information will exceed the socially significant benefits.

Shoodil Nosirov  
Partner

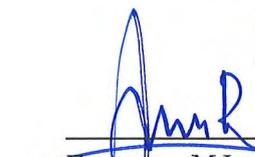
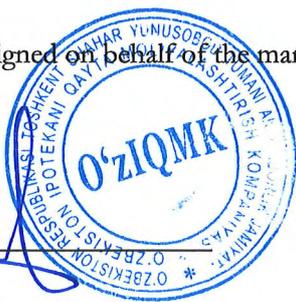


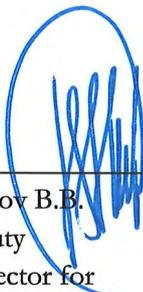
28 April 2023  
Tashkent, Uzbekistan

## Statement of financial position

	Notes	31 December 2022	31 December 2021
<b>Assets</b>			
Cash and cash equivalents	6	1 308 436	6 940 264
Due from other banks	7	76 054 388	103 075 868
Loans and advances	8	1 929 499 914	1 165 582 309
Investment financial assets	9	51 859 805	-
Deferred tax asset	17	1 056 826	767 095
Fixed assets	10	5 731 785	4 173 648
Other assets	11	986 369	326 686
<b>Total assets</b>		<b>2 066 497 523</b>	<b>1 280 865 870</b>
<b>Liabilities</b>			
Borrowings	12	1 928 085 935	1 166 142 810
Other liabilities	13	7 312 991	4 869 386
<b>Total liabilities</b>		<b>1 935 398 926</b>	<b>1 171 012 196</b>
<b>Equity</b>			
Share capital	14	112 222 700	100 000 000
Retained earnings (Unearned loss)	14	18 875 897	9 853 674
<b>Total equity</b>		<b>131 098 597</b>	<b>109 853 674</b>
<b>Total liabilities and equity</b>		<b>2 066 497 523</b>	<b>1 280 865 870</b>

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

  
  
 Farmanov M.J.  
 General director

  
 Shoymardanov B.B.  
 Acting Deputy  
 General Director for  
 Financial Affairs

28 April 2023

## Statement of profit or loss and other comprehensive income

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest income	15	205 985 429	83 280 946
Interest expense	15	(171 781 155)	(63 486 368)
<b>Net interest income</b>		<b>34 204 274</b>	<b>19 794 578</b>
Provision for credit losses on debt financial assets	6, 7, 8	(1 059 932)	(3 458 132)
<b>Net interest income after provision for credit losses</b>		<b>33 144 342</b>	<b>16 336 446</b>
Commission expenses		(43 591)	(20 038)
Other operating income		1 098	2 005
Administrative and other operating expenses	16	(7 953 368)	(6 195 528)
<b>Income before tax</b>		<b>25 148 481</b>	<b>10 122 885</b>
Income tax expense	17	(3 260 257)	(1 592 012)
<b>Net income for the year</b>		<b>21 888 224</b>	<b>8 530 873</b>
<i>Other comprehensive income</i>		-	-
<b>Total comprehensive income for the year</b>		<b>21 888 224</b>	<b>8 530 873</b>

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

  
Farmanov M.J.  
General director



  
Shoymardanov B.B.  
Acting Deputy General Director for  
Financial Affairs

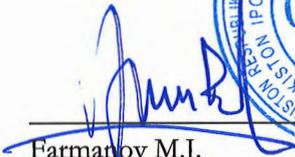
28 April 2023

*The notes on pages from 8 to 50 are an integral part of these financial statements.*

## Statement of changes in equity

	Share capital	Retained earnings (Unearned loss)	Total equity
<b>Balance as of 1 January 2021</b>	<b>100 000 000</b>	<b>1 322 801</b>	<b>101 322 801</b>
Net income for the year	-	8 530 873	8 530 873
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>8 530 873</b>	<b>8 530 873</b>
<b>Balance as of 31 December 2021</b>	<b>100 000 000</b>	<b>9 853 674</b>	<b>109 853 674</b>
Net income for the year	-	21 888 224	21 888 224
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>21 888 224</b>	<b>21 888 224</b>
<b>Capitalization of dividends on Share capital</b>	<b>12 222 700</b>	-	<b>12 222 700</b>
<b>Dividends declared on ordinary shares</b>	<b>-</b>	<b>(12 866 001)</b>	<b>(12 866 001)</b>
<b>Balance as of 31 December 2022</b>	<b>112 222 700</b>	<b>18 875 897</b>	<b>131 098 597</b>

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

  
Farmanov M.J.  
General director



  
Shoymardanov B.B.  
Acting Deputy General Director for  
Financial Affairs

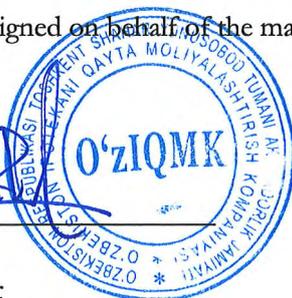
28 April 2023

## Statement of cash flows

	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Cash flow from operating activities</b>		
Interest received	191 001 691	68 117 753
Interest paid	(164 452 042)	(49 365 256)
Other operating income	9 371	2 005
Staff costs	(5 445 179)	(4 097 798)
Administrative and other operating expenses	(2 834 439)	(4 443 556)
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>18 279 402</b>	<b>10 213 148</b>
<b>Net (increase) / decrease in operating assets</b>		
Due from other banks	27 021 480	(8 700 000)
Loans and advances	(755 080 177)	(845 670 142)
Investment financial assets	(51 859 805)	-
Other assets	(659 683)	(347 553)
<b>Net increase / (decrease) in operating liabilities</b>		
Other liabilities	1 889 297	541 033
<b>Net cash flow from operating activities</b>	<b>(760 409 486)</b>	<b>(843 963 514)</b>
<b>Cash flow from investing activities</b>		
Acquisition of fixed assets and intangible assets	(314 610)	(132 210)
<b>Net cash flow from investing activities</b>	<b>(314 610)</b>	<b>(132 210)</b>
<b>Cash flow from financing activities</b>		
Borrowings received	755 080 930	845 669 032
<b>Net cash flow from financing activities</b>	<b>755 080 930</b>	<b>845 669 032</b>
The effect of changes in exchange rates on cash and cash equivalents	-	-
<b>Net change in cash and cash equivalents</b>	<b>(5 643 166)</b>	<b>1 573 308</b>
Cash and cash equivalents at the beginning of the reporting year	6 968 836	5 395 528
<b>Cash and cash equivalents at the end of the reporting year</b>	<b>1 325 670</b>	<b>6 968 836</b>

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

  
Farmanov M.J.  
General director



  
Shoymardanov B.B.  
Acting Deputy General Director for  
Financial Affairs

28 April 2023

## Notes to the financial statement

### 1 Primary activity

Joint Stock Company “Mortgage Refinancing Company of Uzbekistan” (hereinafter referred to as the “Company”) was established at 4 November 2019 as a Joint stock company in accordance with the Decree of the President of the Republic of Uzbekistan No. PD-5715 dated 13 May 2019 in Tashkent, Republic of Uzbekistan.

The Company is registered in the Republic of Uzbekistan to carry out activities on refinancing mortgage loans in accordance with the Decision of the Banking Control Committee of the Central Bank of the Republic of Uzbekistan (hereinafter - the "CBU") No. 224/1 dated 1 June 2020.

The Company is a commercial organization, the main purpose of which is the distribution of long-term resources by refinancing mortgage loans received from banks and other credit institutions; and also contribute for the stable development of the mortgage market in Uzbekistan.

As at 31 December 2022, the Company carries out its activities through the head office in Tashkent, Republic of Uzbekistan.

The legal address of the Head Office of the Company: 100084, Republic of Uzbekistan, Tashkent city, Amir Temur Street, 107-B.

The total number of Company’s personnel as at 31 December 2022 was 28 people (at 31 December 2021: 15 person).

The structure of the Company’s shareholders is presented in the following table:

	31 December 2022	31 December 2021
Shareholders	Share (%)	Share (%)
Ministry of Finance of the Republic of Uzbekistan	25	25
JSCIB "Ipoteka bank"	20	20
JSCB "Qishliq qurilish bank"	10	10
JSC "National bank of Uzbekistan"	10	10
JSCB "Uzsanoatqurilishbank"	8	8
JSC Xalq bank	7	7
JSCB "Agrobank"	5	5
JSCB "Asaka bank"	5	5
JSCB "Turon bank"	3	3
PJSCB "Orient Finance"	3	3
JSCB "Hamkorbank"	2	2
JSCB "Kapitalbank"	1	1
JSCB "Invest Finance bank"	1	1
<b>Total shareholders</b>	<b>100</b>	<b>100</b>

The ultimate controlling owner of the Company is the Government of the Republic of Uzbekistan.

## 2 The economic environment in which the Company operates

The economy of the Republic of Uzbekistan continues to show some features of developing market. The government develops the legislative, tax and regulatory framework necessary in a market economy, and undertakes significant economic and social changes. Further economic development of the Republic of Uzbekistan mostly depends on the effectiveness of economic measures, financial mechanisms and monetary policy adopted by the Government, as well as the development of the tax, regulatory and political system.

As reform process has not yet been completed, operations carried out in Uzbekistan are fraught with risks, which is not typical for economically developed countries. Among them, in particular, the non-convertibility of UZS in most countries outside the Republic of Uzbekistan, low level of liquidity in the debt securities market and the capital market, as well as continuing inflation.

In 2019, the Government carried out work to further strengthen liquidity and increase the stability of the country's financial and banking system. As a result, the total capital of commercial banks on 1 January 2023 reached 79.6 trillion. UZS (2021: UZS 70.9 trillion).

According to the decision of the Central Bank, from 18 March 2022, the policy rate of Central bank has increased from 14 percent to 17 percent. And from 10 June 2022 has decreased to 16 percent and from 22 July 2022 to 15 percent. Also, according to the decisions of the Board of the Central Bank of the Republic of Uzbekistan dated 8 September 2022, 27 October 2022 and 15 December 2022, it was decided to leave the policy rate at 15 percent.

The state of the economy of the Republic of Uzbekistan is characterized by relatively inflation rates. During 2022, the inflation rate was 12.3 percent (2021: 9.9 percent).

The dynamics of GDP remains in the positive zone, and GDP growth in 2022 was 5.7 percent compared to 2021, while in 2021 GDP growth was 7.4 percent.

In September 2022, Fitch Ratings confirmed the Republic of Uzbekistan's long-term issuer default rating in foreign currency at the level of "BB-". The rating forecast is stable.

In January 2023, Moody's upgraded the long-term sovereign rating of the Republic of Uzbekistan to "Ba3", with a stable outlook.

### 3 Principles of reporting

#### 3.1 Applicable standards

The accompanying financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (“IFRS”), approved by the International Accounting Standards Committee (“IASC”) based on historical cost accounting rules, adjusted for initial recognition of financial instruments at fair value and measured at fair value through profit or loss and at fair value through other comprehensive income. The accounting policies used in the preparation of these financial statements are presented below.

The Company maintains records in accordance with the requirements of the current legislation of the Republic of Uzbekistan. These financial statements have been prepared based on these accounts with the adjustments necessary to bring it in compliance with IFRS in all material respects.

#### 3.2 Functional and presentation currency

The national currency of the Republic of Uzbekistan is the "Uzbek soum" (hereinafter - UZS). The Uzbek soum was chosen as the functional currency, as well as the currency in which these financial statements are presented.

All financial statements have been rounded to the nearest thousand.

#### 3.3 Currency operations

Foreign currencies, especially the US dollar (USD) and the Euro, play a significant role in determining the economic parameters of many business transactions in the Republic of Uzbekistan. The table below shows the rates of Uzbek soum against the US dollar and Euro, established by the Central Bank of Uzbekistan:

Date	US Dollar	EURO
31 December 2022	11 225,46	11 961,85
31 December 2021	10 837,66	12 224,88

#### **4 Important assessment and professional judgement**

The preparation of financial statements in accordance with IFRS requires management to apply judgments, assumptions and estimations that affect the application of accounting policies and the recognition of assets and liabilities, income and expenses in the financial statements. To determine the carrying amount of assets and liabilities, estimated values and associated assumptions based on historical experience and other applicable factors are necessary. Despite the fact that the estimated values based on the most complete knowledge of the management of the current situation; the actual results may ultimately differ significantly from the accepted estimates.

The Company makes estimates and assumptions that affect the amounts of assets and liabilities recorded in the financial statements in the next financial year. Estimations and assumptions continually analyzed based on management experience and other factors, including expectations regarding future events that management believes are reasonable in the light of current circumstances. Management also uses professional judgment and evaluation in the process of applying accounting policies. The professional judgment that has the most significant effect on the amounts recognized in the financial statements and the estimates that may result in significant adjustments to the carrying amount of assets and liabilities during the next financial year include:

##### ***Going concern***

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

##### ***Classification of financial assets***

An assessment of business models that apply to assets, and an assessment of whether the contractual terms of a financial asset are solely a payment of principal and interest on principal, is disclosed in Note 5.

##### ***Measurement of estimated reserve for expected credit losses***

Measurement of the estimated reserve for expected credit losses for financial assets measured at amortized cost and fair value through other comprehensive income (FVTOCI) is an area that requires complex models and significant assumptions about future economic conditions and credit behavior (for example, probability of default of counterparties and losses arising). A number of significant judgments are also required when applying accounting requirements to measure expected credit losses, such as:

- Defining criteria for a significant increase in credit risk;
- Selection of suitable models and assumptions for measuring expected credit losses;
- Determining the number and relative weights of possible future scenarios for each type of product/market and the corresponding expected credit losses;
- Creation of groups of similar financial assets for estimating expected credit losses.

The number of factors is influencing to the estimation of reserves for credit losses on financial instruments. These factors are set out below:

- Remittances and the corresponding estimate of the provision for credit losses between stage 1 (12-months expected credit losses) and 2 (expected credit losses for the entire life span - unimpaired assets), or stage 3, due to the fact that the balances experienced a significant increase (or decrease) in credit risk within one Stage. Another reason is depreciation during the period with a consequent increase (or decrease) from expected credit losses for 12 months to expected credit losses for the entire life;
- Creation of additional estimated reserves for newly recognized or purchased financial instruments during the period, as well as their recovery in respect of financial instruments whose recognition has been discontinued during the period;

- The effect on the estimate of expected credit losses of changes in indicators of the probability of default, debt at the time of default and loss in case of default during the period resulting from regular updating of the initial data of the models;
- The effect on changes in claims on contractual interest on the estimate of expected credit losses, taking into account the effect of time since expected credit losses are estimated on the basis of the current present value;
- Financial assets that were de-recognized during the period and write off / restore of the estimated reserves relating to assets that were written off / restored during the period;
- Sale of subsidiaries and reclassification into assets for discontinued operations and assets held for sale;
- The impact of changes in exchange rates when recalculating assets denominated in foreign currency and other movements.

Information on input data, assumptions, valuation methods and judgments used in measuring expected credit losses is described in detail in Notes 5 and 22.

Definitions of terms related to the estimated expected credit losses are given in Note 22.

#### ***Fair value of financial instruments***

The fair value of financial instruments for which there is no quotation in an active market is determined using various valuation techniques. If valuation techniques are used to determine the fair value (for example, models), they are approved and regularly reviewed by qualified staff independent of the department/unit using these techniques. All models are certified before they are used; models are also adjusted to reflect actual and comparative market prices. In the framework of the permissible model, only observable data are used, however, such areas as credit risk (both own and counterparty risk), variability and correlation require management to make estimates. Changes in the assumptions related to these factors may affect the fair value recorded in the financial statements. See Note 21.

## 5 Key principles of accounting policy

### 5.1 New and revised IFRS released and effective from 01 January 2022

#### *Amendments to IFRS (IAS) 16 "Fixed Assets"*

Additions to the Standard relate to accounting and disclosure of information regarding receipts for fixed assets before they are used for their intended purpose. The amendments prohibit deducting from the initial cost of fixed assets the amounts received from the sale of products produced during the preparation of the asset for its intended use. Instead, such sales revenue and related costs are recognized in profit or loss.

Amendments should be applied retrospectively. The Company must apply these amendments for annual reporting periods beginning on or after 01 January 2022.

#### *Amendments to IAS 37 "Estimated Liabilities, Contingent Liabilities and Contingent Assets"*

The amendments clarify what costs are included in the assessment of the costs of fulfilling obligations under the contract in order to determine it as burdensome. Costs that are directly related to a contract for the supply of goods or services include both additional costs (for example, labor and materials costs) and the allocation of costs directly related to the contract (for example, depreciation of equipment used to fulfill the contract, as well as the costs of contract management and supervision). General and administrative expenses are not directly related to the contract and are excluded if they are not explicitly attributed to the counterparty under the contract.

The Company must apply these amendments for annual reporting periods beginning on or after 01 January 2022.

#### *Amendments to IFRS 3 "Business Combinations"*

The standard is supplemented by an exception to the principles of recognition of assets and liabilities in the object of acquisition. An exception has been made with respect to liabilities and contingent liabilities related to the scope of IFRS (IAS) 37 or the IFRIC Clarification 21. These liabilities are assessed as if they arose as a result of separate transactions, and were not accepted as part of a business combination.

The Company must apply the amendments to business combinations for which the acquisition date coincides or occurs after the beginning of the first annual reporting period beginning on or after 01 January 2022. Early application is allowed if earlier or at the same time the Company also applies all the amendments made by the document "Amendments to the References to the "Conceptual Framework" in the IFRS Standards", issued in March 2018.

### 5.2 Standards that have been released but not effective yet

Some new standards have entered into force for the Company's reporting periods beginning on or after 01 January 2022, and have not been adopted by the Company ahead of schedule.

The IFRS document *"Deferred Tax related to Assets and Liabilities that arise as a result of a single transaction" has been put into effect. Amendments to IFRS (IAS) 12"*. The document contains amendments:

- Amendments to IFRS (IAS) 12 "Income Taxes";
- to IFRS 1 "First Application of International Financial Reporting Standards".

*IFRS (IAS) 12 "Income Taxes"* has been supplemented with another condition for a transaction as a result of which a deferred tax liability is not recognized. It should not lead to equal taxable and deductible temporary differences at the time of its commission. The same condition was established for an operation that does not result in the recognition of a deferred tax asset.

The IFRS document *"Disclosure of information on Accounting Policy"* has been put into effect. *Amendments to IFRS (IAS) 1 "Presentation of Financial Statements" and Practical Recommendations No. 2 on the Application of IFRS "Formation of Judgments on Materiality"*. The document amends a number of IFRS:

- IFRS (IAS) 1 "Presentation of Financial Statements";
- Practical recommendations No. 2 on the application of IFRS;
- IFRS 7 "Financial Instruments: Disclosure of Information";
- IFRS (IAS) 26 "Accounting and Reporting on Pension Programs";
- IAS 34 Interim Financial Reporting.

For IFRS (IAS) 1 "Presentation of Financial statements" it is specified that the complete set of these statements should include notes with material information about accounting policies. Previously, the wording was different: it was necessary to include a brief overview of significant provisions.

The concept of material information about accounting policy is defined. This is information that, together with other information from the financial statements, can influence the decision of its main users.

It is added that it is necessary to disclose, among other things, information about management's judgments when applying accounting policies (other than those related to estimates), which significantly affected the amounts in the statements. This should be done together with the disclosure of material information or in other notes.

These amendments to the standards should be applied to annual reporting periods beginning on or after 01 January 2023. Early application is allowed. If the Company applies these amendments to an earlier period, it will have to disclose this fact.

### ***IFRS 17 "Insurance Contracts"***

The new standard establishes the principles of recognition, evaluation, presentation and disclosure of insurance contracts and replaces IFRS 4 "Insurance Contracts". This standard provides for the use of a general model modified according to insurance contracts with direct participation components described as contracts with variable insurance remuneration.

The IASB has issued amendments to IFRS 17 "Insurance Contracts" designed to help companies implement the standard and simplify the explanation of financial results. The changes make it possible to: reduce the costs of companies by simplifying some of the requirements of the standard; simplify the explanation of financial indicators; make it easier to switch to the standard, since its effective date is postponed to 2023, and companies are granted an additional exemption when first applying IFRS 17. It is applied for annual periods beginning no earlier than 01 January 2023.

### **5.3 Fair value measurement**

Fair value is the price that would have been received when the asset was sold or paid when the liability was transferred in a normal transaction between market participants at the valuation date in the main market or, in the absence thereof, in the most profitable market to which the Company has access to specified date. The fair value of a liability reflects the risk of default.

To the extent possible, the Company estimates the fair value of the instrument using quoted prices for this instrument in an active market. The market is recognized as active if the quotes are easily accessible and reflect actual and regular transactions between independent market participants.

In the absence of current quotations in an active market, the Company uses valuation methods that make the most of the observed baseline data and minimally use the unobservable baseline data. The selected valuation methods include all factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument upon initial recognition is usually the transaction price, that is, the fair value of the compensation paid or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is not confirmed by current quotes in an active market for a similar asset or liability and is not based on valuation methods that use only observable inputs, the financial instrument is initially measured at fair value adjusted to postpone the recognition of the difference between the transaction price and the fair value. After initial recognition, this difference is subject to amortization in profit or loss over the life of

the instrument, but no later than the moment when the assessment is fully confirmed by observable inputs or when the operation has been completed.

If the transaction price in the inactive market differs from the fair value of current market transactions in the observable market for the same instrument or is based on the valuation technique, the initial parameters of which include only information from the observed markets, the Company immediately recognizes the difference between the transaction price and the fair value (“First day earnings”) in profit or loss. In the case of using unobservable information, the difference between the transaction price and the value determined on the basis of the model is recognized in profit or loss only if the original data becomes observable or if the financial instrument is derecognized.

If the asset or liability measured at fair value has a bid price and a bid price, the assets and long positions are estimated based on the bid price, liabilities and short positions are estimated based on the bid price.

#### **5.4 Effective interest rate (discount method)**

**The effective interest method** is the adjustment of all future cash flows expected for a financial asset or financial liability to the fair value at the date the asset or liability is incurred at a discount rate.

The discounting method is used by the Company to determine the amortized cost of financial instruments.

**The discount rate** is the effective interest rate or market interest rate at which all future cash flows of a financial instrument are reduced to fair value.

Cash flows for financial assets and liabilities are discounted on the basis of future cash flows expected at the actual contract rate and the corresponding discount rate determined on the basis of the discount rate

If cash flows on a financial instrument are expected for more than one period (interest income or expenses are charged more than once on certain dates during the entire term of the financial instrument, and / or repayment of the principal amount is carried out in parts), the calculation of future cash flows, the discount rate and discounted amounts of data flows is carried out for each such period. The current present value of a financial instrument at the date of its occurrence in this case represents the sum of the discounted future flows of the instrument for each period.

**The effective interest rate** applies to the gross book value of the financial instrument. The effective interest rate adjusted for credit risk is applied to the acquired or created credit impaired financial assets. This rate applies to the amortized cost of acquired or created impaired assets from the date of initial recognition.

For financial assets that subsequently become credit-impaired, the effective interest rate also applies to the amortized cost. If subsequently the credit risk on the credit impaired financial asset is reduced to such an extent that the asset ceases to be such, from the next reporting period the effective interest rate is applied to the gross book value of the financial instrument.

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

#### **5.5 Amortized cost of a financial instrument**

**The amortized cost** of a financial instrument at the end of each reporting period is a measure calculated at the amortized cost of this instrument at the end of the previous reporting period plus / minus the depreciation, which is the difference between the cash flows for this reporting period, calculated at the effective interest rate, and in fact received or paid cash flows during this period.

When determining the amount of depreciation, cash flows for a financial instrument include:

- the movement of the issued / received amount of principal debt;
- interest income or expense;

- additional fees received / paid at the time of issuing / raising a loan (such as fees for arranging and issuing a loan, reviewing a loan application, opening and servicing a loan account, etc.) or issuing a debt obligation (for example, bonds);
- other commissions subject to a reliable estimate, the payment of which is a prerequisite for issuing a loan / issuance of an obligation or will be made on a regular basis according to the terms of the contract.

Interest income and expenses on financial instruments recorded at initial recognition at actual costs are recognized in the income statement based on the actual contract rate.

If a financial instrument determines a new fair value for its initial recognition, the calculation and recognition of interest income or expenses is based on the market interest rate used to determine the new fair value of the financial instrument, which subsequently becomes the effective interest rate for the instrument.

For floating rate financial instruments, the effective interest rate for cash flow discounting is used until the next date of the floating rate revision at market rates before the maturity date of the financial instrument.

Interest income and expenses on financial instruments, the calculation of the amortized cost of which is carried out by discounting flows at the effective interest rate, are calculated on the basis of the new initial value of the financial instrument at the effective interest rate.

## 5.6 Financial assets and liabilities

### *Classification of financial instruments*

In accordance with IFRS 9 financial assets are classified as subsequently measured:

- At amortized cost;
- At fair value through other comprehensive income;
- At fair value through profit or loss - depending on:
  - the business model used to manage financial assets;
  - characteristic of a financial asset related to the cash flows provided in the contract.

**The business models** used by the Company are determined by key management personnel and describe the ways in which the Company manages its financial assets in order to generate cash flows.

**Financial assets are measured at amortized cost** when the following conditions are met:

- the financial asset is held within the business model, the purpose of which is to withhold to obtain the cash flows provided by the contract;
- the contractual terms provide for the receipt on certain dates of cash flows, which are exclusively payments to the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

Cash flows that are exclusively payments on account of the principal amount of the debt and interest on the outstanding portion of the principal amount of the debt are characterized by the following features:

- the principal amount of the debt is the fair value of the financial asset at initial recognition;
- interest includes only reimbursement for the time value of money, for credit risk in respect of the principal amount of debt remaining outstanding for a certain period of time, and for other ordinary risks (for example, liquidity) and costs (in particular, administrative) associated with lending.

In some cases, the element of the time value of money contains compensation for other risks and costs, i.e., is modified. In this case, the Company conducts a qualitative or, if necessary, quantitative assessment of the significance of the effect of the modified element of the time value of money.

**Financial assets are measured at fair value through other comprehensive income** while fulfilling the following conditions:

- the financial asset is held within the framework of a business model, the purpose of which is to keep both the cash flows stipulated in the contract and the sale of financial assets;
- the contractual terms provide for the receipt on certain dates of cash flows, which are exclusively payments to the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

**Financial assets are measured at fair value through profit or loss** if they are acquired as part of a business model that aims to sell, and if they do not meet the criteria for valuation at amortized cost or at fair value through other comprehensive income.

In accordance with IFRS 9 **financial liabilities are classified as subsequently measured at amortized cost**, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when the transfer of a financial asset does not meet the requirements for de-recognition or when the principle of accounting for continuing participation is applied;
- financial guarantee contracts;
- commitments to provide loans at an interest rate below the market;
- contingent consideration resulting from a business combination.

#### *Estimation of business model*

The Company assesses the purpose of the business model in which the asset is held at the portfolio level of financial instruments, as this best reflects the way the business is managed and how the information is presented to management. Analyzed information includes:

- Policies and objectives established for portfolio management, as well as the implementation of these policies in practice. In particular, whether the management strategy is focused on obtaining interest income stipulated by the contract, maintaining a certain structure of interest rates, ensuring that the maturity of financial assets matches the maturity of financial liabilities used to finance these assets, or realizing cash flows through the sale of assets.
- How portfolio performance is assessed and how this information is communicated to the management of the Company;
- Risks that impact on the performance of the business model (and financial assets held under this business model), and how these risks are managed;
- How remuneration is given to managers responsible for managing the portfolio (for example, whether this remuneration depends on the fair value of the specified assets or on the cash flows from the assets provided by the contract);
- Frequency, volume and timing of sales in past periods, the reasons for such sales, as well as expectations regarding future sales. However, information on sales levels is not considered in isolation, but as part of a single holistic analysis of how the Company's stated goal of managing financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading, or that are managed and whose performance is measured on the basis of fair value, are measured at fair value through profit or loss, since they are not held neither for the purpose of obtaining the contractual cash flows nor for the purpose of cash flow contract and sale of financial assets.

An assessment of whether contractual cash flows are solely payment of principal and interest.

For the purposes of this assessment, "principal" is defined as the fair value of a financial asset upon initial recognition. "Interest" is defined as reimbursement for the time value of money, for credit risk in respect of the principal amount outstanding for a certain period of time, and for other major risks and costs associated with lending (for example, liquidity risk and administrative costs), and include profit margins.

In assessing whether the contractual cash flows are solely payments of the principal and interest on the outstanding amount of the principal (the "SPPI criterion"), the Company analyzes the contractual terms of the financial instrument. This includes an assessment of whether a provision on a financial asset

provides for a condition that can change the time or amount of the cash flows under the contract so that the financial asset does not satisfy the requirement being analyzed.

In conducting the assessment, the Company takes into account:

- Conditional events that may change the timing or amount of cash flows;
- Conditions that have a leverage effect;
- Terms of early repayment and prolongation of the validity period;
- Conditions that limit the Company's claims to cash flows from certain assets (for example, non-recourse assets);
- Conditions that result in a change in compensation for the time value of money — for example, a revision of interest rates on a periodic basis.

### ***General principles for the initial valuation of financial instruments***

Financial instruments (financial assets and financial liabilities) are recognized in the accounting records of the Company if it becomes a party to the contract for this financial instrument.

With the exception of trade receivables (not containing a significant financing component) and, a financial asset or liability measured at fair value through profit or loss, financial instruments are initially recognized at fair value increased or decreased in the case of a financial asset or liability in the amount of transaction costs that are directly related to the acquisition of a financial asset or the issuance of a financial liability. The best evidence of the fair value of a financial instrument upon initial recognition is usually the transaction price.

Trade receivables that do not contain a significant financing component are estimated at initial recognition at the transaction price.

If the actual contract rate for a financial instrument is missing or significantly deviates from the market rate for this similar instrument at the date of its occurrence, then the new fair value of the financial instrument for its initial recognition is determined. Wherein:

- in the absence of information on market rates for this financial instrument (or if they cannot be determined with a sufficient degree of certainty), the actual contract rate for this instrument can be compared with market rates for transactions with similar financial instruments;
- the deviation of the actual contract rate from the market rate for this or similar financial instrument at the date of its occurrence is considered significant. The decision on materiality is made based on professional judgments of the responsible persons taking into account the content and features of the relevant transaction.

The new fair value of a financial instrument for its initial recognition is determined by the method of discounting. Based on the market interest rate and represents the fair value of this instrument at the date of its occurrence, i.e., the present value of all future (expected) cash flows for this instrument at the date of its occurrence, discounted at the market interest rate for the given or similar financial instrument. The difference between the actual costs at the date of the financial instrument and its new initial value, depending on the reason for its occurrence, may be recognized in equity, the statement of profit or loss or other assets/liabilities of the Company.

The market interest rate for this financial instrument or other similar financial instruments is determined based on the available internal and external sources of information, depending on the type and nature of the financial instrument and can be determined/calculated on the basis of:

- from well-known interest rates published or posted in information systems at [www.cbu.uz](http://www.cbu.uz) (official website of the Central Bank of the Republic of Uzbekistan) or public authorities and authorities on the Internet;
- from the policy rate of the Central Bank of Uzbekistan for the relevant period.

In particular, when determining the market rate under consumer lending agreements, the Company uses information published by the Central Bank of Uzbekistan on the total value of consumer credit, defining the range of market rates as: upper limit of the range — rate of the value of the consumer loan; and lower limit of the range — policy rate of the CBU for the corresponding period.

### ***Reclassification***

The classification of financial assets after initial recognition does not change, except in the period following how the Company changes its business model for managing financial assets. The Company should reclassify financial assets only if it has changed the business model used to manage these financial assets. It is expected that such changes will occur extremely rarely. Such changes should be determined by the top management of the Company as a result of external or internal changes and should be significant for the Company's activities and obvious to external parties. Accordingly, a change in the purpose of the Company's business model can occur if and only when the Company starts or stops carrying out an activity significant in relation to its operations; for example, in the case of the acquisition, disposal or termination of a specific activity by the Company.

The classification of financial liabilities after initial recognition is not subject to change.

### ***De-recognition of financial instruments***

De-recognition of a financial asset is made only when:

- the contractual rights to cash flows from this financial asset expire or
- the Company transfers a financial asset, and such transfer satisfies de-recognition requirements.

In the event of a significant modification of a financial asset, the Company de-recognizes the company and recognizes a new asset. Criteria for material modification the Company determines as:

- change in the currency of a financial instrument;
- a change in the fixed interest rate to a floating interest rate and vice versa;
- replacement of the debtor.

A financial liability is de-recognized only if it is redeemed, that is, when the obligation specified in the contract has been fulfilled, canceled or expired.

### ***Under the transfer of a financial asset means:***

- the transfer of contractual rights to receive cash flows from this financial asset to another party; or
- maintenance of contractual rights to receive cash flows from a financial asset while simultaneously assuming contractual obligations to pay these funds to one or more beneficiaries under the contract.

When a financial asset is transferred, the extent of the risks and rewards of ownership of the financial asset is assessed. In this case:

- if the Company transfers substantially all the risks and rewards associated with owning a financial asset, it derecognizes the financial asset and recognizes separately as assets or liabilities those rights and obligations that are created or retained during the transfer;
- if the Company retains substantially all the risks and rewards of ownership of a financial asset, it continues to recognize the financial asset;
- if the Company does not transfer and substantially retain all the risks and rewards associated with owning a financial asset, it should determine whether control over the financial asset remains. In this case:
  - if the Company does not retain control, it derecognizes the financial asset and recognizes separately as an asset or liability those rights and obligations that are created or retained during the transfer;
  - if the Company maintains control, it continues to recognize the financial asset to the extent that it continues to participate in this financial asset.

Upon de-recognition, the difference between the carrying amount of a financial asset transferred to the other party (estimated at the date of de-recognition) and the amount of funds received or receivable in exchange for the specified asset minus any liabilities incurred is recorded in the income statement and losses for the reporting period.

Significant change in the terms of a financial liability (regardless of the reasons for this change), including the exchange of liabilities with substantially different conditions is taken into account as the redemption of the old obligation and the recognition of a new one, reflecting the difference between them in the statement of income. A significant change is recognized in which the current discounted value of cash flows in accordance with the new conditions differs from the current discounted value of the remaining cash flows of the initial financial liability by 10% or more.

Upon de-recognition, the difference between the carrying amount of a financial liability extinguished or transferred to another party, including the corresponding underestimated part of the actual costs, and the amount of compensation paid for it shall be reflected in the statement of profit or loss for the reporting period.

### *Impairment*

The Company recognizes a provision for expected credit losses on the following financial instruments not at fair value through profit or loss:

- loans to customers;
- debt investment securities;
- net investment in finance lease;
- issued financial guarantee contracts; and
- issued loan commitments.

The Company recognizes provisions for expected credit losses in an amount equal to the expected credit losses for the entire term, except for the following instruments for which the amount of the provision will be equal to 12-month expected credit losses:

- debt investment securities with low credit risk at the reporting date; and
- other financial instruments (other than net investments in financial leases) for which credit risk has not increased significantly since their initial recognition.

The Company believes that a debt security has a low credit risk if its credit rating corresponds to the generally accepted definition of investment grade in the world.

The 12-month expected credit losses are part of the expected credit losses due to events of default on a financial instrument, possible within 12 months after the reporting date.

### *Estimation of expected credit losses*

Expected credit losses are estimates of credit losses, weighted by the degree of probability of a default occurring. They are assessed as follows:

- **in respect of financial assets that are not credit impaired as of the reporting date:** as the present value of all expected cash shortfalls (that is, the difference between the cash flows owed by the Company in accordance with the contract and the cash flows that the Company expects to receive);
- **in respect of financial assets that are credit-impaired at the balance sheet date:** as the difference between the gross book value of the assets and the present value of estimated future cash flows;
- **in respect of the unused part of the loan commitments:** as the present value of the difference between the contractual cash flows that are due to the Company under the contract if the borrower uses his right to receive the loan and the cash flows that the Company expects to receive, issued; and
- **In respect of financial guarantee contracts:** as the present value of the expected payments to the contract holder to compensate for the credit loss incurred by him minus the amounts that the Company expects to reimburse.

### *Restructured financial assets*

In case of revising or modifying, by agreement of the parties, the terms of a financial asset, or replacing an existing financial asset with a new one due to the financial difficulties of the borrower, an assessment

is made to determine whether this financial asset is de-recognized, and the expected credit losses are estimated as follows:

- If the expected restructuring does not result in de-recognition of an existing asset, then the expected cash flows for the modified financial asset are included in the calculation of the amounts of cash shortfall in the existing asset.
- If the expected restructuring will lead to de-recognition of an existing asset, then the expected fair value of the new asset is considered as the final cash flow of the existing asset at the time of its de-recognition. This amount is included in the calculation of the cash shortfall on an existing financial asset, which is discounted for the period from the expected date of de-recognition to the reporting date using the original effective interest rate on the existing financial asset.

### ***Credit impaired financial assets***

At each reporting date, the Company evaluates financial assets at amortized cost and debt financial assets and at fair value through other comprehensive income for their credit impairment. A financial asset is “credit impaired” when it is defaulted.

### ***Submission of a provision for expected credit losses***

The provisions for credit losses are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a decrease in the gross book value of these assets;
- loan commitments and financial guarantee agreements: generally, as a reserve;
- if the financial instrument contains both a claimed and unclaimed component, and the Company cannot determine expected credit losses on the loan commitment made separately from the expected credit losses on the already claimed part (loan issued): Company represents the aggregate loss allowance for both components. The cumulative amount is presented as a decrease in the gross book value of the claimed part (loan disbursed). Any excess of the loss allowance over the gross book value of the loan issued is presented as a reserve; and
- debt instruments measured at fair value through other comprehensive income: an allowance for losses is not recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the allowance for losses is disclosed and recognized in the composition of the reserve of changes in fair value.

### ***Cash and cash equivalents***

Cash and cash equivalents are items that are easily converted into a certain amount of cash and are subject to minor changes in value. Cash and cash equivalents include all interbank deposits, overnight deposits and reverse repurchase agreements with other banks with an initial maturity of up to one business day. Funds for which there are restrictions on use for a period of more than three months at the time of submission are excluded from cash and cash equivalents in both the statement of financial position and the statement of cash flows. Cash and cash equivalents are carried at amortized cost, since (i) they are held to receive contractual cash flows and these cash flows are solely payments on the principal amount of the debt and interest and (ii) they are not classified as fair value. value through profit or loss. The conditions established solely by law (for example, provisions on the conversion of debt into equity in some countries) do not affect the results of the SPPI test, unless they are included in the terms of the contract and would apply even if the legislation later changed.

Cash payments or receipts presented in the statement of cash flows represent a transfer of cash and cash equivalents by the Company, including those accrued or credited to the Company’s current accounts of the Company’s counterparties, such as interest income on a loan or principal amount, collected by debiting funds from the client’s current account, interest payments or loans issued to the client’s current account, representing cash or cash equivalent from the client perspective.

### ***Due from other banks***

Due from other banks are accounted for when the Company provides cash to counterparty banks in the form of advance payments. Due from other banks are carried at amortized cost if (i) they are held to receive the contractual cash flows and these cash flows are exclusively payments to the principal and interest, and (ii) they are not categorized at fair value through profit or loss.

### ***Loans and advances***

Loans and advances presented in the statement of financial position include:

- loans and advances, measured at amortized cost; they are initially measured at fair value, taking into account the additional direct costs of the transaction, and then at amortized cost using the effective interest rate method;
- loans and advances, assessed by the SSIA on a mandatory basis; such loans are measured at fair value with immediate recognition of changes in their value in profit or loss;
- finance lease receivables.

When the Company acquires a financial asset and simultaneously concludes an agreement to resell the asset (or substantially the same asset) at a fixed price on a future date, the agreement is treated as a loan or advance payment, and the underlying asset is not recognized in the financial statements of the Company.

### ***Fixed assets***

Fixed assets are stated at cost or at revalued amounts, as described below, less accumulated depreciation and provision for impairment (if any).

Gains and losses arising from the disposal of fixed assets are determined on the basis of their residual value and recorded under operating expenses of the statement of comprehensive income.

Repairs and maintenance costs are recognized in the statement of comprehensive income when incurred.

### ***Intangible assets***

Intangible assets of the Company, other than goodwill, have a certain useful life and mainly include capitalized software, as well as intangible assets acquired as a result of business combinations (for example, customer base and trademark). Acquired and recognized intangible assets are capitalized based on the costs incurred to acquire and implement these assets. Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and any accumulated impairment loss. Intangible assets are amortized based on the straight-line method and are assessed for impairment if there are signs of impairment of these assets.

### ***Amortization***

Depreciation of an item of property, plant and equipment begins when it is commissioned. Depreciation is charged on a straight-line basis over the following useful lives:

- Buildings - 20 years;
- Office and computer equipment - from 2,5 to 7 years;
- Vehicles - 5 years;
- Intangible assets - 5 years.

Land has unlimited useful life and is not subject to depreciation.

At the end of the useful life of the asset, the residual value of the asset is the estimated amount that the Company would have received at the moment if the asset was sold, less the estimated costs of disposal, if the condition and age of the asset were consistent with the age and condition that the asset would have end of useful life. The residual value of assets and their useful lives are reviewed and, if necessary, adjusted at the end of the reporting period.

### ***Right-of-use assets and lease liabilities***

From 1 January 2019, the lease is recognized as a right-of-use asset and a corresponding liability on the date the leased asset is available for use by the Company. Each lease payment is apportioned between the liability and the finance charge. Financial costs are recognized in profit or loss over the lease term to provide a constant periodic interest rate on the remaining lease liability for each period. The right-of-use asset is amortized on a straight-line basis over the shorter of the asset's life, the asset's useful life and the lease term.

Right-of-use assets are disclosed under "Property, plant and equipment and right-of-use assets" in the statement of financial position, lease liabilities are disclosed under "Other liabilities" in the statement of financial position. Financial costs are disclosed in the line "Interest expense calculated at the effective interest rate" in the income statement, amortization of right-of-use assets is disclosed in the line "Staff and administrative expenses" in the income statement.

Assets and liabilities arising from the lease are initially measured at their present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including direct fixed payments), net of any lease incentive payments receivable from a revocable and non-revocable operating lease;
- variable lease payments that depend on a price index or interest rate;
- amounts expected to be paid by the lessee under residual value guarantees;
- the exercise price of the call option, if the lessee has reasonable confidence in the exercise of the call option; and
- payment of penalties for early termination of the lease, if the lease term reflects the potential exercise by the lessee of the option to early termination of the lease.

Lease payments are discounted using the lessee's incremental borrowing rate, which is the rate that the lessee will have to pay to raise the funds needed to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost, which includes the following components:

- the amount of the historical cost of the lease liability;
- any lease payments made on or prior to the commencement date of the lease, less any lease incentive payments received;
- any initial direct costs incurred by the lessee; and
- estimated restoration costs.

Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of twelve months or less.

### ***Financial liabilities***

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

### ***Termination of financial liabilities***

The recognition of financial liabilities is terminated in the event of their redemption (i.e., when the obligation specified in the contract is fulfilled or terminated, or the term of its fulfillment expires).

### ***Financial liabilities classified as at fair value through profit or loss***

The Company may identify certain liabilities as being measured at fair value through profit or loss upon initial recognition. The gains and losses on such liabilities are presented in profit or loss, except for the amount of changes in fair value associated with changes in the credit risk of this liability (defined as the amount that does not relate to changes in market conditions resulting in market risk). Which is reflected in other comprehensive income and is not subsequently reclassified to profit or loss. This is possible if such a representation does not create or exacerbate the accounting discrepancy. In this case, the profits and losses related to changes in the credit risk of the liability are also recognized in profit or loss.

### ***Other borrowings***

Other borrowings are represented by syndicated loans attracted by the Company in the financial markets, as well as trade finance transactions. Other borrowed funds are carried out at amortized cost or at FVTPL.

### ***Settlements with suppliers and other payables***

Trade and other payables are accrued if the counterparty has fulfilled its contractual obligations and are carried at amortized cost.

### ***Equity***

Ordinary and non-redeemable shares are recognized as an equity. Expenses for payment of services to third parties directly related to the issue of new shares, except for cases of a business combination, are recorded in equity as a decrease in the amount received as a result of this issue. The excess of the fair value of the funds received over the nominal value of the shares issued is recorded as additional capital.

### ***Dividends***

Dividends are recognized as liabilities and are deducted from the amount of capital at the end of the reporting period only if they were declared before the end of the reporting period inclusive. Information about dividends is disclosed in a note about events that occurred after the end of the reporting period, if they were announced after the end of the reporting period. Payment of dividends and other distribution of profits is carried out on the basis of the net profit of the current year according to the accounting statements prepared in accordance with the legislation of the Republic of Uzbekistan.

After approval at the general meeting of shareholders, dividends are recorded in the financial statements as a distribution of profits.

### ***Earnings per share***

Earnings per share are determined by dividing the profit or loss attributable to the owners of the shares of the Company by the weighted average number of shares outstanding during the reporting period.

### ***Interest income and expenses calculated using the effective interest method***

Interest income and expense for all debt instruments measured at amortized cost and measured at fair value through other comprehensive income are recorded on an accrual basis using the effective interest method. Such a calculation includes in interest income and expenses all commissions and payments paid and received by the parties to the contract and constituting an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions related to the effective interest rate include commissions received or paid by an organization in connection with the formation or acquisition of a financial asset or the issuance of a financial liability (for example, fees for credit rating, valuation or accounting of guarantees, or collateral, for setting the terms of the instrument and for processing of transaction documents).

With respect to credit assets impaired or financial assets created or acquired, the effective interest rate is the rate that discounts the expected cash flows (including initial expected credit losses) to a fair value upon initial recognition (usually corresponding to the purchase price). As a result, the effective interest rate is adjusted for credit risk.

Interest income is calculated using the effective interest rate on the gross book value of financial assets, except:

- financial assets that have become impaired (Stage 3) and for which interest income is calculated using the effective interest rate to their amortized cost (minus the allowance for expected credit losses);
- created or acquired credit-impaired financial assets for which the initial effective interest rate adjusted for credit risk is applied to the amortized cost.

### ***Commission income and expenses***

Commission income and expenses that are an integral part of the effective interest rate on a financial asset or liability are included in the calculation of the effective interest rate.

An agreement with a client that results in the recognition of a financial instrument in the financial statements of the Company may be partially in the scope of IFRS 9 and partly in the scope of IFRS 15. In this case, the Company first applies the requirements of IFRS 9, to highlight and take into account the part of the contract that relates to the scope of IFRS 9, and then apply IFRS 15 to the remaining part.

The Company recognizes other fees and commission received at the time or as it fulfills its obligation to perform under the contract through the provision of a service to the client.

### ***Other interest income and expenses***

Other interest income and expenses are interest income and expenses related to debt instruments estimated at the FVTPL and are recorded on an accrual basis using the nominal interest rate.

### ***Taxation***

The income tax expense / reimbursement includes current and deferred taxes and is recorded in the statement of comprehensive income. Tax expenses are recorded in the financial statements in accordance with the requirements of the current legislation of the Republic of Uzbekistan. Current tax payments are calculated on the basis of taxable profit for the year using income tax rates in effect during the reporting period.

Current tax amounts are funds payable to the budget or returned from the budget due to current or previous taxable profits or losses. In the case of permission to issue financial statements prior to the filing of the relevant tax returns, the tax amounts reflected in it are based on estimates.

Deferred income tax is calculated using the balance sheet assets and liabilities method for all taxable losses and temporary differences between the taxable base of assets and liabilities and their carrying amount for financial statements.

Deferred tax amounts are assessed at tax rates that actually entered into force at the end of the reporting period or that are expected to be applied during the period of recovery of temporary differences or use transferred from previous periods of tax losses. Deferred tax assets and liabilities are set off against each other if there is a legally enforceable right to set off current tax assets and liabilities. Deferred tax assets in respect of deductible temporary differences and tax losses are recorded to the extent that it is probable that sufficient taxable profit will be earned against which the indicated deductions may be used. Management judgment is required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the likely timing and amount of future taxable profits, as well as future tax planning strategies. Deferred tax amounts are assessed at tax rates that actually entered into force at the end of the reporting period or that are expected to be applied during the period of recovery of temporary differences or use transferred from previous periods of tax losses. Deferred tax assets and liabilities are set off against each other if there is a legally enforceable right to set off current tax assets and liabilities. Deferred tax assets in respect of deductible temporary differences and tax losses are recorded to the extent that it is probable that sufficient taxable profit will be earned against which the indicated deductions may be used. Management judgment is required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the likely timing and amount of future taxable profits, as well as future tax planning strategies.

In addition, in the Republic of Uzbekistan there are various operating taxes applicable to the Company. These taxes are recorded in the statement of comprehensive income as part of operating expenses.

### ***Netting***

Financial assets and liabilities are mutually offset, and the statement of financial position reflects the net present value only when there is a statutory right to offset the recorded amounts, as well as the intention to either offset or realize the asset and settle the liability simultaneously. The right to set-off (a) should not be conditional on a future event and (b) should be legally binding in all of the following circumstances: (i) in the ordinary course of business, (ii) in the event of default and (iii) in case of insolvency or bankruptcy.

### ***Employee remuneration and social security contributions***

On the territory of the Republic of Uzbekistan, the Company makes deductions on the unified social tax. These deductions are also recorded on an accrual basis. The unified social tax includes contributions to the Pension Fund. The Company does not have its own pension scheme. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued as the Company provides relevant services.

### ***Segment information***

Operating segments are allocated on the basis of internal reports on the components of the Company that are regularly reviewed by the chief executive officer who is responsible for making decisions on operational activities in order to allocate resources to the segments and evaluate the results of their operations.

The Company estimates information about reportable segments in accordance with IFRS. The reporting operating segment is distinguished when one of the following quantitative requirements is met:

- its revenue from sales to external customers and from operations with other segments is at least 10 percent of the total revenue - external and internal - of all operating segments; or
- the absolute figure of profit or loss is at least 10 percent of the largest of (i) the cumulative profit of all operating segments that did not show a loss, and (ii) the cumulative loss of all operating segments that showed a loss; or
- its assets comprise at least 10 percent of the total assets of all operating segments.
- its assets and liabilities represent at least 10 percent of total capital.

In case the total revenue from external sales shown by the operating segments is less than 75 percent of the organization's revenue, additional operating segments are highlighted as reporting ones (even if they do not meet the quantitative criteria above) until the reported segments will include at least 75 percent of the Company's revenue.

### ***Foreign currency***

Transactions in foreign currencies are initially translated into the functional currency at the exchange rate of the Central Bank of Uzbekistan as at the date of the transaction. Gains and losses arising from the translation of transactions in foreign currencies are recorded in the statement of comprehensive income in the income row, less costs from revaluation of foreign currency. Non-monetary items recorded at actual value in a foreign currency are translated using the exchange rate of the Central Bank of Uzbekistan as at the date of the transaction. Non-monetary items recorded at fair value in a foreign currency are translated at the exchange rate at the date when the fair value was determined.

At the date of the financial statements, the assets and liabilities of the Company, the functional currency of which differs from the presentation currency of the Company, are translated into UZS at the exchange rate at the reporting date, and their income statements are translated at the weighted average annual rate. The exchange differences arising from this translation are reflected in other comprehensive income.

## 6 Cash and cash equivalents

	31 December 2022	31 December 2021
Cash and cash equivalents measured at amortized cost	1 308 436	6 940 264
<b>Total cash and cash equivalents</b>	<b>1 308 436</b>	<b>6 940 264</b>

### Cash and cash equivalents measured at amortized cost

	31 December 2022	31 December 2021
Current account balances in CBU	1 325 670	6 968 836
Provision for credit losses	(17 234)	(28 572)
<b>Total cash and cash equivalents measured at amortized cost</b>	<b>1 308 436</b>	<b>6 940 264</b>

As of 31 December 2022, the Company's funds are held only in the Central Bank of the Republic of Uzbekistan (2021: only the Central Bank of the Republic of Uzbekistan).

The table below provides an analysis of the credit quality of cash and cash equivalents measured at amortized cost based on credit ratings as at 31 December 2022. A description of the Company's credit risk classification system is presented in Note 22. The carrying amount of cash and cash equivalents as at 31 December 2022 in the table below also represents the Company's maximum exposure to credit risk for these assets:

	Low credit risk	Total
Current account balances in CBU	1 325 670	<b>1 325 670</b>
Provision for credit losses	(17 234)	<b>(17 234)</b>
<b>Total cash and cash equivalents measured at amortized cost, excluding cash on hand</b>	<b>1 308 436</b>	<b>1 308 436</b>

The table below provides an analysis of the credit quality of cash and cash equivalents as at 31 December 2021:

	Low credit risk	Total
Current account balances in CBU	6 968 836	<b>6 968 836</b>
Provision for credit losses	(28 572)	<b>(28 572)</b>
<b>Total cash and cash equivalents measured at amortized cost, excluding cash on hand</b>	<b>6 940 264</b>	<b>6 940 264</b>

The values of credit ratings in the table above are determined based on the rating scale of international rating agencies.

The table below provides a reconciliation of opening balances of provision for credit losses on cash and cash equivalents measured at amortized cost, disaggregated by category. An approach to measuring expected credit losses is disclosed in Note 22.

	<b>ECL for 12 months</b>	<b>Total</b>
<b>Balance as at 1 January 2021</b>	<b>22 661</b>	<b>22 661</b>
Provision for credit losses formation	5 911	5 911
<b>Balance as at 31 December 2021</b>	<b>28 572</b>	<b>28 572</b>
Provision for credit losses formation	(11 338)	(11 338)
<b>Balance as at 31 December 2022</b>	<b>17 234</b>	<b>17 234</b>

## 7 Due from other banks

	31 December 2022	31 December 2021
Due from other banks at amortized cost	76 054 388	103 075 868
<b>Total due from other banks</b>	<b>76 054 388</b>	<b>103 075 868</b>

### Due from other banks at amortized cost

	31 December 2022	31 December 2021
Term deposits in other banks placed for a period exceeding 90 days	77 000 000	104 261 940
Provision for credit losses	(945 612)	(1 186 072)
<b>Total due from other banks at amortized cost</b>	<b>76 054 388</b>	<b>103 075 868</b>

The balance value of due from other banks as at 31 December 2022 also reflects the Company's maximum exposure to credit risk for these assets:

	Low credit risk	Total
Term deposits in other banks placed for a period exceeding 90 days	77 000 000	<b>77 000 000</b>
Provision for credit losses	(945 612)	<b>(945 612)</b>
<b>Total due from other banks at amortized cost</b>	<b>76 054 388</b>	<b>76 054 388</b>

The balance value of due from other banks as at 31 December 2021 also reflects the Company's maximum exposure to credit risk for these assets:

	Low credit risk	Total
Term deposits in other banks placed for a period exceeding 90 days	104 261 940	<b>104 261 940</b>
Provision for credit losses	(1 186 072)	<b>(1 186 072)</b>
<b>Total due from other banks at amortized cost</b>	<b>103 075 868</b>	<b>103 075 868</b>

The table below provides a reconciliation of opening balances of provision for credit losses on due from other banks measured at amortized cost, disaggregated by category. An approach to measuring expected credit losses is disclosed in Note 22.

	ECL for 12 months	Total
<b>Balance as at 31 December 2020</b>	<b>112 802</b>	<b>112 802</b>
Provision for credit losses formation	1 073 270	1 073 270
<b>Balance as at 31 December 2021</b>	<b>1 186 072</b>	<b>1 186 072</b>
Provision for credit losses formation	(240 460)	(240 460)
<b>Balance as at 31 December 2022</b>	<b>945 612</b>	<b>945 612</b>

As at 31 December 2022 there are no overdue from other banks at amortized cost and no evidence of impairment.

## 8 Loans and advances

	31 December 2022	31 December 2021
Loans and advances, measured at amortized cost	1 929 499 914	1 165 582 309
<b>Total loans and advances</b>	<b>1 929 499 914</b>	<b>1 165 582 309</b>

### Loans and advances, measured at amortized cost

Below is the concentration of loans by industry:

	31 December 2022	31 December 2021
Loans to banks	1 933 422 484	1 168 243 542
Provision for credit losses	(3 922 570)	(2 661 233)
<b>Total loans and advances, measured at amortized cost</b>	<b>1 929 499 914</b>	<b>1 165 582 309</b>

Below is the risk concentration structure of the loan portfolio to banks by industry as at 31 December 2022:

	Gross book value	Provision for credit losses	Book value
JSCIB "Ipoteka Bank"	387 764 339	(657 264)	387 107 075
JSCB "Qishloq qurilish bank"	175 487 875	(322 527)	175 165 348
JSCB "Uzsanoatqurilishbank"	415 911 912	(769 235)	415 142 677
JSCB "Agrobank"	92 548 121	(173 769)	92 374 352
JSC "Asakabank"	240 460 414	(472 794)	239 987 620
JSCB "Hamkorbank"	395 598 222	(743 956)	394 854 266
JSCB "Turonbank"	143 507 222	(599 588)	142 907 634
JSC "Xalq bank"	20 474 398	(38 779)	20 435 619
NBU	61 669 981	(144 657)	61 525 324
<b>Total loans and advances, measured at amortized cost</b>	<b>1 933 422 484</b>	<b>(3 922 570)</b>	<b>1 929 499 914</b>

Below is the risk concentration structure of the loan portfolio to banks by industry as at 31 December 2021:

	Gross book value	Provision for credit losses	Book value
JSCIB "Ipoteka Bank"	294 121 482	(461 336)	293 660 146
JSCB "Qishloq qurilish bank"	130 018 228	(215 678)	129 802 550
JSCB "Uzsanoatqurilishbank"	225 042 606	(381 593)	224 661 013
JSCB "Agrobank"	75 163 108	(134 471)	75 028 637
JSC "Asakabank"	124 782 643	(220 720)	124 561 923
JSCB "Hamkorbank"	198 713 867	(812 667)	197 901 200
JSCB "Turonbank"	79 571 046	(323 296)	79 247 750
JSC "Xalq bank"	20 474 398	(75 745)	20 398 653
NBU	20 356 164	(35 727)	20 320 437
<b>Total loans and advances, measured at amortized cost</b>	<b>1 168 243 542</b>	<b>(2 661 233)</b>	<b>1 165 582 309</b>

As at 31 December 2022, all loan balances of the Company exceed 10% of the Company's capital.

The tables below provide an analysis of the credit quality of loans measured at amortized cost provided by the Company as at 31 December 2022. Description of terms 12 month expected credit losses, lifetime expected credit losses in Note 22. The credit quality analyzes of loans presented in the tables below are based on the rating scale of international rating agencies.

	ECL for 12 months	Total
Low credit risk	1 789 915 262	1 789 915 262
Medium credit risk	143 507 222	143 507 222
<b>Total gross book value loans and advances</b>	<b>1 933 422 484</b>	<b>1 933 422 484</b>
Provision for credit losses	(3 922 570)	(3 922 570)
<b>Total loans and advances</b>	<b>1 929 499 914</b>	<b>1 929 499 914</b>

The tables below provide an analysis of the credit quality of loans at amortized cost provided by the Company as at 31 December 2021.

	ECL for 12 months	Total
Low credit risk	889 958 629	889 958 629
Medium credit risk	278 284 913	278 284 913
<b>Total gross book value loans and advances</b>	<b>1 168 243 542</b>	<b>1 168 243 542</b>
Provision for credit losses	(2 661 233)	(2 661 233)
<b>Total loans and advances</b>	<b>1 165 582 309</b>	<b>1 165 582 309</b>

Analysis of movement of the provision for credit losses on loans, measured at amortized cost:

	ECL for 12 months	Total
<b>Balance as at 31 December 2021</b>	<b>282 282</b>	<b>282 282</b>
Net expense from the creation / (restoration) of the provision for credit losses within one stage	2 378 951	2 378 951
- including new loans issued	2 049 811	2 049 811
<b>Balance as at 31 December 2021</b>	<b>2 661 233</b>	<b>2 661 233</b>
Net expense from the creation / (restoration) of the provision for credit losses within one stage	1 261 337	1 261 337
- including new loans issued	1 670 655	1 670 655
<b>Balance as at 31 December 2022</b>	<b>3 922 570</b>	<b>3 922 570</b>

All loans were provided to the banks operating in the Republic of Uzbekistan.

As at 31 December 2022 there are no overdue loans and advances measured at amortized cost and no evidence of impairment.

## 9 Investment financial assets

	31 December 2022	31 December 2021
Securities measured at amortized cost	9 051 369	-
Securities that are measured at fair value through profit or loss on a mandatory basis	42 808 436	-
<b>Total investment financial assets</b>	<b>51 859 805</b>	<b>-</b>

### Securities measured at amortized cost

	31 December 2022	31 December 2021
Government bonds	9 101 762	-
Provision for credit losses	(50 393)	-
<b>Total securities measured at amortized cost</b>	<b>9 051 369</b>	<b>-</b>

The table below presents an analysis of credit risk for debt securities measured at amortized cost as of 31 December 2022, for which an estimated provision for expected credit losses is recognized based on credit risk levels.

	Low credit risk	Total
Government bonds	9 101 762	9 101 762
Provision for credit losses	(50 393)	(50 393)
<b>Total securities measured at amortized cost</b>	<b>9 051 369</b>	<b>9 051 369</b>

### Securities that are measured at fair value through profit or loss on a mandatory basis

	31 December 2022	31 December 2021
Government bonds	42 808 436	-
<b>Total securities measured at fair value through profit or loss</b>	<b>42 808 436</b>	<b>-</b>

## 10 Fixed assets and intangible assets

Below is the information on the movement of fixed assets and intangible assets as at 31 December 2021 and 31 December 2022:

	Office and computer equipment	Assets in the form of user rights	Transportation	Total
<b>Residual value as at 31 December 2020</b>	<b>351 947</b>	<b>3 518 352</b>	<b>305 781</b>	<b>4 176 080</b>
<i>Initial cost</i>				
<b>Balance as at 31 December 2020</b>	<b>374 977</b>	<b>3 545 318</b>	<b>325 015</b>	<b>4 245 310</b>
Income (value increase)	132 210	121 567	-	253 777
<b>Balance as at 31 December 2021</b>	<b>507 187</b>	<b>3 666 885</b>	<b>325 015</b>	<b>4 499 087</b>
<i>Accumulated depreciation</i>				
<b>Balance as at 31 December 2020</b>	<b>23 030</b>	<b>26 966</b>	<b>19 234</b>	<b>69 230</b>
Depreciation deductions	79 275	111 931	65 003	256 209
<b>Balance as at 31 December 2021</b>	<b>102 305</b>	<b>138 897</b>	<b>84 237</b>	<b>325 439</b>
<b>Residual value as at 31 December 2021</b>	<b>404 882</b>	<b>3 527 988</b>	<b>240 778</b>	<b>4 173 648</b>
<i>Initial cost</i>				
<b>Balance as at 31 December 2021</b>	<b>507 187</b>	<b>3 666 885</b>	<b>325 015</b>	<b>4 499 087</b>
Income (value increase)	314 610	1 861 878	-	2 176 488
<b>Balance as at 31 December 2022</b>	<b>821 797</b>	<b>5 528 763</b>	<b>325 015</b>	<b>6 675 575</b>
<i>Accumulated depreciation</i>				
<b>Balance as at 31 December 2021</b>	<b>102 305</b>	<b>138 897</b>	<b>84 237</b>	<b>325 439</b>
Depreciation deductions	174 207	379 141	65 003	618 351
<b>Balance as at 31 December 2022</b>	<b>276 512</b>	<b>518 038</b>	<b>149 240</b>	<b>943 790</b>
<b>Residual value as at 31 December 2022</b>	<b>545 285</b>	<b>5 010 725</b>	<b>175 775</b>	<b>5 731 785</b>

## 11 Other assets

	31 December 2022	31 December 2021
<b>Other non-financial assets</b>		
Prepayment for services	962 669	326 686
Balances on corporate card accounts	13 818	-
Calculations on taxes, except for income tax	5 496	-
Accounts receivable from employees	294	-
Other non-financial assets	4 092	-
<b>Total other non-financial assets</b>	<b>986 369</b>	<b>326 686</b>

## 12 Borrowings

	31 December 2022	31 December 2021
Borrowings measured at amortized cost	1 928 085 935	1 166 142 810
<b>Total borrowings</b>	<b>1 928 085 935</b>	<b>1 166 142 810</b>

### Borrowings measured at amortized cost

	31 December 2022	31 December 2021
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	1 928 085 935	1 166 142 810
<b>Total borrowings measured at amortized cost</b>	<b>1 928 085 935</b>	<b>1 166 142 810</b>

The Company and the Ministry of Finance of the Republic of Uzbekistan signed an agreement on the re-crediting of funds of the Asian Development Bank (3870-UZB) dated 8 May 2020 in an amount equivalent to, not exceeding 150 000 000 US dollars in UZS for refinancing mortgage loans of commercial banks within the framework of the "Mortgage Market Sector Development Project". The deadline for full disbursement of credit funds is 31 July 2023. The loan was granted for a period of 20 years, including a 5-year grace period. The fixed interest rate is 12% per annum, after 17 June 2021 is equal to the value of the annual interest rate calculated as the main rate of the Central Bank of the Republic of Uzbekistan at the sampling date minus 2.5%, but not less than 8% per annum and not more than 12% per annum in any case. Interest is accrued and paid on the selected and outstanding loan amount. For the unused part of the loan, the Company pays a commitment fee of 0.15% per annum, which is calculated in US dollars, and payment is made in UZS. As of 31 December 2022, the balance on this loan amounted to 1 03 890 319 thousand UZS and accrued interest payable to 23 899 725 thousand UZS.

Also, the Company and the Ministry of Finance of the Republic of Uzbekistan signed an agreement on the re-crediting of additional ADB funds (4245-UZB) dated 16 March 2023 in an amount equivalent to, not exceeding 150 000 000 US dollars in UZS for refinancing mortgage loans from commercial banks within the framework of the "Mortgage Market Sector Development Project". This agreement is an additional financing under the above-mentioned loan agreement of the ADB (3870-UZB) dated 8 May 2020. The deadline for full disbursement of credit funds is 30 June 2026. The loan is granted for a period of 20 years, including a 5-year grace period. The fixed interest rate is equal to the value of the annual interest rate calculated as the main rate of the Central Bank of the Republic of Uzbekistan minus 2.5%, but not less than 8% per annum and not more than 12% per annum in any case. For the unused part of the loan, the Company pays a commission of 0.15% per annum, which is calculated in US dollars, and payment is made in UZS. As of 31 December 2022, there is no balance on this loan, interest has not been accrued for payment, respectively.

In addition, the Company and the Ministry of Finance of the Republic of Uzbekistan signed an agreement on the provision of a targeted budget loan for No. 03-05-22/48 dated 5 December 2022 in the amount of 300 billion soums for refinancing mortgage loans from commercial banks. The loan was granted for a period of 3 years with an annual repayment of the principal in equal parts. The interest rate is fixed – 12% per annum with the condition of payment every 6 months. As of 31 December 2022, the balance on this loan amounted to 300 000 000 thousand UZS and accrued interest payable to 295 890 thousand UZS.

### 13 Other liabilities

	31 December 2022	31 December 2021
<b>Other financial liabilities</b>		
Accounts payable	702 611	192 680
Accrued expenses for the payment of remuneration to staff	68 104	23 727
<b>Total other financial liabilities</b>	<b>770 715</b>	<b>216 407</b>
<b>Other non-financial liabilities</b>		
Provision for the payment of remuneration to staff	1 014 203	865 449
Taxes payable, excluding income tax	182 285	128 137
Lease liabilities	5 345 788	3 659 393
<b>Total other non-financial liabilities</b>	<b>6 542 276</b>	<b>4 652 979</b>
<b>Total other liabilities</b>	<b>7 312 991</b>	<b>4 869 386</b>

### 14 Share capital

The declared, issued and fully paid share capital includes the following components:

	The number of shares, thousand pieces	Ordinary shares, thousand UZS	Total
<b>1 January 2021</b>	<b>100 000 000</b>	<b>100 000 000</b>	<b>100 000 000</b>
Formation of share capital	-	-	-
<b>31 December 2021</b>	<b>100 000 000</b>	<b>100 000 000</b>	<b>100 000 000</b>
Formation of share capital	12 222 700	12 222 700	12 222 700
<b>31 December 2022</b>	<b>112 222 700</b>	<b>112 222 700</b>	<b>112 222 700</b>

All ordinary shares have a nominal value of 1 000 UZS per share. Each share provides one vote.

According to the decision of the Annual General Meeting of Shareholders dated 29 June 2022, it was decided to increase the authorized capital with an additional issue of shares in the amount of 12 770 000.

The Company distributes profits to dividends or reserves on the basis of financial information prepared in accordance with the legislation of the Republic of Uzbekistan. As of 31 December 2022, retained earnings amounted to 24 137 502 thousand UZS, based on financial information provided to the Central Bank of the Republic of Uzbekistan.

## 15 Interest income and expense

	For the year ended 31 December 2022	For the year ended 31 December 2021
<b><i>Interest income calculated at the effective interest rate</i></b>		
Due from other banks	16 200 079	16 772 808
Loans and advances	185 373 943	66 508 138
Investment financial assets	4 411 407	
<b>Total interest income calculated at the effective interest rate</b>	<b>205 985 429</b>	<b>83 280 946</b>
<b><i>Interest expense calculated at the effective interest rate</i></b>		
Borrowings	171 262 373	62 993 690
Lease liabilities	518 782	492 678
<b>Total interest expense calculated at the effective interest rate</b>	<b>171 781 155</b>	<b>63 486 368</b>
<b>Net interest income</b>	<b>34 204 274</b>	<b>19 794 578</b>

## 16 Administrative and other operating expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Salary and bonuses	4 450 804	3 287 806
Other employee benefits	1 014 203	1 313 463
Single social payment	719 238	506 591
<b>Staff costs</b>	<b>6 184 245</b>	<b>5 107 860</b>
Professional Services	917 701	529 510
Depreciation	618 351	256 209
Accompanying software	54 814	84 992
Insurance	40 172	6 831
Stationery	47 143	119 506
Representation expenses	33 880	9 831
Connection	23 163	19 257
Charity and sponsorship expenses	15 496	13 099
Rent	14 413	14 399
Fine and penalties	551	1 247
Other	3 439	32 787
<b>Total other operating expenses</b>	<b>1 769 123</b>	<b>1 087 668</b>
<b>Total staff and other operating expenses</b>	<b>7 953 368</b>	<b>6 195 528</b>

## 17 Income tax

### *Components of income tax expense*

Income tax expense includes the following components:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current income tax expense	3 549 988	2 281 792
Deferred taxation	(289 731)	(689 780)
<b>Income tax expense for the year</b>	<b>3 260 257</b>	<b>1 592 012</b>

### *Reconciliation of tax expenses and profit or loss multiplied by the applicable tax rate*

The income tax rate applied to the majority of the Company's profit is the corporate income tax (15 percent).

	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Income before tax</b>	<b>25 148 481</b>	<b>10 122 885</b>
Theoretical tax deductions at the statutory rate - 15%	3 772 272	1 518 433
Tax effects of income or expenses that are not deductible for tax purposes:		
- non-taxable income	(512 015)	73 579
<b>Income tax expense for the year</b>	<b>3 260 257</b>	<b>1 592 012</b>

### *Deferred tax analysis by type of timing difference*

Differences between IFRS and the tax legislation of the Republic of Uzbekistan lead to the emergence of timing differences between the book value of assets and liabilities for the purpose of drawing up financial statements and for the purpose of calculating income tax.

The tax consequences of the movement of timing differences for 2022 are detailed below:

	31 December 2022	Restored / (allocated) to profit and loss account	31 December 2021
<b>Tax effects of temporary differences that reduce / (increase) the tax base</b>			
Cash and cash equivalents	2 585	1 701	4 286
Due from other banks	141 842	36 069	177 911
Loans and advances	588 386	(189 202)	399 184
Investment financial assets	7 559	(7 559)	-
Fixed assets	71 875	(51 246)	20 629
Other assets	244 579	(79 494)	165 085
<b>Net deferred tax (liability) / assets</b>	<b>1 056 826</b>	<b>(289 731)</b>	<b>767 095</b>
Recognized deferred tax assets	1 056 826	(289 731)	767 095
<b>Net deferred tax (liability) / assets</b>	<b>1 056 826</b>	<b>(289 731)</b>	<b>767 095</b>

The tax effect of the movements in temporary differences for 2021 is detailed below:

	31 December 2021	Restored / (allocated) to profit and loss account	31 December 2020
<b>Tax effects of temporary differences that reduce / (increase) the tax base</b>			
Cash and cash equivalents	4 286	(2 147)	2 139
Due from other banks	177 911	(160 991)	16 920
Loans and advances	399 184	(356 842)	42 342
Fixed assets	20 629	(13 885)	6 744
Other assets	165 085	(155 915)	9 170
<b>Net deferred tax (liability) / assets</b>	<b>767 095</b>	<b>(689 780)</b>	<b>77 315</b>
Recognized deferred tax assets	767 095	(689 780)	77 315
<b>Net deferred tax (liability) / assets</b>	<b>767 095</b>	<b>(689 780)</b>	<b>77 315</b>

## 18 Earnings per share

Basic profit (loss) per share is calculated by dividing the net profit (uncovered loss) attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year, less the average number of ordinary shares repurchased by the Company from shareholders.

The Company has no ordinary shares that potentially dilute earnings (loss) per share. Thus, diluted earnings (loss) per share is equal to basic earnings (loss) per share.

	For the year ended 31 December 2022	For the year ended 31 December 2021
Income / (loss) for the year attributable to ordinary shareholders	21 888 224	8 530 873
<b>Net income (uncovered loss) for the period attributable to shareholders (thousand UZS)</b>	<b>21 888 224</b>	<b>8 530 873</b>
Weighted average number of ordinary shares outstanding during the period (pcs)	103 114 277	100 000 000
<b>Basic and diluted earnings / (loss) per ordinary share (pcs / UZS)</b>	<b>212,27</b>	<b>85,31</b>

## **19 Contingent financial liabilities**

### **19.1 Legal issues**

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the possible liabilities (if any) arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Company.

### **19.2 Tax legislation**

Tax and customs legislation, as well as legislation in the sphere of currency regulation of the Republic of Uzbekistan, admit the possibility of different interpretations and are subject to frequent changes. Moreover, the regulations issued by various government bodies may contradict each other. Management's interpretation of the legislation applied to the operations and the relevant authorities may challenge activities of the Company. The Uzbek tax authorities may take a tougher stance in interpreting legislation and assessing accruals, and there is a possibility that operations and activities that have not been challenged in the past will be challenged. As a result, significant amounts of additional taxes, penalties and interest may be assessed. Tax periods remain open for review by the relevant tax authorities for tax payments for five calendar years. previous year for which the audit is carried out. In some cases, checks may cover longer periods.

The management of the Company believes that its interpretation of the relevant legislation is correct and that the Company's tax, currency and customs positions will be confirmed. Accordingly, at 31 December 2022 and at 31 December 2021, management did not form a reserve for potential tax liabilities. The Company estimates that there are no potential tax liabilities, with the exception of unlikely.

### **19.3 Compliance with special conditions**

The company must comply with certain special conditions, mainly related to borrowed funds. The Company had financial special conditions with foreign financial organizations. In accordance with these loan agreements, the Company must comply with the relevant financial special conditions on the basis of consolidated financial statements prepared in accordance with IFRS.

The Company has agreed to comply with the following financial conditions prescribed in the relevant loan agreements with the Asian Development Bank (hereinafter – "ADB"):

- be profitable at the time of its last annual audited financial report;
- always comply with the regulatory requirements imposed by the Central Bank of the Republic of Uzbekistan, including the following prudential standards set out in the regulations applicable to the Company: (i) minimum amount of paid-in equity; (ii) capital adequacy ratio; (iii) liquidity coverage ratio; and (iv) net stable financing ratio;
- the ratio of net problem and doubtful loans should be 5.0% or less at the time of the last audited annual financial statements.

As of 31 December 2022, the Company is preparing a separate report on compliance with the above financial conditions.

## 20 Related party transactions

For the purposes of compiling these financial statements, the parties are considered related if one of them has the ability to control the other or have a significant influence on the other party's financial and operational decisions, as set out in IAS 24 "Related Party Disclosures". When considering all possible relationships with related parties, the economic content of such relationships, and not only their legal form, is taken into account.

In the normal course of business, the Company conducts transactions with its main shareholders, managers, and other parties. These operations include settlements, loans, deposit taking, guarantees, financing of trade operations and foreign currency transactions. According to the Company's policy, all transactions with related parties are carried out under the same conditions as transactions with independent parties.

Below are the balances of assets and liabilities with related parties at the reporting date:

	31 December 2022		31 December 2021	
	Shareholders	Other related parties	Shareholders	Other related parties
<b>Assets</b>				
Due from other banks	76 054 388	-	103 075 868	-
Loans and advances	1 929 499 914	-	1 165 582 309	-
<b>Liabilities</b>				
Borrowings	1 928 085 935	-	1 166 142 810	-
Provision for the payment of remuneration to staff	-	1 014 203	-	865 449

Below are the accrued income and expenses with related parties for the period:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	Shareholders	Other related parties	Shareholders	Other related parties
<b>Income and expenses</b>				
Interest income	205 985 429	-	82 338 480	942 466
Interest expense	(171 262 373)	-	(62 993 690)	-
Administrative and other operating expenses	-	3 762 060	-	3 182 328
- Remuneration of key management personnel	-	3 762 060	-	3 182 328

## 21 Fair value

Fair value is defined as the price at which an instrument can be exchanged as part of a current transaction between interested parties wishing to close a transaction on market terms, with the exception of a forced sale or liquidation. The best confirmation of the fair value is the quotation of a financial instrument in an active market. Since for the majority of financial instruments the Company does not have a liquid market, their fair value should be determined based on the existing market conditions and specific risks associated with a specific instrument. The estimates presented below may not correspond to the amounts that the Company is able to receive upon the market sale of the entire available package of a specific instrument.

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments depending on the valuation methodologies:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: methodologies in which all inputs that significantly affect fair value are directly or indirectly observed on the open market; and
- Level 3: methodologies that use inputs that significantly affect fair value, not based on data observed on the open market.

The table below analyses the assets measured at fair value by the level in the fair value hierarchy as at 31 December 2022:

	Level 1	Level 2	Level 3	Book value
<b>Financial assets measured at fair value</b>				
<b>Investment financial assets</b>	-	<b>42 808 436</b>	-	<b>42 808 436</b>
Securities that are measured at fair value through profit or loss on a mandatory basis	-	42 808 436	-	42 808 436

The table below shows an analysis of assets measured at amortized cost, recorded at fair value, broken down by levels of assessment hierarchy as at 31 December 2022:

	Level 1	Level 2	Level 3	Book value
<b>Financial assets measured at amortized cost</b>				
<b>Cash and cash equivalents</b>	-	<b>1 325 670</b>	-	<b>1 325 670</b>
Current account balances in CBU	-	1 325 670	-	1 325 670
<b>Due from other banks</b>	-	<b>77 000 000</b>	-	<b>77 000 000</b>
Term deposits in other banks placed for a period of more than 90 days	-	77 000 000	-	77 000 000
<b>Loans and advances</b>	-	-	<b>1 933 422 484</b>	<b>1 933 422 484</b>
Loans to banks	-	-	1 933 422 484	1 933 422 484
Investment financial assets	<b>9 101 762</b>	-	-	<b>9 101 762</b>
Total investment securities measured at amortised cost	9 101 762	-	-	9 101 762

The table below shows an analysis of assets measured at amortized cost, recorded at fair value, broken down by levels of assessment hierarchy as at 31 December 2021:

	Level 1	Level 2	Level 3	Book value
<b>Financial assets measured at amortized cost</b>				
<b>Cash and cash equivalents</b>	-	<b>6 968 836</b>	-	<b>6 968 836</b>
Current account balances in CBU	-	6 968 836	-	6 968 836
<b>Due from other banks</b>	-	<b>104 261 940</b>	-	<b>104 261 940</b>
Term deposits in other banks placed for a period of more than 90 days	-	104 261 940	-	104 261 940
<b>Loans and advances</b>	-	-	<b>1 168 243 542</b>	<b>1 168 243 542</b>
Loans to banks	-	-	1 168 243 542	1 168 243 542

The table below provides an analysis of liabilities measured at amortized cost, recorded at fair value, broken down by levels of assessment hierarchy as at 31 December 2022:

	Level 1	Level 2	Level 3	Book value
<b>Financial liabilities measured at amortized cost</b>				
<b>Borrowings</b>	-	-	<b>1 928 085 935</b>	<b>1 928 085 935</b>
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	1 928 085 935	1 928 085 935
<b>Other financial liabilities</b>	-	-	<b>770 715</b>	<b>770 715</b>

The table below provides an analysis of liabilities measured at amortized cost, recorded at fair value, broken down by levels of assessment hierarchy as at 31 December 2021:

	Level 1	Level 2	Level 3	Book value
<b>Financial liabilities measured at amortized cost</b>				
<b>Borrowings</b>	-	-	<b>1 166 142 810</b>	<b>1 166 142 810</b>
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	1 166 142 810	1 166 142 810
<b>Other financial liabilities</b>	-	-	<b>216 407</b>	<b>216 407</b>

The fair value measurements at Level 2 and Level 3 of the fair value hierarchy were performed using the discounted cash flow model. The fair value of floating rate derivatives with no quoted prices in an active market was assumed to be equal to the carrying amount. The fair value of fixed interest rate instruments that do not have quoted prices in an active market was estimated based on estimated future cash flows, discounted using current interest rates in the borrowing market for new instruments with a similar credit risk and a similar maturity.

For assets, the Company used assumptions about the incremental rate on borrowed capital and the prepayment rates of the counterparty. Liabilities are discounted at the rate of raising additional borrowed funds of the Company. Obligations to be repaid upon request were discounted starting from the first day of the potential presentation of a request for repayment of the Company's obligations.

## 22 Risk Management

The Company manages its risks in respect of financial risks (credit, market, currency risks, liquidity and interest rate risks), as well as operational and legal risks. The assessment of accepted risk also serves as the basis for the optimal allocation of capital, taking into account risks, pricing operations and evaluation of performance. Company's management should ensure proper compliance with internal regulations and procedures in order to minimize operational and legal risks.

### 22.1 Credit risk

The Company assumes credit risk, namely the risk that the counterparty will not be able to fully repay the debt in due time. The Company controls credit risk by setting limits on one borrower or group of related borrowers, as well as by industry segment. The Company regularly monitors such risks; limits are reviewed annually.

***Policy to reduce and limit risk.*** The Company manages, sets limits and controls the concentration of credit risk wherever it is established - in particular, in relation to individual counterparties and groups. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to fulfill obligations to repay interest and principal.

The Company uses a number of methods and practices to reduce credit risk. The most traditional of these is obtaining collateral for loans issued, which is a common practice. The Company applies guidelines for acceptability of special collateral groups or credit risk mitigation.

The following are the main types of collateral for loans and advances:

- right for mortgage claim;
- government securities;
- deposits.

***Credit Risk. Expected credit loss model and basic principles of provisioning.*** The Company applies the model of expected credit losses for the purpose of reserving financial debt instruments, the key principle of which is the timely reflection of a deterioration or improvement in the credit quality of debt financial instruments, taking into account current and forecast information. The volume of expected credit losses recognized as an estimated provision for credit losses depends on the degree of deterioration in credit quality since the initial recognition of a debt financial instrument.

Depending on the change in credit quality since the initial recognition, the Company classifies financial instruments to one of the following stages:

- Stage 1 - "12-month expected credit losses" - Debt financial instruments for which no significant increase in credit risk was observed, and for which 12-month expected credit losses are calculated.
- Stage 2 - "Expected credit losses over the entire life span - non-impaired assets" - Debt financial instruments with a significant increase in credit risk, but not impaired, for which expected credit losses are calculated over the entire life of the financial instrument.
- Stage 3 - "Expected credit losses over the entire life span - impaired assets" - impaired debt financial instruments.

For acquired or issued depreciated financial assets, the estimated reserve for credit losses is formed in the amount of accumulated changes in the value of expected credit losses over the entire life of the instrument from the moment of acquisition or provision.

***Factors indicating a significant increase in credit risk before the asset is recognized as impaired.*** The main factors indicating a significant increase in credit risk before the asset is recognized as impaired are:

- The presence of overdue debts to the Company for a period from 31 to 90 days (inclusive);
- Significant changes in the external and internal credit rating resulting from changes in credit risk compared with the moment of initial recognition;

- Deterioration of the internal rating to the level at which the Company decides to refuse to provide a loan;
- Identification of events that may affect solvency (revocation of a license, presence of claims, violation of credit documentation conditions, etc.).

***The main signs of assigning a debt financial instrument to impaired (Stage 3):***

- The borrower has delayed the repayment of any debts to the Company by more than 90 days;
- Default restructuring of debt and / or financial liability for operations in financial markets and expected insolvency;
- Other signs of insolvency, the identification of which leads to the appropriation of a default by the borrower (bankruptcy of the borrower, the expected adoption by the borrower of the decision to liquidate or terminate the activity, the probable non-repayment of the debt by the borrower, etc.)

***Credit quality recovery.*** The improvement in the borrower's credit quality, which at the previous reporting dates revealed a significant increase in credit risk to the level of risk related to the first stage, is determined on the basis of an estimate of the change in credit risk at the reporting date compared to the initial recognition.

Credit quality is restored from the impaired level to the level of risk related to the first stage when the indicators of impairment are eliminated at the reporting date, as well as if there are no factors at the reporting date indicating a significant increase in credit risk.

***Reservation approach for impaired assets purchased or issued.*** To calculate the estimated reserve for credit losses in respect of acquired or disbursed impaired assets, the Company estimates the cumulative changes in the value of expected credit losses over the entire life of the instrument from the moment of its acquisition or issue.

A financial asset is considered an acquired or issued impaired asset when one or more events occur on it that have a negative impact on the estimated future cash flows of such a financial asset, in particular, observable data on the following events at the time of acquisition or issue:

- significant financial difficulties of the counterparty / issuer;
- breach of contract terms, such as late payment;
- granting by the creditor of an assignment to his counterparty / issuer for economic reasons or contractual terms associated with the financial difficulties of such counterparty / issuer and which the lender would not have provided otherwise;
- the likelihood of bankruptcy or other financial reorganization;
- the disappearance of an active market for this financial asset as a result of the issuer's financial difficulties;
- purchase or creation of a financial asset with a large discount that reflects credit losses incurred.

***Assessment methods and method of forming an allowance for credit losses.*** In order to estimate expected credit losses, two methods are distinguished: at the transaction level or at the counterparty level.

The main method of formation of estimated reserves for credit losses, which is applied at the Company level, is collective reservation. It is necessarily applied to financial instruments for which the debt is not material or for which no significant increase in credit risk or impairment was detected during the reporting period.

***Reserving financial assets on an individual basis.*** The amount of the estimated reserve for credit losses for each debt financial asset is based on an estimate of the weighted average expected credit losses under the scenarios under consideration.

- The number of considered scenarios and their weights are determined on the basis of the methodology developed by the Company, taking into account the current, as well as reasonable forecast information, however, the number of considered scenarios cannot be less than two (including 100% loss scenario) and the probability of their implementation must be above zero.

- Estimation of expected losses in case of individual approach to reservation takes into account the time value of money, as well as reasonable information about past, current and forecast future economic conditions. The amount of the allowance for credit losses is determined as the difference between the gross book value of the debt financial asset before deducting the allowance for credit losses at the valuation date and its recoverable amount.

To estimate the recoverable amount, the discounted cash flow method is used based on the expected future payments on the debt financial asset (or other cash flows) using the effective interest rate as the discount rate. This assessment should take into account the following sources of cash flow:

- free cash flow from operating activities;
- future amounts recoverable from the sale of collateral;
- cash receipts from other sources - for example, as a result of judicial proceedings (other than the sale of collateral) or bankruptcy proceedings.

**Reserving financial assets collectively.** A collective assessment of estimated reserves for credit losses of financial assets is carried out on the basis of individual risk metrics (PD, LGD, EAD), which are assigned to each specific counterparty/issuer based on the analysis of financial and other information, and which are regularly monitored.

PD is the probability of default determined on the basis of the risk segment and the internal rating (or group of delay) for the relevant period (12 months or the entire life of the tool (Lifetime PD)). Values are determined based on internal models, as well as using migration matrices (Markov chains). Calculations of the probability of default are adjusted for forecast information. Indicators of probability of default (PD) used by the Company, based on the example of Moody's rating agency for financial institutions. For corporate by main sectors of the economy and individuals, data are used published in the official websites of government agencies, the Central Bank of Uzbekistan ([www.cbu.uz](http://www.cbu.uz)) and other sources. As a forecast, data are used on the quality of the loan portfolio of past periods, as well as current and expected changes in macroeconomic variables (for example, real GDP growth, inflation, growth in real disposable money incomes of the population, etc.). The impact of these economic variables on the probability of default is determined using statistical regression analysis, and is calculated as the effect that these variables have on the level of defaults in past periods. The Company estimates expected credit losses for a period of 12 months (Stage 1) or the entire life of the instrument, weighted by the likelihood of scenarios. These expected credit losses, weighted by probability, are determined by calculating each scenario using the appropriate model of expected credit losses and multiplying them by the respective scenario weights.

The basic segmentation principle for determining the probability of default (PD) for reservation purposes assumes that debt financial instruments with a similar risk profile should be assigned to the same portfolio with a similar level of risk. The risk segment is determined based on the specifics of the counterparty / issuer, the country of residence, size and business model.

LGD is the level of losses in case of default, the estimated value of losses as a result of the onset of default, based on the difference in the amounts of contractual cash flows receivable and cash flows that the lender expects to receive, including as a result of the pledged property. As a rule, this value is expressed as a percentage of EAD. Values are determined using models developed based on internal statistics.

EAD is the value of the credit claim at risk of default. Debt at the time of default is determined based on the expected payment schedule, which varies depending on the type of product. For products that are recorded at amortized cost and loans with a one-time repayment of debt at the time of default, it is determined on the basis of amounts due to repayment by the borrower under the contract for a 12-month period or for the entire life of the financial instrument. This debt is also adjusted for the expected overpayment by the borrower. The calculation also includes early repayment or refinancing assumptions. For renewable products, the debt at the time of default is projected by adding to the current balance of the funds used the "credit conversion ratio", which takes into account the expected use of the remaining limit by the time of default. These assumptions vary depending on the type of product, current use of the limit and other behavioral characteristics of a particular borrower. Values are determined using models developed based on internal statistics.

**Determination of the estimated provision for credit losses for credit commitments.** If the counterparty has current balance sheet debt, the assessment of credit loss reserves for credit commitments is carried out in accordance with the approaches applied to reserving balance sheet debt of this counterparty taking into account the credit conversion factor (CCF), determined both on the basis of statistical data and Basel values. If the counterparty has only credit-related obligations, the assessment of estimated reserves for credit losses is carried out depending on the amount of the obligation, taking into account the CCF, on an individual or collective basis.

**Credit quality of financial instruments.** The classification of financial assets into five categories of credit risk is a summary of the credit quality of financial assets covered by IFRS 9.

- “Minimal credit risk” - assets, counterparties for which demonstrate a stable ability to meet financial obligations in a timely manner with an insignificant probability of default.
- “Low credit risk” - assets, counterparties for which have a low probability of default and a high ability to meet financial obligations in a timely manner.
- “Medium credit risk” - assets whose counterparties have a moderate probability of default, demonstrate an average ability to meet financial obligations in a timely manner and require more careful attention at the monitoring stage.
- “High credit risk” - assets whose counterparties have a high probability of default require special attention at the monitoring stage.
- “Default” - assets that, according to the available evidence of impairment, meet the definition of default.

## 22.2 Geographical risk

The following is an analysis of the geographical concentration of the Company’s financial assets and liabilities as at 31 December 2022:

	Uzbekistan	Other countries	Total
<b>Financial assets</b>			
Cash and cash equivalents	1 308 436	-	1 308 436
Due from other banks	76 054 388	-	76 054 388
Loans and advances	1 929 499 914	-	1 929 499 914
Investment financial assets	51 859 805	-	51 859 805
<b>Total financial assets</b>	<b>2 058 722 543</b>	<b>-</b>	<b>2 058 722 543</b>
<b>Financial liabilities</b>			
Borrowings	300 295 890	1 627 790 045	1 928 085 935
Other financial liabilities	770 715	-	770 715
<b>Total financial liabilities</b>	<b>301 066 605</b>	<b>1 627 790 045</b>	<b>1 928 856 650</b>
<b>Net financial assets / (liabilities)</b>	<b>1 757 655 938</b>	<b>(1 627 790 045)</b>	<b>129 865 893</b>

The following is an analysis of the geographical concentration of the Company's financial assets and liabilities as at 31 December 2021:

	Uzbekistan	Other countries	Total
<b>Financial assets</b>			
Cash and cash equivalents	6 940 264	-	6 940 264
Due from other banks	103 075 868	-	103 075 868
Loans and advances	1 165 582 309	-	1 165 582 309
<b>Total financial assets</b>	<b>1 275 598 441</b>	<b>-</b>	<b>1 275 598 441</b>
<b>Financial liabilities</b>			
Borrowings	-	1 166 142 810	1 166 142 810
Other financial liabilities	216 407	-	216 407
<b>Total financial liabilities</b>	<b>216 407</b>	<b>1 166 142 810</b>	<b>1 166 359 217</b>
<b>Net financial assets / (liabilities)</b>	<b>1 275 382 034</b>	<b>(1 166 142 810)</b>	<b>109 239 224</b>

Assets, liabilities and credit commitments are generally classified according to the country in which the counterparty is located. Cash and cash equivalents, due from other banks are classified according to the country of their physical location.

### 22.3 Currency risk

The table below presents a general analysis of the Company's currency risk at the end of the reporting period:

	Monetary financial assets	Monetary financial liabilities	Net balance position
<b>2022</b>			
UZS	2 058 722 543	1 928 856 650	129 865 893
<b>Total</b>	<b>2 058 722 543</b>	<b>1 928 856 650</b>	<b>129 865 893</b>
<b>2021</b>			
UZS	1 275 598 441	1 166 174 114	109 424 327
USD	-	185 103	(185 103)
<b>Total</b>	<b>1 275 598 441</b>	<b>1 166 359 217</b>	<b>109 239 224</b>

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

	31 December 2022	31 December 2021
Strengthening of the USD by 10%	-	(18 510)
Weakening of the USD by 10%	-	18 510

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

## 22.4 Liquidity risk

Liquidity risk is the risk that an organization will face difficulties in meeting its financial obligations. The Company is exposed to the risk of the daily need to use the available funds for settlement of overnight deposits, customer deposits, repayment of deposits, issuance of loans and borrowings, payments on guarantees and derivative financial instruments that are settled in cash. The Company does not accumulate cash in case it is necessary to fulfill all of the above obligations at one time, since, based on the accumulated experience, it is possible to predict with sufficient accuracy the level of funds necessary to fulfill these obligations. The Company's Financial manager manages liquidity risk

The Company tries to maintain a stable funding base, consisting mainly of funds from other banks, deposits of legal entities / deposits of individuals. The Company invests in diversified portfolios of liquid assets in order to be able to quickly and easily meet unforeseen liquidity requirements.

Liquidity management of the Company requires an analysis of the level of liquid assets necessary to settle liabilities upon maturity; providing access to various sources of financing; plans in case of problems with financing and monitoring compliance of liquidity ratios with legislative requirements. The Company calculates liquidity ratios on a monthly basis in accordance with the requirements of the CBU.

Information on financial assets and liabilities is received by the Financial manager ensures an adequate portfolio of short-term liquid assets, mainly consisting of short-term liquid trading securities, deposits with banks and other interbank instruments, to maintain an adequate level of liquidity for the Company as a whole.

Financial manager controls the daily liquidity position and regularly performs liquidity stress testing under various scenarios covering standard and more adverse market conditions.

The table below shows the distribution of obligations by contractual time remaining until maturity. The liabilities amount in the table represent the contractual cash flows, including the gross amount of the finance lease liabilities, as well as financial guarantees. These non-discounted cash flows differ from the amounts recorded in the statement of financial position as the amounts in the statement of financial position are based on discounted cash flows.

The table below shows the maturity analysis of non-derivative financial assets recorded at book value based on the contractual maturity dates, with the exception of assets that can be easily realized if there is a need for cash outflows related to financial liabilities. Such financial assets are included in the maturity analysis based on the expected disposal date. Impaired loans and borrowings are included in the table at book value less provision for impairment and based on expected cash inflow periods.

In cases where the amount to be paid is not fixed, the amount in the table is determined based on the conditions existing at the end of the reporting period. Currency payments are translated using the current exchange rate at the end of the reporting period.

The analysis of liquidity risk and interest rate risk as at 31 December 2022 is presented in the following table:

	On demand and less than 1 month	From 1 month to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	Total
<b>Financial assets</b>						
Due from other banks	-	56 363 788	19 690 600	-	-	76 054 388
Loans and advances	-	139 140 248	536 646 808	546 066 264	707 646 594	1 929 499 914
Investment financial assets	-	535 506	8 515 863	-	-	9 051 369
<b>Total interest accrued financial assets</b>	-	<b>196 039 542</b>	<b>564 853 271</b>	<b>546 066 264</b>	<b>707 646 594</b>	<b>2 014 605 671</b>
Cash and cash equivalents	1 308 436	-	-	-	-	1 308 436
Investment financial assets	9 709 772	33 098 664	-	-	-	42 808 436
<b>Total financial assets</b>	<b>11 018 208</b>	<b>229 138 206</b>	<b>564 853 271</b>	<b>546 066 264</b>	<b>707 646 594</b>	<b>2 058 722 543</b>
<b>Financial liabilities</b>						
Borrowings	-	124 195 616	520 778 064	534 630 106	748 482 149	1 928 085 935
<b>Total interest-bearing financial liabilities</b>	-	<b>124 195 616</b>	<b>520 778 064</b>	<b>534 630 106</b>	<b>748 482 149</b>	<b>1 928 085 935</b>
Other financial liabilities	770 715	-	-	-	-	770 715
<b>Total financial liabilities</b>	<b>770 715</b>	<b>124 195 616</b>	<b>520 778 064</b>	<b>534 630 106</b>	<b>748 482 149</b>	<b>1 928 856 650</b>
The difference between financial assets and liabilities	10 247 493	104 942 590	44 075 207	11 436 158	(40 835 555)	129 865 893
The difference between interest accrued financial assets and interest-bearing financial liabilities	-	71 843 926	44 075 207	11 436 158	(40 835 555)	86 519 736
<b>The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative</b>	-	<b>71 843 926</b>	<b>115 919 133</b>	<b>127 355 291</b>	<b>86 519 736</b>	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	0,00%	3,49%	5,63%	6,19%	4,20%	

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

	On demand and less than 1 month	From 1 month to 1 year	From 1 to 5 years	From 5 to 10 years	More than 10 years	Total
<b>Financial assets</b>						
Due from other banks	61 940	46 926 311	56 087 617	-	-	103 075 868
Loans and advances	-	30 435 459	173 723 692	386 001 986	575 421 172	1 165 582 309
<b>Total interest accrued financial assets</b>	<b>61 940</b>	<b>77 361 770</b>	<b>229 811 309</b>	<b>386 001 986</b>	<b>575 421 172</b>	<b>1 268 658 177</b>
Cash and cash equivalents	6 940 264	-	-	-	-	6 940 264
<b>Total financial assets</b>	<b>7 002 204</b>	<b>77 361 770</b>	<b>229 811 309</b>	<b>386 001 986</b>	<b>575 421 172</b>	<b>1 275 598 441</b>
<b>Financial liabilities</b>						
Borrowings	-	17 333 421	153 174 570	382 936 425	612 698 394	1 166 142 810
<b>Total interest-bearing financial liabilities</b>	<b>-</b>	<b>17 333 421</b>	<b>153 174 570</b>	<b>382 936 425</b>	<b>612 698 394</b>	<b>1 166 142 810</b>
Other financial liabilities	216 407	-	-	-	-	216 407
<b>Total financial liabilities</b>	<b>216 407</b>	<b>17 333 421</b>	<b>153 174 570</b>	<b>382 936 425</b>	<b>612 698 394</b>	<b>1 166 359 217</b>
The difference between financial assets and liabilities	6 785 797	60 028 349	76 636 739	3 065 561	(37 277 222)	109 239 224
The difference between interest accrued financial assets and interest-bearing financial liabilities	61 940	60 028 349	76 636 739	3 065 561	(37 277 222)	102 515 367
<b>The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative</b>	<b>61 940</b>	<b>60 090 289</b>	<b>136 727 028</b>	<b>139 792 589</b>	<b>102 515 367</b>	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	0,00%	2,92%	6,64%	6,79%	4,98%	

In the opinion of the Company's management, the discrepancy between the terms of placement and redemption and interest rates on assets and liabilities is a temporary factor. In practice, as a rule, there is no complete match for these positions, since transactions often have indefinite maturities and a different nature.

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

Farmanov M.J.  
General director

28 April 2023



Shoymardanov B.B.  
Acting Deputy General Director for  
Financial Affairs