Consolidated Financial Statements and Independent Auditor's Report

Joint Stock Commercial Bank with Foreign capital "Hamkorbank"

31 December 2022

CONTENTS

Independent Auditor's Report

To the Shareholders and the Supervisory board of the Joint-Stock Commercial Bank with Foreign Capital "Hamkorbank":

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Joint-Stock Commercial Bank with Foreign Capital "Hamkorbank" (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

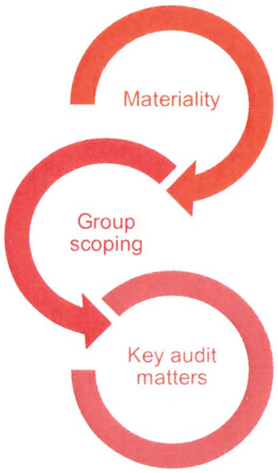
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.

Our audit approach

Overview



- Overall Group materiality: Uzbek Soums ("UZS") 46,700 million, which represents 5% of profit before tax.

- We performed audit procedures on the financial statements of the Bank and on the material balances and transactions of subsidiaries included in the consolidated financial statements of the Group.

- Assessment of expected credit loss (ECL) provision for loans and advances to customers in accordance with IFRS 9, *financial instruments*.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	UZS 46,700 million
How we determined it	We determined overall materiality as being 5% of the profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% threshold as in our professional experience this is a widely accepted quantitative measure for this benchmark.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses (ECL) allowance for loans and advances to customers in accordance with IFRS 9, Financial Instruments. We considered impairment of loans and advances to customers as a key audit matter due to the significance of loans and advances to customer balance and a complex financial reporting standard, which requires significant judgment to determine the ECL allowance. The Bank performed ECL assessment: • on individual balances basis: a number of scenarios of loan recovery were analysed for each customer and ECL was calculated based on weighted expected recoveries from the realisation of these scenarios; and • on a portfolio basis: internal ratings were estimated on individual balances basis but the same credit risk parameters (e.g. probability of default, loss given default) were applied during the process of ECL calculations for the loans with the same credit risk ratings. Key areas of judgment included: • Allocation of loans to stages; • Definition of significant increase in credit risk (SICR); • Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default.	In assessing ECL allowance we have performed, among others, the following audit procedures: • We assessed the methodologies and models for collective and individual ECL allowance assessment developed by the Group in order to evaluate their compliance with IFRS 9 requirements. We focused our procedures on default definition, factors for determining a "significant increase in credit risk", allocation of the loans to stages, and estimation of key risk parameters. • On a sample basis we tested individually assessed ECL allowance levels to determine if they appropriately considered the risk profile, credit risk and the macroeconomic environment. We considered trends in the economy and industries to which the Bank's borrowers are exposed. • On a sample basis we tested the assumptions, inputs and formulae used in the ECL models for collective and individual allowance assessment. • We assessed the design and on a sample basis tested operating effectiveness of the controls on the processes that identify overdue loans. • On a sample basis we tested segmentation and allocation to stages. • To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e. loan portfolios, loan agreements, collateral agreements, etc. • On an overall basis we checked the Bank's assessment of the effect of forward looking information on the ECL level. In particular, we assessed whether forecasted macroeconomic variables were appropriate (such as inflation level, unemployment rate, exchange rates and GDP), compared input data to the external sources and checked appropriateness of the model used.

Key audit matter	How our audit addressed the key audit matter
Note 3 "Significant Accounting Policies", Note 4 "Critical Accounting Estimates, and Judgements in Applying Accounting Policies", Note 10 "Loans and Advances to Customers, including Finance Lease Receivables" and Note 30 "Financial Risk Management" to the consolidated financial statements provide detailed information on the credit loss allowance.	• We assessed the adequacy and appropriateness of disclosures for compliance with the IFRS.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group includes six entities and accounting is maintained by centralized accounting team for the entire Group. Our audit procedures included the audit of these entities together with the Bank. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed. These subsidiaries represent approximately 1.7% of the Group's total assets as at 31 December 2022 and 3.3% of the Group's total comprehensive income for the period. We focused our audit work on significant balances and transactions of each component.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

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

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

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

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

Our findings from the procedures performed are reported below.

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

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

- As at 31 December 2022, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.

- The frequency of reports prepared by the Bank's internal audit function during 2022 was in compliance with the requirements of the Central Bank of the Republic of Uzbekistan. The reports were approved by the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems.

- As at 31 December 2022 the Bank has the established Information security function as required by the Central Bank of the Republic of Uzbekistan, and the information security policy was approved by the Bank's management board. Information security function was subordinated to, and reported directly to, the Chairman of the management board.

- Reports by the Bank's Information security function to the Chairman of the management board during 2022 included assessment and analysis of information security risks, and results of actions to manage such risks.
- The Bank's internal documentation, effective on 31 December 2022, establishing the procedures and methodologies for identifying and managing the Bank's significant risks: credit risk, liquidity risk, market risk, operating risk, fraud risk, compliance risk, business disruptions and system failures/IT risk, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.
- As at 31 December 2022, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank capital.
- The frequency of reports prepared by the Bank's risk management and internal audit functions during 2022, which cover the Bank's significant risks management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the Bank's significant risks, risk management system and recommendations for improvement.
- As at 31 December 2022, the Supervisory Board and management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2022, the Supervisory Board and management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

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

Otabek Abdukodirov,
Acting General Director

Certificate of auditor No. 05618
dated 28 July 2017 issued by the
Ministry of Finance of Uzbekistan

Certificate of auditor No. 9/19
Dated 27 August 2018 issued by
Central Bank of Uzbekistan

Audit Organization "Pricewaterhouse Coopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC
Tashkent, Uzbekistan
2 May 2023

In millions of Uzbekistan Soums	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	7	3,339,493	1,623,446
Due from other banks	8	278,032	198,658
Investments in debt securities	9	1,416,338	739,367
Investments in equity securities		4,260	3,967
Derivative financial instruments	32	27,028	50,675
Loans and advances to customers, including finance lease receivables	10	11,450,537	9,497,406
Premises and equipment	12	285,383	288,262
Intangible assets	12	29,783	23,907
Right of use assets	13	5,772	11,723
Current income tax prepayment	25	13,754	10,289
Other financial assets		1,055	11,077
Other assets	11	63,185	35,713
TOTAL ASSETS		**16,914,620**	**12,494,490**
LIABILITIES			
Due to other banks	14	572,366	200,930
Customer accounts	15	6,685,870	4,368,865
Debt securities in issue		650	14,050
Other borrowed funds	16	6,241,607	5,392,976
Subordinated debt	19	411,230	309,499
Lease liabilities	13	11,281	19,195
Other financial liabilities	17	18,790	13,794
Current income tax liability		142	762
Deferred income tax liability	25	38,741	33,704
Other liabilities	18	97,289	62,971
TOTAL LIABILITIES		**14,077,966**	**10,416,746**
EQUITY			
Share capital	20	109,929	109,929
Share premium	20	77,751	77,751
Retained earnings		2,648,188	1,890,064
Other reserves		786	-
TOTAL EQUITY		**2,836,654**	**2,077,744**
TOTAL LIABILITIES AND EQUITY		**16,914,620**	**12,494,490**

Approved for issue and signed on behalf of Management Board on 2 May 2023.

Juraev B.T.
Chairman of the Management Board

Mukhitdinov Sh.Z.
Chief Financial Officer

In millions of Uzbekistan Soums	Note	2022	2021
Interest income calculated using the effective interest method	21	2,273,606	1,692,465
Other similar income	21	41,946	110,327
Interest expense	21	(1,070,134)	(744,549)
Other similar expense	21	(88,048)	(137,416)
Net margin on interest and similar income		**1,157,370**	**920,827**
Credit loss allowance	7,8,9,10	(17,180)	(50,555)
Net margin on interest and similar income after credit loss allowance		**1,140,190**	**870,272**
Fee and commission income	22	498,191	311,253
Fee and commission expense	22	(93,742)	(67,450)
Gains less losses from securities at fair value through profit or loss		(7,556)	(1,865)
Gains less losses from trading in foreign currencies		282,067	72,228
Gains less losses from financial derivative		(5,195)	56,235
Gains less losses from foreign exchange translation		(21,187)	(25,255)
Other operating income	23	40,812	49,252
Administrative and other operating expenses		(899,976)	(641,342)
Profit before tax		**933,604**	**623,328**
Income tax expense	25	(174,470)	(123,057)
PROFIT FOR THE YEAR		**759,134**	**500,271**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Debt securities at fair value through other comprehensive income:			
- Gains less losses arising during the year		982	-
Income tax recorded directly in other comprehensive income		(196)	-
Other comprehensive income for the year		786	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**759,920**	**500,271**
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (in UZS)	28	**36.3**	**23.9**

In millions of Uzbekistan Soums	**Share capital**	**Share premium**	**Revaluation reserve for securities at FVOCI**	**Retained earnings**	**Total**
Balance at 1 January 2021	**109,929**	**77,751**	**-**	**1,390,802**	**1,578,482**
Profit for the year	-	-	-	500,272	**500,272**
Total comprehensive income for 2021	**-**	**-**	**-**	**500,272**	**500,272**
Dividends declared (note 26)	**-**	**-**	**-**	(1,010)	**(1,010)**
Balance at 31 December 2021	**109,929**	**77,751**	**-**	**1,890,064**	**2,077,744**
Profit for the year	-	-	-	759,134	**759,134**
Other comprehensive income	-	-	786	-	**786**
Total comprehensive income for 2022	**-**	**-**	**786**	**759,134**	**- 759,920**
Dividends declared (note 26)	**-**	**-**	**-**	(1,010)	**(1,010)**
Balance at 31 December 2022	**109,929**	**77,751**	**786**	**2,648,188**	**2,836,654**

In millions of Uzbekistan Soums	Note	2022	2021
Cash flows from operating activities			
Interest income received calculated using the effective interest method received		2,282,305	1,711,327
Other similar Interest received		60,989	94,026
Interest paid calculated using the effective interest method		(971,453)	(758,533)
Other similar Interest paid		(115,274)	(130,211)
Fees and commissions received		492,712	311,297
Fees and commissions paid		(93,742)	(67,450)
Income received from trading in foreign currencies		282,067	72,228
Income received from financial derivatives		18,073	34,506
Other operating income received		41,205	49,763
Personnel expenses paid		(569,914)	(409,079)
Other operating expenses paid		(222,584)	(176,525)
Income tax paid		(173,518)	(124,548)
Cash flows from operating activities before changes in operating assets and liabilities		**1,030,866**	**606,801**
Net (increase) / decrease in:			
- Investments in debt securities at fair value through profit or loss		691,181	(565,932)
- Investments in equity securities at fair value through profit or loss		(293)	-
- Due from other banks		(94,515)	47,978
- Loans and advances to customers, including finance lease receivables		(1,962,111)	(2,245,498)
- Other assets		(8,150)	(5,770)
Net increase / (decrease) in:			
- Due to other banks		380,227	137,411
- Customer accounts		2,259,617	806,291
- Other liabilities		19,224	14,477
Net cash from (used in) operating activities		**2,316,046**	**(1,204,242)**
Cash flows from investing activities			
Acquisition of premises and equipment		(61,223)	(72,874)
Acquisition of intangible assets		(14,267)	(8,218)
Proceeds from disposal of premises and equipment		626	87
Acquisition of subsidiary, net of cash acquired		-	(4,472)
Acquisition of debt securities at fair value through other comprehensive income	9	(1,089,459)	-
Acquisition of investments in debt securities carried at amortised cost	9	(5,289,401)	-
Proceeds from redemption of debt securities carried at amortised cost	9	5,006,862	-
Net cash used in investing activities		**(1,446,862)**	**(85,477)**
Cash flows from financing activities			
Proceeds from debt securities in issue		-	7,800
Repayment of debt securities in issue		(13,400)	(4,250)
Proceeds from other borrowed funds	16	2,380,965	2,903,193
Repayment of other borrowed funds	16	(1,615,169)	(2,239,091)
Proceeds from subordinated debt	19	94,125	53,008
Repayment of principal of lease liabilities		(7,914)	(5,316)
Dividends paid	26	(1,008)	(1,007)
Net cash from financing activities		**837,599**	**714,337**
Effect of exchange rate changes on cash and cash equivalents		**6,211**	**(23,971)**
Effect of expected credit losses on cash and cash equivalents		**3,053**	**(1,175)**
Net (decrease) in cash and cash equivalents		**1,716,047**	**(600,528)**
Cash and cash equivalents at the beginning of the year	7	1,623,446	2,223,974
Cash and cash equivalents at the end of the period	7	**3,339,493**	**1,623,446**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2022 for Joint Stock Commercial Bank with Foreign capital “Hamkorbank” (the “Bank”) and its subsidiaries (the “Group”).

The Bank was incorporated on 31 August 1991 under the laws of the Republic of Uzbekistan. The Bank operates under a general banking license issued by the Central Bank of Uzbekistan (the “CBU”) on 29 July 2000, which was renewed by the CBU on 25 December 2021. As of 31 December 2022 and 2021 the Bank was ultimately controlled by Mr. Ibragimov Ikram.

Principal activity. The Bank accepts deposits from the public and extends credit, transfers payments in Uzbekistan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The Bank’s lending activity is primarily focused on small and medium enterprises and individual entrepreneurs. As at 31 December 2022 the Bank conducts its operations from its Head office located in Andijan, Uzbekistan. In 2022 Group’s branches were reorganised as Banking services centres (31 December 2021: 46 branches) and at 31 December 2022 153 banking services centres operate (31 December 2021: 105 banking services centres) throughout the country.

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

Registered address and place of business. The Bank’s registered legal address is 85 Bobur Ave., Andijan, Republic of Uzbekistan, 170119.

Presentation currency. The functional currency of the Bank, which is the currency of the primary economic environment in which the Bank operates and the Bank’s presentation currency is the national currency of the Republic of Uzbekistan, Uzbek Soum (“UZS”).These consolidated financial statements are presented in millions of Uzbek Soums (“UZS”), unless otherwise indicated.

The shareholders of the Bank were as follows:

Shareholders	**31 December 2022**	**31 December 2021**
Individuals		
Ibragimov Ikram	55.77%	55.76%
Ibragimova Aziza	2.88%	2.88%
	58.65%	**58.64%**
Legal entities		
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden n.v. (FMO)	14.55%	14.55%
ResponsAbility Participations Aktiengesellschaft	10.53%	10.53%
International Finance Corporation	7.28%	7.28%
Responsability Sicav (lux) micro and SME finance leaders	2.68%	2.68%
Motanak Capital Management Pte. Ltd	1.14%	1.05%
	36.17%	**36.09%**
Others, individually owning less than 1%	5.17%	5.27%
Total	**100.00%**	**100.00%**

Subsidiaries. These consolidated financial statements include the following subsidiaries (domiciled in Uzbekistan):

Subsidiary	**Ownership 2022**	**Ownership 2021**	**Year of incorporation**	**Industry**
Hamkor Invest Lizing LLC	100%	100%	2011	Leasing
Hamkormazlizing LLC	100%	100%	2008	Leasing
Hamkor Sugurta LLC	100%	100%	2009	Insurance
HB Capital LLC (renamed of Hamkor Depo Invest SC)	100%	100%	2007	Depository
Partner Business Lizing LLC	100%	100%	2014	Leasing
Istiklol Nikhollari LLC (Subsidiary of Hamkor Invest Lizing LLC)	100%	100%	2014	Education

Abbreviations. A glossary of various abbreviations used in this document is included in Note 37.

2 Operating Environment of the Group

Republic of Uzbekistan*.* The Uzbekistan economy displays characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the banking sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments. The largest Uzbek banks are state-controlled and act as an arm of the Government to develop the country's economy. The Government distributes funds from the country's budget, which flow through the banks to various government agencies, and other state and privately owned entities.

Uzbekistan experienced following key economic indicators in 2022:

- Inflation(www.stat.uz) : 12.3% (2021: 10%)
- GDP growth (www.stat.uz) 5.7% (2021: 7.4%).
- Central Bank refinancing rate (www.cbu.uz) – 15% (2021: 14%).

At 31 December 2022, the principal rate of exchange used for translating foreign currency balances was USD 1 = UZS 11,225.46 (31 December 2021: USD 1 = UZS 10,837.66). The principal average rate of exchange used for translating income and expenses was USD 1 = UZS 11,045.7 (2021: USD 1 = UZS 10,623.44).

Influence of geopolitical events in the world. In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility in the currency markets, as well as a volatility of UZS against the US dollar and euro (in 2022, February – June months).

This conflict affected some export-import operations of the Group's customers. In order to minimize the impact on consumers, the Government of Uzbekistan adopted the relevant regulatory Document. In accordance with this Document, banks were recommended to modify the repayment schedules for loans and advances with "no accrued penalties and fines" and they are not classified as restructured loans for regulatory purposes. In accordance with the document, the Group restructured loans and advances to customers in the amount of UZS 353.7 billion. These modifications do not have a material effect on the Group's financial statements.

In order to reduce the impact of the external environment on the economy of the Republic of Uzbekistan, on March 17, 2022, the Board of the Central Bank of the Republic of Uzbekistan increased the CBU refinancing rate by 3% to 17%. In June 2022 and then in July 2022, after some decrease in the degree of influence of the external environment on the economy, the Board of the Central Bank of Uzbekistan decreased the CBU refinancing rate to 16% and 15% respectively.

For the purpose of managing the country risk, the Group controls transactions with counterparties within the limits set by the Group's collegial body, which are reviewed regularly. The Group continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance.

The long-term effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from the actual results.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 4 provides more information on how the Group incorporated forward-looking information in the ECL models.

3 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

Going concern. Management prepared these consolidated financial statements on a going concern basis.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another Group. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made.

The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities are measured at their fair values at the acquisition date.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Financial instruments – key measurement terms. *Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the Group. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 33).

3 Significant Accounting Policies (Continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs.

3 Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

***Financial assets – reclassification*.** Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 30 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

3 Significant Accounting Policies (Continued)

The Group's definition of credit impaired assets and definition of default is explained in Note 30. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners. In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss, under "Gain less losses from modification of financial assets measured at amortised cost, that did not lead to derecognition" line.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

3 Significant Accounting Policies (Continued)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include 80 percent of mandatory reserve deposits (Group can use this amount for liquidity in any time, but should save average amount for a day at the during the month) with the CBU and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Certain bank deposits held by the Group are subject to the "bail-in" legislation that permits or requires a national resolving authority to impose losses on holders in particular circumstances. Where the bail-in clauses are included in the contractual terms of the instrument and would apply even if legislation subsequently changes, the SPPI test is not met and such instruments are mandatorily measured at FVTPL. Where such clauses in the contract merely acknowledge the existence of the legislation and do not create any additional rights or obligation for the Group, the SPPI criterion is met and the respective instruments are carried at AC.

Mandatory reserve with the CBU are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows. Mandatory reserve with the CBU are presented in Due from other banks.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch. Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss. Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate an equity investments at FVOCI.

3 Significant Accounting Policies (Continued)

When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group’s right to receive payments.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at cost (non-financial assets) or at fair value (financial assets) when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Loan commitments. The Group issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability.

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

3 Significant Accounting Policies (Continued)

Depreciation. Land and construction in progress are not depreciated. Depreciation of other items of premises and equipment and right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years for 2022	**Useful lives in years for 2021**
Premises	20	30-35
Office and computer equipment	2.5-5	5-10
Right-of-use assets	1-5	1-5
Leasehold improvements	5-10	5-10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Group's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Accounting for leases by the Group. The Group leases office premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary 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 comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments (such as small spaces for ATM locations) as an operating expense on a straight line basis.

3 Significant Accounting Policies (Continued)

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within in profit or loss.

Credit loss allowance is recognised in accordance with the general ECL model/using a simplified approach at lifetime ECL. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at AC. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at AC.

Debt securities in issue*.* Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Group. Debt securities are stated at AC. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Other borrowed funds*.* Other borrowed funds are carried at AC.

Subordinated debt*.* Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative*.* Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

3 Significant Accounting Policies (Continued)

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at AC.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

3 Significant Accounting Policies (Continued)

Preference shares which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised as interest expense on an AC basis, using the effective interest method.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Uzbekistan legislation identifies the basis of distribution as the current year net profit.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'other similar income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Interest income and expenses on Derivative financial instruments. Interest and expenses on Derivative financial instruments (Interest rate Cross-currency SWAPs) calculated at nominal interest rate is presented within 'other similar income/(expenses)' line in profit or loss.

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations.

Sales and purchases of foreign currencies and currency conversion. The Group sells and purchases foreign currencies in the cash offices and through the bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Group, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Group rates are recognised as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the Group operates. The functional currency of the Bank and its subsidiaries, and the Group's presentation currency, is the national currency of the Republic of Uzbekistan, Uzbek Soums ("UZS").

3 Significant Accounting Policies (Continued)

Monetary assets and liabilities are translated into each Group's functional currency at the official exchange rate of the Central Bank of Uzbekistan at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each Group's functional currency at year-end official exchange rates of the Central Bank of Uzbekistan, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Earnings per share. Preference shares are not redeemable, and are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

Staff costs and related contributions. Wages, salaries, contributions to the Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 30 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 30.

Insurance contracts - Classification of contracts. Contracts under which the Group accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the insurance contract. Insurance contracts may also transfer some financial risk.

Recognition and measurement of insurance contracts – Premiums. Gross premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed in gross amounts, including commission payable to intermediaries and excluding taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue. Premiums are recognised as earned from the commencement day of the insurance coverage and proportionally during the insurance period on the basis of a decrease in the insured risk. Premiums ceded to reinsurance are recognised as an expense in accordance with the reduction of risks of reinsurance service received. The portion of premiums ceded to reinsurance that is not recognised, is treated as a prepayment.

3 Significant Accounting Policies (Continued)

Recognition and measurement of insurance contracts - Provision for unearned premiums. The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method, adjusted if necessary, to reflect any changes in risk during the period covered by the contract.

Recognition and measurement of insurance contracts – Claims. Claims comprise claims and claim handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Insurance contracts - Insurance acquisition costs. Insurance acquisition costs include direct costs such as commissions paid to insurance agents such as administrative expenses connected with the processing of proposals and the issuing of policies.

Insurance contracts - Liability adequacy test. At each reporting date, liability adequacy tests are performed to determine if the insurance contract provisions are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests.

Insurance contracts - ***Insurance receivables and payables.*** Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

	31 December 2022			**31 December 2021**		
	Amounts expected to be recovered or settled			**Amounts expected to be recovered or settled**		
In millions of Uzbekistan Soums	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
ASSETS						
Current income tax prepayment	13,754	-	13,754	10,289	-	10,289
Intangible assets	-	29,783	29,783	-	23,907	23,907
Premises and equipment	-	285,383	285,383	-	288,262	288,262
Right of use assets	-	5,772	5,772	-	11,723	11,723
Other assets	65,314	-	65,314	35,713	-	35,713
LIABILITIES						
Current income tax liability	142	-	142	761	-	761
Deferred income tax liability	-	38,741	38,741	-	33,704	33,704
Other liabilities	75,139	-	75,139	62,858	-	62,858

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 30. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Group used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model.

The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2022:

		Assigned	Assumption for:		
Variable	**Scenario**	**weight**	**2023**	**2024**	**2025**
Export Growth rate	Scenario 1	25%	16.1%	14.8%	14.8%
	Base	50%	18.9%	13.3%	13.7%
	Scenario 3	25%	2.0%	2.2%	2.2%
Import Growth rate	Scenario 1	25%	15.6%	16.2%	16.2%
	Base	50%	15.0%	17.0%	14.9%
	Scenario 3	25%	5.6%	5.6%	5.6%
GDP Growth rate	Scenario 1	25%	4.5%	5.5%	5.6%
	Base	50%	4.7%	5.0%	5.0%
	Scenario 3	25%	5.0%	5.5%	5.5%

The assumptions and assigned weights were as follows at 31 December 2021:

		Assigned weight	Assumption for:		
Variable	**Scenario**		**2022**	**2023**	**2024**
Export Growth rate	Scenario 1	25%	10.1%	10.1%	10.1%
	Base	50%	17.6%	15.4%	13.0%
	Scenario 3	25%	4.0%	3.0%	3.0%
Import Growth rate	Scenario 1	25%	14.2%	14.2%	14.2%
	Base	50%	13.4%	11.6%	10.9%
	Scenario 3	25%	11.6%	5.6%	5.6%
GDP Growth rate	Scenario 1	25%	6.1%	6.0%	6.0%
	Base	50%	5.3%	5.5%	5.5%
	Scenario 3	25%	4.3%	5.1%	5.5%

The main assumption related to the weighting of the scenarios is related to the reliability of the information, i.e. IMF is considered the most reliable and available information (information from IMF is easily accessible - usually publicly available). Since other sources are considered similar in terms of reliability and accessibility, management decided to allocate equally 25% for both scenarios 1 (e.g., World Bank) and 3 (S&P Global), while significant weight - 50% was allocated to scenario 2.

Significant increase in credit risk (“SICR”). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level (Note 30).

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Analysis of the sensitivity. The Group performed the following analysis of the sensitivity of the level of ECL on change in PD, LGD and macroeconomic coefficient by 10%:

In millions of Uzbekistan Soums	Increase	Sensitivity of ECL	Sensitivity of Equity
Credit risk parameters	**31 December 2022**	**31 December 2022**	**31 December 2022**
PD	+10%	5,115	(4,092)
Macroeconomic coefficient	+10%	5,115	(4,092)
LGD	+10%	1,210	(968)

In millions of Uzbekistan Soums	Increase	Sensitivity of ECL	Sensitivity of Equity
Credit risk parameters	**31 December 2021**	**31 December 2021**	**31 December 2021**
PD	+10%	4,508	(3,606)
Macroeconomic coefficient	+10%	4,508	(3,606)
LGD	+10%	1,500	(1,200)

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 34.

5 Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2022:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

- The amendment to IAS 16 prohibits an Group from deducting from the cost of an item of PPE any proceeds received from selling items produced while the Group is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An Group will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an Group is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an Group recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an Group applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an Group would have recognised some liabilities in a business combination that it would not

recognise under IAS 37. Therefore, immediately after the acquisition, the Group would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The application of the amendments had no significant impact on the Group's consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Group has not early adopted.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an Group will be recognising the loss immediately.

Group is currently assessing the impact of the new standard on its financial statements. Potential impact on insurance products embedded in loans and similar instruments is also under consideration.

1Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- *Effective date:* The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

6 New Accounting Pronouncements (Continued)

- *Expected recovery of insurance acquisition cash flows:* An Group is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the Group recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

- *Contractual service margin attributable to investment services*: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the Group performs such activities to enhance benefits from insurance coverage for the policyholder.

- *Reinsurance contracts held – recovery of losses:* When an Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an Group should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts

- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an Group chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the Group does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an Group to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an Group to apply the impairment requirements of IFRS 9; and require an Group that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the Group expects that financial asset to be classified applying IFRS 9.

6 New Accounting Pronouncements (Continued)

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the Group has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the Group complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an Group's own equity instruments.

There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the Group's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group is currently assessing the impact of the amendments on its financial statements.

6 New Accounting Pronouncements (Continued)

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7 Cash and Cash Equivalents

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Cash on hand	1,567,728	493,230
Cash balances with the CBU (other than mandatory reserve deposits)	620,707	695,332
Placements with other banks with original maturity of less than three months	430,551	142,325
Correspondent accounts and overnight placements with other banks	410,907	75,465
Mandatory cash balances with CBU	298,620	203,237
Receivables from financial institutions - related to Money transfers of individuals	13,816	19,746
Less – Credit loss allowance	(2,836)	(5,889)
Total cash and cash equivalents (carrying amount)	**3,339,493**	**1,623,446**

Cash balances with the CBU are maintained at a level to ensure compliance with the CBU liquidity ratio.

The following table discloses the changes in the credit loss allowance and gross carrying amount for cash and cash equivalents, excluding cash on hand, between the beginning and the end of the reporting period:

In millions of Uzbekistan Soums	**Credit loss allowance (Stage1)**	**Gross carrying amount (Stage1)**
Cash and cash equivalents, excluding Cash on hand		
At 1 January 2022	**1,136,104**	**1,136,104**
New originated or purchased	(2,836)	596,858,015
Derecognised during the period	5,889	(596,225,729)
Foreign exchange translation and other movements	-	6,211
At 31 December 2022	**(2,836)**	**1,774,601**

In millions of Uzbekistan Soums	**Credit loss allowance (Stage1)**	**Gross carrying amount (Stage1)**
Cash and cash equivalents, excluding Cash on hand		
At 1 January 2021	**(4,714)**	**1,673,522**
New originated or purchased	(5,889)	288,906,509
Derecognised during the period	4,714	(289,419,955)
Foreign exchange translation and other movements	-	(23,972)
At 31 December 2021	**(5,889)**	**1,136,104**

As at 31 December 2022 and 31 December 2021, for the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. There were no transitions between stages in 2022 and 2021. Refer to Note 31 for the ECL measurement approach.

7 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2022. Refer to Note 30 for the description of the Group's credit risk grading system.

In millions of Uzbekistan Soums	**Cash balances with the CBU, including mandatory reserves**	**Correspondent accounts and overnight placements with other banks**	**Receivables from financial institutions - related to Money transfers of individuals**	**Placements with other banks with original maturity of less than three months**	**Total**
- BBB- to AAA+ rated	-	297,303	-	310,280	**607,583**
- BB- to BB+ rated	919,327	-	-	-	**919,327**
- B- to B+ rated	-	84,862	-	120,271	**205,133**
- C- to CCC+ rated	-	28,742	13,816	-	**42,558**
Total cash and cash equivalents, excluding cash on hand	**919,327**	**410,907**	**13,816**	**430,551**	**1,774,601**

The credit rating is based on the credit rating agency Standard&Poor's or the rating agencies Moody's and Fitch, which are converted to the nearest equivalent value on the Standard&Poor's rating scale.

The financial instruments with no available credit quality i.e., unrated, as per provision methodology were rated C by the Group. These amounts are related to Russian banks and financial institutions, which do not have credit ratings.

The credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2021 is as follows.

In millions of Uzbekistan Soums	**Cash balances with the CBU**	**Correspondent accounts and overnight placements with other banks**	**Placements with other banks with original maturity of less than three months**	**Receivables from financial institutions - related to Money transfers of individuals**	**Total**
- BBB- to AAA+ rated	-	57,249	-	18,285	**75,534**
- BB- to BB+ rated	898,569	125	130,100	542	**1,029,336**
- B- to B+ rated	-	18,091	12,225	918	**31,234**
Total cash and cash equivalents, excluding Cash on hand	**898,569**	**75,465**	**142,325**	**19,745**	**1,136,104**

The credit rating is based on the credit rating agency Standard&Poor's or the rating agencies Moody's and Fitch, which are converted to the nearest equivalent value on the Standard&Poor's rating scale. The financial instruments with not available credit quality i.e., unrated, as per methodology were rated C by the Group.

At 31 December 2022 the Group had 4 counterparty banks (2021: 1 counterparty bank) with aggregated cash and cash equivalent balances above UZS 100,000 million. The total aggregate amount of these balances was UZS 1,479,640 million (31 December 2021: UZS 1,028,669 million) or 83% of the cash and cash equivalents (2021: 91%).

Refer to Note 33 for the disclosure of the fair value of cash and cash equivalents. Interest rate analysis and credit quality information are disclosed in Note 30. Information on related party balances is disclosed in Note 34.

8 Due from Other Banks

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Placements with other banks with original maturities of more than three months	203,674	109,785
Mandatory reserve deposits with the CBU	74,655	50,809
Restricted cash in respect of letters of credits	-	34,273
Restricted cash in respect of security deposits	5	7,113
Less – Credit loss allowance	(302)	(3,322)
Total amounts due from other Banks	**278,032**	**198,658**

The table below discloses the credit quality of due from other banks balances based on credit risk grades at 31 December 2022. For the purpose of ECL measurement due from other banks balances are included in Stage 1 due to absence of SICR and default criteria. Refer to Note 30 for the description of the Group's credit risk grading system.

In millions of Uzbekistan Soums	**Mandatory reserve deposits with the CBU**	**Placements with other banks with original maturities of more than three months**	**Restricted cash in respect of security deposits**	**Total**
- BBB- to AAA+ rated	-	139,463	-	**139,463**
- BB- to BB+ rated	74,655	-	-	**74,655**
- B- to B+ rated	-	62,011	5	**62,016**
- Unrated	-	2,200	-	**2,200**
Gross carrying amount	**74,655**	**203,674**	**5**	**278,334**
Less – Credit loss allowance	(53)	(249)	-	**(302)**
Carrying amount	**74,602**	**203,425**	**5**	**278,032**

The credit quality of due from other banks balances based on credit risk grades at 31 December 2021 is as follows.

In millions of Uzbekistan Soums	**Mandatory reserve deposits with the CBU**	**Placements with other banks with original maturities of more than three months**	**Restricted cash in respect of letters of credits**	**Restricted cash in respect of security deposits**	**Total**
- BBB- to AAA+ rated	-	-	34,273	6,566	**40,839**
- BB- to BB+ rated	50,809	-	-	542	**51,351**
- B- to B+ rated	-	107,785	-	5	**107,790**
- Unrated	-	2,000	-	-	**2,000**
Gross carrying amount	**50,809**	**109,785**	**34,273**	**7,113**	**201,980**
Less – Credit loss allowance	(253)	(3,053)	(11)	(5)	**(3,322)**
Carrying amount	**50,556**	**106,732**	**34,262**	**7,108**	**198,658**

The credit rating is based on the credit rating agency Standard&Poor's or the rating agencies Moody's and Fitch, which are converted to the nearest equivalent value on the Standard&Poor's rating scale. The financial instruments with not available credit quality i.e., unrated, as per methodology were rated C by the Group.

8 Due from Other Banks (Continued)

At 31 December 2022 the Group had balances with 5 counterparty banks (31 December 2021: 4 counterparty banks) with aggregated amounts above UZS 10,000 million. The total aggregate amount of these deposits was UZS 254,748 million (2021: UZS 142,723 million) or 91% of the total amount due from other banks (31 Decemer 2021: 70%).

The following tables explain the changes in the credit loss allowance due from other banks between the beginning and the end of the annual period:

In millions of Uzbekistan Soums	**Credit loss allowance (Stage1)**	**Gross carrying amount (Stage1)**
Due from other banks		
At 1 January 2022	**(3,322)**	**201,980**
New originated or purchased	(210)	6,823,287
Derecognised during the period	3,230	(6,731,031)
Foreign exchange translation and other movements	-	(15,902)
At 31 December 2022	**(302)**	**278,334**

In millions of Uzbekistan Soums	**Credit loss allowance (Stage1)**	**Gross carrying amount (Stage1)**
Due from other banks		
At 1 January 2021	**(2,922)**	**255,489**
New originated or purchased	(813)	6,828,353
Derecognised during the period	413	(6,874,543)
Foreign exchange translation and other movements	-	(7,319)
At 31 December 2021	**(3,322)**	**201,980**

As at 31 December 2022 and 31 December 2021 due from other banks balances are not collateralised.

Refer to Note 33 for the estimated fair value of due from other banks. Interest rate analysis is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

9 Investments in Debt Securities

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Debt securities at FVOCI	1,090,441	-
Debt securities at AC	276,502	5,797
Debt securities designated as at FVTPL at initial recognition	49,395	733,570
Total investments in debt securities	**1,416,338**	**739,367**

During the 2022, Group purchased UZS 5,289,401 million Debt securities at AC for short term period, they were repaid by investees, therefore remaining amounts UZS 276,502 million for 31 December 2022.

(a) Investments in debt securities at FVTPL

The table below discloses investments in debt securities at FVTPL by categoried of types:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Central Bank of Uzbekistan	-	648,405
Ministry of Finance of Uzbekistan	49,395	85,165
Debt securities designated as at FVTPL at initial recognition	**49,395**	**733,570**

9 Investments in Devt Securities (Continued)

Debt securities are designated at FVTPL by the Group represent securities held for trading and securities in a 'held to sell' business model. The debt securities at FVTPL are not collateralised.

Debt securities at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk. The debt securities at FVTPL are not collateralised. Investment in debt securities are included in the standard grade that are equivalent to Moody's rate of below Baa3 but above B3. Refer to Note 33 for the estimated fair value of investments in debt securities. Interest rate analysis is disclosed in Note 30.

(b) Investments in debt securities at AC

The following table contains an analysis of debt securities at AC by credit quality at 31 December 2022 and discloses the balances by stages for the purpose of ECL measurement.

The carrying amount of debt securities at AC below represents the Group's maximum exposure to credit risk on these assets:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
	Stage 1 (12-months ECL)	**Stage 1 (12-months ECL)**
Corporate bonds		
- Excellent	41,412	5,862
Gross carrying amount	**41,412**	**5,862**
Less credit loss allowance	(67)	(65)
Carrying amount	**41,345**	**5,797**
Uzbekistan government bonds		
- Excellent	128,632	-
Gross carrying amount	**128,632**	**-**
Less credit loss allowance	(91)	-
Carrying amount	**128,541**	**-**
Uzbekistan government Eurobonds		
- Excellent	106,691	-
Gross carrying amount	**106,691**	**-**
Less credit loss allowance	(75)	-
Carrying amount	**106,616**	**-**
Total investments in debt securities measured at AC (gross carrying amount)	**276,735**	**5,862**
Credit loss allowance	**(233)**	**(65)**
Total investments in debt securities measured at AC (carrying amount)	**276,502**	**5,797**

At 31 December 2022 debt securities at AC with a carrying value of UZS 68,430 million have been pledged to third parties as collateral with respect to other borrowed funds (Mortgage refinancing company of Uzbekistan) (2021: Nil). Refer to 16. The counterparty is not allowed to sell further or repledge the investments.

9 Investments in Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Uzbekistan government bonds at AC were as follows:

In millions of Uzbekistan Soums	**Credit loss allowance Stage 1 (12-months ECL)**	**Gross carrying amount Stage 1 (12-months ECL)**
Uzbekistan government bonds		
At 31 December 2021	-	-
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	(91)	128,284
Derecognised during the period	-	-
Changes in accrued interest	-	347
Total movements with impact on credit loss allowance charge for the period	(91)	128,632
At 31 December 2022	**(91)**	**128,632**

Movements in the credit loss allowance and in the gross carrying amount of Uzbekistan government Eurobonds at AC were as follows:

In millions of Uzbekistan Soums	**Credit loss allowance Stage 1 (12-months ECL)**	**Gross carrying amount Stage 1 (12-months ECL)**
Uzbekistan government Eurobonds		
At 31 December 2021	-	-
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	(74)	104,317
Derecognised during the period	-	-
Changes in accrued interest	(1)	1,016
Total movements with impact on credit loss allowance charge for the period	(75)	105,333
Movements without impact on credit loss allowance charge for the period:		
FX and other movements	-	1,358
At 31 December 2022	**(75)**	**106,691**

Movements in the credit loss allowance and in the gross carrying amount of Central bank of Uzbekistan's bonds at AC were as follows:

In millions of Uzbekistan Soums	**Credit loss allowance Stage 1 (12-months ECL)**	**Gross carrying amount Stage 1 (12-months ECL)**
Central bank of Uzbekistan's bonds		
At 31 December 2021	-	-
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	(3,605)	5,006,862
Derecognised during the period	3,605	(5,006,862)
Total movements with impact on credit loss allowance charge for the period	-	-
At 31 December 2022	-	-

9 Investments in Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Corporate bonds at AC were as follows:

In millions of Uzbekistan Soums	**Credit loss allowance Stage 1 (12-months ECL)**	**Gross carrying amount Stage 1 (12-months ECL)**
Corporate bonds		
At 31 December 2021	(65)	5,862
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	(27)	35,228
Changes in accrued interest	-	119
Other changes	25	(302)
Total movements with impact on credit loss allowance charge for the period	(67)	40,907
Movements without impact on credit loss allowance charge for the period:		
FX and other movements	-	505
At 31 December 2022	**(67)**	**41,412**

(c) Investments in debt securities at FVOCI

The following table contains an analysis of debt securities at FVOCI by types at 31 December 2022:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Central Bank of Uzbekistan	993,923	-
Corporate bonds	50,084	-
Ministry of Finance of Uzbekistan	46,434	-
Debt securities at FVOCI	**1,090,441**	**-**

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2022, for which an ECL allowance is recognised, based on credit risk grades.

In millions of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Total**
Uzbekistan government bonds		
- Excellent	46,131	46,131
Total AC gross carrying amount	46,131	46,131
fair value adjustment	303	303
Carrying value (fair value)	**46,434**	**46,434**
Central Bank of Uzbekistan		
- Excellent	993,686	993,686
Total AC gross carrying amount	993,686	993,686
fair value adjustment	238	238
Carrying value (fair value)	**993,924**	**993,924**
Corporate bonds		
- Excellent	49,642	49,642
Total AC gross carrying amount	49,642	49,642
fair value adjustment	441	441
Carrying value (fair value)	**50,084**	**50,084**

S&P Global Ratings affirmed the "BB-" Foreign Currency LT credit rating of Uzbekistan on December 2, 2022. The outlook is stable. (2021: S&P Global Ratings affirmed the "BB-" Foreign Currency LT credit rating, the outlook is stable).

Corporate bonds comprised bonds of Sanoat Qurilish Bank of Uzbekistan. Sanoat Qurilish Bank has "BB-" (Local and Foreign Currency long term) stable credit rating from S&P Global rating at 31 December 2022.

10 Loans and Advances to Customers, including Finance Lease Receivables

In millions of Uzbekistan Soums	31 December 2022	31 December 2021
Gross carrying amount of loans and advances to customers, including financial lease receivables at AC	11,605,151	9,634,275
Less credit loss allowance	(154,614)	(136,869)
Total carrying amount of loans and advances to customers, including financial lease receivables at AC	**11,450,537**	**9,497,406**

Gross carrying amount and credit loss allowance amount for loans and advances to customers, including finance lease receivables at AC by classes at 31 December 2022 and 31 December 2021 are disclosed in the table below:

	31 December 2022			31 December 2021		
In millions of Uzbekistan soums	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Corporate lending	6,023,916	(79,949)	5,943,967	5,702,305	(35,438)	5,666,867
Individuals	3,950,530	(70,797)	3,879,733	2,821,780	(97,930)	2,723,850
Individual entrepreneurs	1,056,721	(1,300)	1,055,421	877,159	(1,524)	875,635
State and non-commercial organisations	573,984	(2,568)	571,416	233,031	(1,977)	231,054
Total loans and advances to customers, including financial lease receivables at AC	**11,605,151**	**(154,614)**	**11,450,537**	**9,634,275**	**(136,869)**	**9,497,406**

The Loans and advances to customers, including finance lease receivables carrying amount presented in the statement of financial position best represents the Group's maximum exposure to credit risk arising from Loans and advances to customers.

More detailed explanation of classes of loans to legal entities is provided below:

- Corporate lending – loans issued to large, small and medium-sized enterprises commercial entities under the standard terms;
- Individuals – loans issued to Individuals;
- Individuals entrepreneurs – loans to Individuals entrepreneurs, which not legal entities;
- State and non-commercial organizations – loans issued to state entities (the shares of which are 50% or more beneficially owned by a government entity of the Republic of Uzbekistan or any municipality or agency) and non-governmental non-profit organizations.

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount of Corporate lending at AC between the beginning and the end of the reporting and comparative periods:

Corporate lending	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**5,344,081**	**129,362**	**228,862**	**5,702,305**
New originated or purchased	3,195,520	-	-	**3,195,520**
Derecognized during the period	(2,767,291)	(56,387)	(87,011)	**(2,910,689)**
Transfers to Stage 1	46,624	(39,448)	(7,176)	**-**
Transfers to Stage 2	(379,762)	381,164	(1,402)	**-**
Transfers to Stage 3	(31,818)	(3,793)	35,611	**-**
Foreign exchange adjustments	35,078	2,666	1,082	**38,826**
Write-offs	-	-	(2,046)	**(2,046)**
At 31 December 2022	**5,442,432**	**413,564**	**167,920**	**6,023,916**

Corporate lending	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**3,702**	**10,501**	**21,235**	**35,438**
New originated or purchased	2,218	-	-	**2,218**
Derecognized during the period	(2,496)	(10,480)	(14,844)	**(27,820)**
Transfers to Stage 1	11	(10)	(1)	**-**
Transfers to Stage 2	(10,673)	10,675	(2)	**-**
Transfers to Stage 3	(3,133)	(39)	3,172	**-**
Net remeasurement of loss allowance	12,417	2,667	57,597	**72,681**
Foreign exchange adjustments	(13)	(86)	(423)	**(522)**
Write-offs	-	-	(2,046)	**(2,046)**
At 31 December 2022	**2,033**	**13,228**	**64,688**	**79,949**

Corporate lending	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2021	**4,155,552**	**123,845**	**333,892**	**4,613,289**
New originated or purchased	3,184,449	-	-	**3,184,449**
Derecognized during the period	(1,922,173)	(65,545)	(56,644)	**(2,044,362)**
Transfers to Stage 1	69,105	(29,199)	(39,906)	**-**
Transfers to Stage 2	(102,690)	111,522	(8,832)	**-**
Transfers to Stage 3	(65,030)	(11,863)	76,893	**-**
Foreign exchange adjustments	24,868	602	1,065	**26,535**
Write-offs	-	-	(77,606)	**(77,606)**
At 31 December 2021	**5,344,081**	**129,362**	**228,862**	**5,702,305**

Corporate lending	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2021	**674**	**5,923**	**40,024**	**46,621**
New originated or purchased	2,206	-	-	**2,206**
Derecognized during the period	(336)	(5,755)	(6,431)	**(12,522)**
Transfers to Stage 1	94	(11)	(83)	**-**
Transfers to Stage 2	(1,318)	1,580	(262)	**-**
Transfers to Stage 3	(3,032)	(1,862)	4,894	**-**
Net remeasurement of loss allowance	5,396	10,577	60,602	**76,575**
Foreign exchange adjustments	17	49	98	**164**
Write-offs	-	-	(77,606)	**(77,606)**
At 31 December 2021	**3,701**	**10,501**	**21,236**	**35,438**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount of loans and advances, including finance lease receivables to individuals at AC between the beginning and the end of the reporting and comparative periods:

Individuals	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**2,716,186**	**25,900**	**79,694**	**2,821,780**
New originated or purchased	2,491,583	-	-	**2,491,583**
Derecognized during the period	(1,284,260)	(19,140)	(59,324)	**(1,362,724)**
Transfers to Stage 1	6,186	(4,922)	(1,264)	**-**
Transfers to Stage 2	(16,476)	16,618	(142)	**-**
Transfers to Stage 3	(10,085)	(972)	11,057	**-**
Write-offs	-	-	(109)	**(109)**
At 31 December 2022	**3,903,134**	**17,484**	**29,912**	**3,950,530**

Individuals	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**39,351**	**1,480**	**57,099**	**97,930**
New originated or purchased	36,099	-	-	**36,099**
Derecognized during the period	(20,044)	(1,254)	(54,003)	**(75,301)**
Transfers to Stage 1	99	(84)	(15)	**-**
Transfers to Stage 2	(1,328)	1,335	(7)	**-**
Transfers to Stage 3	(7,141)	(717)	7,858	**-**
Net remeasurement of loss allowance	(766)	617	12,327	**12,178**
Write-offs	-	-	(109)	**(109)**
At 31 December 2022	**46,270**	**1,377**	**23,150**	**70,797**

Individuals	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2021	**1,629,437**	**127,209**	**135,058**	**1,891,704**
New originated or purchased	2,002,850	-	-	**2,002,850**
Derecognized during the period	(921,873)	(81,317)	(69,479)	**(1,072,669)**
Transfers to Stage 1	39,670	(27,387)	(12,283)	**-**
Transfers to Stage 2	(7,524)	11,209	(3,685)	**-**
Transfers to Stage 3	(26,373)	(3,813)	30,186	**-**
Write-offs	-	-	(105)	**(105)**
At 31 December 2021	**2,716,187**	**25,901**	**79,692**	**2,821,780**

Individuals	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2021	**5,267**	**3,498**	**98,397**	**107,162**
New originated or purchased	36,524	-	-	**36,524**
Derecognized during the period	(1,959)	(2,360)	(61,596)	**(65,915)**
Transfers to Stage 1	792	(476)	(316)	**-**
Transfers to Stage 2	(359)	519	(160)	**-**
Transfers to Stage 3	(4,098)	(2,458)	6,556	**-**
Net remeasurement of loss allowance	3,183	2,758	14,323	**20,264**
Write-offs	-	-	(105)	**(105)**
At 31 December 2021	**39,350**	**1,481**	**57,099**	**97,930**

At 31 December 2022 Mortgage loans to customers at AC with a carrying value of UZS 408,663 million was pledged to third parties as collateral with respect to other borrowed funds (Mortgage refinancing company of Uzbekistan). It refers in Note 16.

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount of loans to Individual entrepreneurs at AC between the beginning and the end of the reporting and comparative periods:

Individual entrepreneurs	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**847,384**	**12,689**	**17,086**	**877,159**
New originated or purchased	666,864	-	-	**666,864**
Derecognized during the period	(477,573)	(9,874)	(6,834)	**(494,281)**
Transfers to Stage 1	2,847	(2,122)	(725)	**-**
Transfers to Stage 2	(4,188)	4,420	(232)	**-**
Transfers to Stage 3	(951)	(218)	1,169	**-**
Foreign exchange adjustments	6,876	33	70	**6,979**
At 31 December 2022	**1,041,259**	**4,928**	**10,534**	**1,056,721**

Individual entrepreneurs	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**529**	**41**	**954**	**1,524**
New originated or purchased	416	-	-	**416**
Derecognized during the period	(505)	(40)	(837)	**(1,382)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(6)	6	-	**-**
Transfers to Stage 3	(220)	(24)	244	**-**
Net remeasurement of loss allowance	82	24	645	**751**
Foreign exchange adjustments	(2)	-	(7)	**(9)**
At 31 December 2022	**294**	**7**	**999**	**1,300**

Individual entrepreneurs	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2021	**620,756**	**33,219**	**28,061**	**682,036**
New originated or purchased	582,876	-	-	**582,876**
Derecognized during the period	(353,038)	(22,095)	(16,514)	**(391,647)**
Transfers to Stage 1	6,702	(5,684)	(1,018)	**-**
Transfers to Stage 2	(6,680)	8,139	(1,459)	**-**
Transfers to Stage 3	(7,175)	(949)	8,124	**-**
Foreign exchange adjustments	3,943	59	80	**4,082**
Write-offs	-	-	(188)	**(188)**
At 31 December 2021	**847,384**	**12,689**	**17,086**	**877,159**

Individual entrepreneurs	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2021	**84**	**34**	**2,143**	**2,261**
New originated or purchased	649	-	-	**649**
Derecognized during the period	(63)	(24)	(1,369)	**(1,456)**
Transfers to Stage 1	16	(16)	-	**-**
Transfers to Stage 2	(6)	6	-	**-**
Transfers to Stage 3	(63)	(24)	87	**-**
Net remeasurement of loss allowance	(89)	64	277	**252**
Foreign exchange adjustments	2	-	4	**6**
Write-offs	-	-	(188)	**(188)**
At 31 December 2021	**530**	**40**	**954**	**1,524**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount of loans to State and municipal organisations at AC between the beginning and the end of the reporting and comparative periods:

State and non-commercial organisations	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**216,629**	**2,492**	**13,910**	**233,031**
New originated or purchased	469,493	-	-	**469,493**
Derecognized during the period	(120,729)	(2,046)	(8,946)	**(131,721)**
Transfers to Stage 1	615	(615)	-	**-**
Transfers to Stage 2	(25,695)	25,695	-	**-**
Transfers to Stage 3	-	-	-	**-**
Foreign exchange adjustments	3,568	169	29	**3,766**
Write-offs	-	-	(585)	**(585)**
At 31 December 2022	**543,881**	**25,695**	**4,408**	**573,984**

State and non-commercial organisations	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**241**	**201**	**1,535**	**1,977**
New originated or purchased	1,272	-	-	**1,272**
Derecognized during the period	(228)	(201)	(1,185)	**(1,614)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(438)	438	-	**-**
Transfers to Stage 3	-	-	-	**-**
Net remeasurement of loss allowance	452	3	1,081	**1,536**
Foreign exchange adjustments	(9)	(3)	(6)	**(18)**
Write-offs	-	-	(585)	**(585)**
At 31 December 2022	**1,290**	**438**	**840**	**2,568**

State and non-commercial organisations	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2021	**224,204**	**1,600**	**20,162**	**245,966**
New originated or purchased	86,938	-	-	**86,938**
Derecognized during the period	(95,664)	(766)	(4,467)	**(100,897)**
Transfers to Stage 1	506	(157)	(349)	**-**
Transfers to Stage 2	(364)	1,840	(1,476)	**-**
Transfers to Stage 3	-	(36)	36	**-**
Foreign exchange adjustments	1,008	12	65	**1,085**
Write-offs	-	-	(60)	**(60)**
At 31 December 2021	**216,628**	**2,493**	**13,911**	**233,032**

State and non-commercial organisations	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2021	**56**	**8**	**3,027**	**3,091**
New originated or purchased	120	-	-	**120**
Derecognized during the period	(25)	-	(1,699)	**(1,724)**
Transfers to Stage 1	1	-	(1)	**-**
Transfers to Stage 2	-	185	(185)	**-**
Transfers to Stage 3	-	-	-	**-**
Net remeasurement of loss allowance	89	6	446	**541**
Foreign exchange adjustments	1	1	7	**9**
Write-offs	-	-	(60)	**(60)**
At 31 December 2021	**242**	**200**	**1,535**	**1,977**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Individuals and individual entrepreneurs	5,086,623	3,699,005
Manufacturing	2,527,341	2,568,385
Trade and services	2,406,732	2,147,271
Transportation	800,362	498,120
Construction	413,623	346,029
Agriculture	191,091	220,253
Other	179,379	155,212
Total loans and advances to customers, including financial lease receivables carried at AC	**11,605,151**	**9,634,275**

Loans to trade and services enterprises included not-for-profit service organisations. At 31 December 2022 Loans amount to not-profit organisations were UZS 148,108 million (31 December 2021: UZS 16,369 million).

At 31 December 2022 the Group had 6 borrower (31 December 2021: 3 borrowers) with aggregated loan amounts above UZS 100,000 million. The total aggregate amount of these loans was UZS 806,401 million (31 December 2021: UZS 576,380 million) or 6.9% of the gross loan portfolio (31 December 2021: 1.8%).

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. Description of collateral held for loans to customers, including finance lease receivables carried at amortised cost is as follows at 31 December 2022:

In millions of Uzbekistan Soums	**Corporate lending**	**Individuals**	**Individual entrepreneurs**	**State and non-commercial organisations**	**Total**
Loans guaranteed by other parties	865,329	1,301,020	13,693	339,358	**2,519,400**
Loans guaranteed by Insurance companies	374,042	205,479	34,649	47,995	**662,165**
Loans collateralised by:					
Real estate	2,805,119	909,158	252,397	144,470	**4,111,144**
Motor vehicles	1,351,285	1,484,212	753,790	3,288	**3,592,575**
Equipment	545,469	-	46	19,979	**565,494**
Cash deposit	59,189	188	542	-	**59,919**
Inventory	20,701	-	1,573	18,879	**41,153**
Other	-	282	1	-	**283**
Total	**6,021,134**	**3,900,339**	**1,056,691**	**573,969**	**11,552,133**
Unsecured exposures	2,782	50,191	30	15	**53,018**
Total carrying value loans and advances to customers, including financial lease receivables at AC	**6,023,916**	**3,950,530**	**1,056,721**	**573,984**	**11,605,151**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Description of collateral held for loans to customers carried at amortised cost, including finance lease receivables is as follows at 31 December 2021:

In millions of Uzbekistan Soums	Corporate lending	Individuals	Individual entrepreneurs	State and non-commercial organisations	Total
Loans guaranteed by other parties	729,885	1,331,410	15,039	9,234	**2,085,568**
Loans guaranteed by Insurance companies	182,020	264,991	31,453	40,753	**519,217**
Loans collateralised by:					
Real estate	2,989,466	539,251	267,099	79,045	**3,874,861**
Motor vehicles	1,000,971	679,593	560,335	1,774	**2,242,673**
Equipment	667,498	-	195	83,106	**750,799**
Cash deposit	77,646	136	1,510	-	**79,292**
Inventory	32,796	-	198	18,898	**51,892**
Other	380	645	1,282	-	**2,307**
Total	**5,680,662**	**2,816,026**	**877,111**	**232,810**	**9,606,609**
Unsecured exposures	21,643	5,754	48	221	**27,666**
Total carrying value loans and advances to customers, including financial lease receivables at AC	**5,702,305**	**2,821,780**	**877,159**	**233,031**	**9,634,275**

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The tables below provides such analysis at 31 December 2022 and 31 December 2021:

	Over-collateralised assets		Under-collateralised assets	
In millions of Uzbekistan Soums	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Corporate lending	161,949	440,167	5,971	5,483
Individuals	21,253	41,479	8,659	6,979
Individual entrepreneurs	10,141	20,358	393	363
State and non-commercial organisations	3,846	7,571	562	547
Total	**197,189**	**509,575**	**15,585**	**13,372**

	Over-collateralised assets		Under-collateralised assets	
In millions of Uzbekistan Soums	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Corporate lending	137,762	471,757	91,100	75,205
Individuals	76,668	122,706	3,026	2,316
Individual entrepreneurs	17,086	39,710	-	-
State and non-commercial organisations	13,910	23,221	-	-
Total	**245,426**	**657,394**	**94,126**	**77,521**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

The Group obtains collateral valuation at the time of granting loans and generally updates it every one to three years, depending on the significance of the loan exposure. The values of collateral considered in this disclosure are after a valuation haircut of 20-50% applied to consider liquidity and quality of the pledged assets.

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In millions of Uzbekistan Soums	**Not later than one year**	**From one year to five years**	**Total**
Finance lease payments receivable at 31 December 2022	104,211	66,078	**170,289**
Unearned finance income	(22,015)	(9,821)	**(31,836)**
Credit loss allowance	(166)	(114)	**(280)**
Present value of lease payments receivable at 31 December 2022	**82,030**	**56,143**	**138,173**
Finance lease payments receivable at 31 December 2021	111,694	84,387	**196,081**
Unearned finance income	(27,447)	(13,366)	**(40,813)**
Impairment loss provision	(311)	(262)	**(573)**
Present value of lease payments receivable at 31 December 2021	**83,936**	**70,759**	**154,695**

Refer to Note 33 for the estimated fair value of each class of loans and advances to customers, including finance lease receivables. Interest rate analysis of loans and advances to customers is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

11 Other Assets

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Prepayments with property and equipment under finance lease agreement	19,483	3,411
Repossessed collateral	14,977	8,737
Inventory	9,113	2,506
Prepayments to suppliers	8,321	8,952
Prepayments to suppliers for Construction in progress	6,125	-
Prepaid origination fee on other borrowed fund	2,226	9,588
Settlements with employees	86	76
Other	2,854	2,443
Total other assets	**63,185**	**35,713**

Prepayments to suppliers included Prepayments for services. They were UZS 10,419 million for the year ended 31 December 2022 (31 December 2021: UZS 4,905 million).

Repossessed collateral represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future.

All of the above assets are expected to be recovered within twelve months after the year end.

12 Premises, Equipment and Intangible Assets

Construction in progress consists of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to premises and equipment.

Intangible assets mainly comprises bespoke computer softwares for the bank, provided by third party vendors, with finite useful lives that amortized over 5 years.

Cost In millions of Uzbekistan Soums	**Premises**	**Construc-tion in progress**	**Office and computer equipment**	**Payment terminals (under operating lease)**	**Total property and equipment**	**Intangible assets**	**Total**
1 January 2021	**170,152**	**-**	**171,437**	**22,020**	**363,609**	**41,109**	**404,718**
Additions	3,026	17,233	51,593	-	**71,852**	8,218	**80,070**
Acquisitions through business combinations	4,472	-	-	-	**4,472**	-	**4,472**
Disposals	(1,493)	-	(5,460)	(166)	**(7,119)**	(3,512)	**(10,631)**
Transfers	12,585	(17,233)	3,691	957	**-**	-	**-**
31 December 2021	**188,742**	**-**	**221,261**	**22,811**	**432,814**	**45,815**	**478,629**
Additions	13,419	16,603	30,610	0	**60,632**	14,267	**74,899**
Disposals	(489)	-	(7,422)	(194)	**(8,105)**	-	**(8,105)**
Transfers	15,858	(16,603)	378	367	**-**	-	**-**
31 December 2022	**217,530**	**-**	**244,827**	**22,984**	**485,341**	**60,082**	**545,423**

Accumulated depreciation, In millions of Uzbekistan Soums	**Premises**	**Construction in progress**	**Office and computer equipment**	**Payment terminals (under operating lease)**	**Total property and equipment**	**Intangible assets**	**Total**
1 January 2021	**28,270**	**-**	**79,310**	**5,790**	**113,370**	17,795	**131,165**
Charge for the year	4,620	-	29,251	4,343	**38,214**	7,625	**45,839**
Disposals	(423)	-	(6,473)	(136)	**(7,032)**	(3,512)	**(10,544)**
Transfers	-	-	59	(59)	**-**	-	**-**
31 December 2021	**32,467**	**-**	**102,147**	**9,938**	**144,552**	**21,908**	**166,460**
Charge for the year	9,209	-	49,146	4,471	**62,826**	8,391	**71,217**
Disposals	(23)	-	(7,270)	(127)	**(7,420)**	-	**(7,420)**
Transfers	127	-	24	(151)	**-**	-	**-**
31 December 2022	**41,780**	**-**	**144,047**	**14,131**	**199,958**	**30,299**	**230,257**
Net book value							
31 December 2021	**156,275**	**-**	**119,114**	**12,873**	**288,262**	**23,907**	**312,169**
31 December 2022	**175,750**	**-**	**100,780**	**8,853**	**285,383**	**29,783**	**315,166**

In January 2022, the management revised the useful life of the fixed assets of the Group, useful life details are disclosed in Note 3.

13 Right of Use Assets and Lease Liabilities

The Group leases various offices. Rental contracts are typically made for fixed periods of 5 years.

All leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

The right of use assets by class of underlying items is analysed as follows:

In millions of Uzbekistan Soums	**Buildings**
Carrying amount at 1 January 2021	**17,673**
Depreciation charge	(5,950)
Carrying amount at 31 December 2021	**11,723**
Depreciation charge	(5,951)
Carrying amount at 31 December 2022	**5,772**

Interest expense on lease liabilities was UZS 2,766 million (2021: UZS 3,996 million). Total cash outflow for leases in 2022 was UZS 10,680 million (2021: UZS 9,312 million).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

Expenses relating to leases of low-value assets that are not shown as short-term leases are included in general and administrative expenses (Note 24). Related Party Transactions are disclosed in Note 34.

14 Due to Other Banks

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Correspondent accounts and overnight placements of other banks	352,653	13,013
Term placements of other banks	125,312	184,240
Security deposits of other financial institutions	94,401	3,677
Total due to other banks	**572,366**	**200,930**

Refer to Note 33 for the disclosure of the fair value of due to other banks. Interest rate analysis of due to other banks is disclosed in Note 30.

15 Customer Accounts

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Private and legal entities:		
- Current accounts	1,915,055	1,370,035
- Time deposits	1,379,599	810,758
Individuals:		
- Time deposits	2,618,522	1,733,503
- Current accounts	772,694	454,569
Total amounts due to customers	**6,685,870**	**4,368,865**

15 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

	31 December 2022		31 December 2021	
In millions of Uzbekistan Soums	**Amount**	**%**	**Amount**	**%**
Individuals	3,391,215	51%	2,188,072	50%
Manufacturing	1,164,460	17%	614,495	14%
Trade and services	1,070,594	16%	631,767	14%
State and budgetary organizations	752,910	11%	716,241	16%
Construction	218,921	3%	145,840	3%
Non-governmental organizations	71,675	1%	58,982	1%
Other	16,095	0%	13,468	0%
Total customer accounts	**6,685,870**	**100%**	**4,368,865**	**100%**

At 31 December 2022, the Group had 8 customers (31 December 2021: 2 customers) with balances above UZS 50,000 million. The aggregate balance of these customers was UZS 1,081,926 million (31 December 2021: UZS 492,614 million) or 16% (31 December 2021: 11%) of total customer accounts.

At 31 December 2022, included in customer accounts are deposits of UZS 53,292 million (31 December 2021: UZS 125,189 million) held as collateral for irrevocable commitments under import letters of credit (Note 32). Refer to Note 33 for the disclosure of the fair value of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 30.

Information on related party balances is disclosed in Note 34.

16 Other Borrowed Funds

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Asian Development Bank ("ADB")	961,053	1,041,850
Nederlandse Finacierings - Maatschappij Voor Ontwikkelingsladen ("FMO")	565,899	984,887
Symbiotics Sicav	466,568	470,731
European Bank for Reconstruction and Development	458,641	145,786
Blue Orchard Microfinance Fund	415,812	192,925
Mortgage refinancing company of Uzbekistan	395,598	198,714
IIV - Mikrofinanzfonds ("Mikrofinanzfonds")	378,730	454,580
International Development Association ("IDA")	363,165	368,465
Ministry of Finance of Uzbekistan	346,627	119,037
International Bank for Reconstruction and Development - World Bank	304,288	218,040
ResponsAbility Investments AG	275,466	390,666
International Finance Corporation	169,004	-
Banca Popolare di Sondrio	131,690	94,289
Microfinance Fund Triple Jump B.V. ("Triple Jump")	119,119	97,434
Microfinance Enhancement Facility SA	112,640	-
Triodos Microfinance Fund	112,607	114,616
Bank Im Bistum Essen ("BIBS")	96,969	-
Frankfurt School	90,762	87,184
Fund of Supporting agriculture sector under Ministry of Finance of Uzbekistan	75,566	37,808
EMF Microfinance Fund	73,019	-
PROPARCO	63,806	106,287
Others	264,578	269,677
Total other borrowed funds at AC	**6,241,607**	**5,392,976**

15 Other Borrowed Funds (Continued)

Borrowings from "ADB" represent one UZS (17.25%), four USD denominated long-term loans maturing in June 2024, February 2025, September 2028, May 2031 and November 2036 issued with interest rates ranging from LIBOR plus 0.6% to 3% per annum. The loans were borrowed to finance small business sector of economy and agricultural sector.

Borrowings from "FMO" represent two UZS (15.86-16.39% p.a.), one USD 4.05% p.a. denominated long-term loans maturing untill August 2024. The loans were borrowed to finance to development of microfinancing and SME.

Borrowings from "Symbiotics" represent six USD (4% p.a) and nine UZS (15.25-19.9% p.a) denominated long-term loans maturing starring from May 2023 untill November 2024 These loans were borrowed to finance to development of microfinancing and SME.

Borrowings from " European Bank for Reconstruction and Development" represent five EUR (6-6.5% p.a.), one USD (Libor+3.5%), two UZS (15.34-19.9%) denominated long-term loans maturing from February 2023 untill December 2027. The loans were borrowed to finance to development of microfinancing and SME.

Borrowings from " Blue Orchard Microfinance Fund" represent three USD (5%-7.9% p.a.) denominated long-term loans maturing from February 2024 untill December 2025. The loans were borrowed to finance to development of microfinancing and SME.

The Group has to comply with specific financial and non-financial covenants on obtained funds. Information compliance on covenants are given in Note 32. As of 31 December 2022, the Group has not breached covenants on other borrowed funds. Information on maturity analysis is given in Note 30. Refer to Note 33 for disclosure of the fair value of other borrowed funds. Interest rate analysis of other borrowed funds is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

17 Other Financial Liabilities

Other financial liabilities comprise the following:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Other financial liabilities at AC		
Payable to State deposit insurance fund	8,449	5,404
Payable to suppliers	4,370	4,127
Plastic card transactions	1,951	1,967
Provisions for Commitments and contingencies	275	70
Dividends payable	14	12
Other financial liabilities	3,730	1,835
Total other financial liabilities at AC	**18,789**	**13,415**
Other financial liabilities mandatorily measured at FVTPL		
Other derivative financial instruments	-	379
Total other financial liabilities at FVTPL	**-**	**379**
Total other financial liabilities	**18,789**	**13,794**

Refer to Note 31 for analysis of exposure from financial guarantees and loan commitments by credit risk grades.

18 Other Liabilities

Other liabilities comprise the following:

In millions of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Insurance reserves:	43,134	41,071
- *for collaterals of loans*	*38,777*	34,742
- *other insurances*	*4,357*	6,329
Payable to employees	22,150	113
Accrued unused vacation	15,297	10,483
Other tax liabilities	6,436	5,628
Unearned commission revenue	5,205	965
Advances received	2,999	3,056
Other non-financial liabilities	2,068	1,655
		-
Total other liabilities	**97,289**	**62,971**

Below unearned premium provision was disclosed:

In millions of Uzbekistan Soums	**Gross 2022**	**Reinsurance 2022**	**Net 2022**
Unearned premium provision	41,236	1,687	39,548
Provision for claims incurred but not reported	2,501	-	2,501
Provision for claims reported but not settled	1,343	259	1,084
Total	**45,080**	**1,946**	**43,134**

In millions of Uzbekistan Soums	**Gross 2021**	**Reinsurance 2021**	**Net 2021**
Unearned premium provision	38,831	1,630	37,200
Provision for claims incurred but not reported	3,074	-	3,074
Provision for claims reported but not settled	1,034	237	797
Total	**42,939**	**1,868**	**41,071**

19 Subordinated Debt

Subordinated debt of UZS 411,230 million (31 December 2021: UZS 309,499 million) carries a fixed interest rate of 6.2 % p.a.(in EUR), 7.5-12 % p.a. (in USD), 18.5% (in UZS) and matures from April 2027 untill March 2030. The debt ranks after all other creditors in the case of liquidation.

Refer to Note 33 for the disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

20 Share Capital

In millions of Uzbekistan Soums except for number of shares	**Number of outstanding shares**	**Ordinary shares**	**Share premium**	**Inflation adjusted**	**Preference shares**	**Total**
At 1 January 2021	**21,554,966,000**	**104,408**	**77,751**	**2,154**	**3,367**	**187,680**
New shares issued	-	-	-	-	-	-
At 1 January 2022	**21,554,966,000**	**104,408**	**77,751**	**2,154**	**3,367**	**187,680**
New shares issued	-	-	-	-	-	-
At 31 December 2022	**21,554,966,000**	**104,408**	**77,751**	**2,154**	**3,367**	**187,680**

20 Share Capital (Continued)

The total authorised number of ordinary shares is 20,882 million shares (31 December 2021: 20,882 million shares), with a par value of UZS 5 per share (31 December 2021: UZS 5 per share). All issued ordinary shares are fully paid.

The total authorised number of preference shares is 673 million shares (31 December 2021: 673 million shares), with a par value of UZS 5 per share (31 December 2021: UZS 5 per share). All issued preference shares are fully paid.

The preferred shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. Preference share dividends are discretionary and set at 30 % p.a. (2021: 30% p.a.) and rank above ordinary dividends.

Share premium represents the excess of contributions received over the nominal value of shares issued.

21 Interest Income and Expense

In millions of Uzbekistan Soums	**2022**	**2021**
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	2,003,287	1,604,295
Debt securities at FVOCI	154,402	-
Due from other banks at AC	92,204	88,170
Debt securities at AC	23,713	-
Total interest income calculated using the effective interest method	**2,273,606**	**1,692,465**
Other similar income		
Finance lease receivables	37,781	44,263
Investment in debt securities at FVPTL	4,165	66,064
Total other similar income	**41,946**	**110,327**
Total interest income	**2,315,552**	**1,802,792**
Interest and other similar expense		
Deposits of legal entities and individuals	506,169	313,318
Other borrowed funds	506,141	398,436
Subordinated debt	38,267	28,452
Due to other banks	18,555	2,576
Debt securities in issue	1,002	1,767
Total interest expense	**1,070,134**	**744,549**
Other similar expense		
Interest expenses from SWAP	85,282	133,272
Interest expense on lease liabilities	2,766	3,996
Other	-	148
Total other similar expense	**88,048**	**137,416**
Total interest expense	**1,158,182**	**881,965**
Net margin on interest and similar income	**1,157,370**	**920,827**

22 Fee and Commission Income and Expense

	2022					2021				
In millions of Uzbekistan Soums	**Retail banking**	**Corporate banking**	**Treasury**	**Other**	**Total**	**Retail banking**	**Corporate banking**	**Treasury**	**Other**	**Total**
Fee and commission income										
Fee and commission income not relating to financial instruments at FVTPL:										
-Settlement transactions	20,463	160,292	-	-	180,755	33,319	108,423	-	-	141,742
-Cash transactions	97,572	14,757	-	-	112,329	46,244	13,313	-	-	59,557
-International money transfers	77,968	32,228	-	-	110,196	19,320	21,947	-	-	41,267
-Plastic cards	63,426	-	-	-	63,426	43,099	-	-	-	43,099
-Conversion operations	694	3,792	-	-	4,486	1,986	6,398	-	-	8,384
-Commission on guarantees	-	2,961	-	-	2,961	-	951	-	-	951
-Commission on letter of credits	-	1,751	-	-	1,751	-	2,746	-	-	2,746
-Other	15,649	6,058	580	-	22,287	9,914	3,238	355	-	13,507
Total fee and commission income	**275,772**	**221,839**	**580**	**-**	**498,191**	**153,882**	**157,016**	**355**	**-**	**311,253**
Fee and commission expense										
Fee and commission expense not relating to financial instruments at FVTPL:										
-Settlement transactions	7,301	11,008	15,813	-	34,122	7,382	23,309	-	-	30,691
-Plastic cards operations	24,885	-	-	-	24,885	20,684	-	-	-	20,684
-Conversion and purchase of foreign currency	42	4,025	51	-	4,118	78	2,379	76	-	2,533
-Cash collection services	-	5,555	-	-	5,555	-	5,547	79	-	5,626
-Agent fee in the insurance services	-	-	-	18,235	18,235	-	-	-	4,475	4,475
-Other	892	5,935	-	-	6,827	189	3,252	-	-	3,441
Total fee and commission expense	**33,120**	**26,523**	**15,864**	**18,235**	**93,742**	**28,333**	**34,487**	**155**	**4,475**	**67,450**
Net fee and commission income/(expense)	**242,652**	**195,316**	**(15,284)**	**(18,235)**	**404,449**	**125,549**	**122,529**	**200**	**(4,475)**	**243,803**

23 Other Operating Income

In millions of Uzbekistan Soums	**2022**	**2021**
Income from Insurance services	26,301	35,218
Fines and penalties	6,908	8,028
Income from rent of office space and terminals	2,811	2,463
Gain on disposal of premises and equipment	1,697	2,087
Dividend income from Investments in equity securities	708	160
Income on depository services	560	226
Other	1,827	1,070
Total other operating income	**40,812**	**49,252**

Below Group disclosed Income and expenses from Insurance services:

2022	**Obligatory insurance**		**Voluntary insurance (loan)**			
In millions of Uzbekistan Soums	**Vehicle owner's liability**	**Other obligatory**	**Motor transports**	**Buildings**	**Other**	**Total**
Gross premiums written	903	931	16,648	3,729	4,090	26,301
Change in gross provision for unearned premiums (Note 24)	-	-	(2,434)	-	-	(2,434)
Earned insurance premiums	**903**	**931**	**14,214**	**3,729**	**4,090**	**23,867**
Less: written premiums ceded to reinsurers (Note 24)	**-**	**-**	**(182)**	**-**	**-**	**(182)**
Net earned insurance premiums	**903**	**931**	**14,032**	**3,729**	**4,090**	**23,685**

2021	**Obligatory insurance**		**Voluntary insurance (loan)**			
In millions of Uzbekistan Soums	**Vehicle owner's liability**	**Other obligatory**	**Motor transports**	**Buildings**	**Other**	**Total**
Gross premiums written	3,061	1,459	12,356	12,081	6,261	35,218
Change in gross provision for unearned premiums (Note 24)	-	-	(11,746)	-	-	(11,746)
Earned insurance premiums	**3,061**	**1,459**	**610**	**12,081**	**6,261**	**23,472**
Less: written premiums ceded to reinsurers (Note 24)	**(9)**	**-**	**-**	**(1,557)**	**-**	**(1,566)**
Net earned insurance premiums	**3,052**	**1,459**	**14,032**	**10,524**	**6,261**	**21,906**

24 Administrative and Other Operating Expenses

In millions of Uzbekistan Soums	Note	2022	2021
Staff costs		591,951	409,138
Depreciation and amortization		71,217	45,839
Repairs and maintenance		41,547	23,395
Security services		33,454	28,378
Membership fees and dues		28,212	16,162
Stationery		19,911	15,523
Professional services		13,773	9,888
Insurances claims by customers		10,823	5,669
Advertising and publicity		9,113	9,470
Low-value assets lease expense		7,290	5,856
Depreciation of right use of assets		5,950	5,950
Taxes other than profit taxes		5,801	7,704
Utilities		5,169	5,032
Representation and Entertainment		4,294	2,440
Postage, telephone and fax		4,160	3,362
Travel		3,917	3,241
Insurance premium on reinsurance services of other insurances companies		3,104	14,877
Fuel		2,391	1,561
Insurance		748	1,043
Fine and penalties		353	208
Charity		292	171
Other		36,506	26,435
Adminstrative and Other Operating expenses		**899,976**	**641,342**

Staff costs were as follows:

In millions of Uzbekistan Soums	Note	2022	2021
Salaries and bonuses		490,851	334,978
Social tax (Pension fund)		60,284	40,854
Other employee benefits		40,816	33,306
Staff costs		**591,951**	**409,138**

25 Income Taxes

(a) Components of income tax expense / (benefit)

Income tax expense comprises the following:

In millions of Uzbekistan Soums	2022	2021
Current tax	169,433	111,802
Deferred tax	5,037	11,255
Income tax expense for the year	**174,470**	**123,057**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's 2022 income is 20% (2021: 20%). The income tax rate applicable to the majority of income of subsidiaries is 15% (2021: 15%). A reconciliation between the expected and the actual taxation charge is provided below.

25 Income Taxes (Continued)

In millions of Uzbekistan Soums	2022	2021
Profit before tax	**933,604**	**623,329**
Theoretical tax charge at the applicable statutory rate - 20% (2021: 20 %)	186,721	124,666
Non deductible expenses	23,460	9,751
Income which is exempt from taxation	(36,483)	(10,783)
Tax effect on consolidation of subsidiaries	772	(577)
Income tax expense for the year	**174,470**	**123,057**

Exempt income represents income related to the investments in debt securities of Central bank of Uzbekistan and government bonds.

The reason for the increase in the Group's non- deductible expenses of which UZS 13,139 million is due to the amendment in the article #317 of Tax code of Uzbekistan in 2022, according to which Group's 20 percent of credit loss allowance will no longer be deductible for tax purposes.

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In millions of Uzbekistan Soums	31 December 2022	(Charged) / credited to profit or loss	(Charged) to other compre-hensive income	31 December 2021	(Charged) / credited to profit or loss	1 January 2021
Tax effect of deductible/(taxable) temporary differences						
Loans to customers, including finance lease receivables	(34,649)	(5,638)	-	(29,011)	(5,394)	(23,617)
Property and equipment and intangible assets	1,369	(607)	-	1,976	(181)	2,157
Financial derevatives	(1,930)	6,136	-	(8,066)	(6,113)	(1,953)
Other accruals	(3,531)	(4,732)	(196)	1,397	433	964
Net deferred tax asset/(Liability)	**(38,741)**	**(4,841)**	**(196)**	**(33,704)**	**(11,255)**	**(22,449)**
Recognised deferred tax asset	1,369	6,136	-	3,373	(181)	3,121
Recognised deferred tax liability	(40,110)	(10,977)	(196)	(37,077)	(11,074)	(25,570)
Net deferred tax liability	**(38,741)**	**(4,841)**	**(196)**	**(33,704)**	**(11,255)**	**(22,449)**

26 Dividends

	31 December 2022		31 December 2021	
In millions of Uzbekistan Soums	Ordinary	Preference	Ordinary	Preference
Dividends payable at 1 January	-	12	-	9
Dividends declared during the period	-	1,010	-	1,010
Dividends paid during the year	-	(1,008)	-	(1,007)
Dividends payable at 31 December	-	14	-	12
Dividends per share declared during the year (in UZS)	**-**	**1.50**	**-**	**1.50**
Nominal price of share in the declaring process (in UZS)	**5.00**	**5.00**	**5.00**	**5.00**

All dividends on preference shares are declared and paid in Uzbekistan Soums.

27 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing actrivities in the statement of cash flows.

	Liabilities from financing activities				
In millions of Uzbekistan Soums	**Other borrowed funds**	**Debt securities issue**	**Subordinated debt**	**Lease liabilities**	**Total**
Net debt at 1 January 2021	**4,693,240**	**10,500**	**253,933**	**24,511**	**4,982,184**
Proceeds from the issue	2,903,193	7,800	53,008	-	2,964,001
Redemtion	(2,239,091)	(4,250)	-	(5,316)	(2,248,657)
Foreign currency translation	23,816	-	1,483	-	25,299
Other non-cash movements	11,818	-	1,075	-	12,893
Net debt at 31 December 2021	**5,392,976**	**14,050**	**309,499**	**19,195**	**5,735,720**
Proceeds from the issue	2,380,965	-	94,125	-	2,475,090
Redemtion	(1,615,169)	(13,400)	-	(7,914)	(1,636,483)
Foreign currency translation	31,271	-	4,906	-	36,177
Other non-cash movements	51,564	-	2,700	-	54,264
Net debt at 31 December 2022	**6,241,607**	**650**	**411,230**	**11,281**	**6,664,768**

28 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

In millions of Uzbekistan Soums	**2022**	**2021**
Profit for the year attributable to the shareholders of the Bank	759,134	500,271
Less preference dividends declared	(1,010)	(1,010)
Profit for the year attributable to the ordinary shareholders of the Bank	758,124	499,261
Weighted average number of ordinary shares in issue (millions)	20,882	20,882
Basic and diluted earnings per ordinary share (expressed in UZS per share)	**36.31**	**23.91**

29 Segment Analysis

Operating segments are components that engage in business activities that earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the Group. The functions of CODM are performed by the Management Board of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;
- Treasury – Funding and centralised activities through borrowings, issues of debt securities, use of derivatives, investing liquid assets as short term placements, corporate and government securities.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.
Segment financial information reviewed by the CODM includes loans to customers, including finance leases and excluding the Group's subsidiaries. Such financial information overlaps with segment analysis provided internally to the CODM. Management, therefore, applied the core principle of IFRS 8 "Operating Segments", in determining which of the overlapping financial information sets should form the basis of operating segments.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared in accordance with CBU instructions adjusted to meet the requirements of internal reporting. This financial information differs in certain aspects from International Financial Reporting Standards:

(i) the fair value changes in securities carried at FVOCI are reported within the segments' profits or losses rather than in other comprehensive income;

(ii) income taxes are not allocated to segments;

(iii) loan provisions are recognised based IFRS 9 and interpretations issued by the NBC, and can be different from provisions reported under IFRS;

(iv) commission income relating to lending is recognised immediately rather than deferred using the effective interest method; and

(v) Non-monetary assets, non-monetary liabilities and equity items arising from transactions prior to1 January 2006 were not restated in accordance with IAS 29 for the changes in the general purchasing power of the Uzbekistan Soum from the dates of the transactions until 31 December 2005;

(vi) Assets and liabilities are carried at amortised cost and not fair valued at initial recognition;

(vii) Commission income relating to lending is recognised immediately rather than deferred using the effective interest method.

The CODM evaluates performance of each segment based on net profit.

29 Segment Analysis (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the period ended 31 December 2022 is set out below:

In millions of Uzbekistan Soums	Retail banking	Corporate banking	Treasury	Unallo-cated	Elimina-tions	Total
Cash and cash equivalents	-	-	2,779,199	-	-	2,779,199
Due from other banks	-	-	620,303	-	-	620,303
Investments in debt securities	-	-	1,425,159	-	-	1,425,159
Investments in equity securities	-	-	-	39,161		39,161
Derivative financial instruments	-	-	129,475	-	-	129,475
Loans and advances to customers, including finance lease receivables	3,873,959	7,338,850	-	-	-	11,212,809
Premises and equipment	-	-	-	263,359	-	263,359
Intangible assets	-	-	-	29,406	-	29,406
Current income tax prepayment	-	-	-	12,685	-	12,685
Other assets	-	-	-	210,696	-	210,696
Interbranch receivables	-	-	-	752,443	(752,443)	-
Total reportable segment assets	**3,873,959**	**7,338,850**	**4,954,136**	**1,307,750**	**(752,443)**	**16,722,252**
Due to other banks	-	-	622,336	-	-	622,336
Customer accounts	3,335,270	3,738,946	-	-	-	7,074,216
Debt securities in issue	-	-	650	-	-	650
Other borrowed funds	-	-	5,865,446	-	-	5,865,446
Subordinated debt	-	-	400,539	-	-	400,539
Other liabilities	-	-	-	189,002	-	189,002
Interbranch payables	-	-	-	752,443	(752,443)	-
Total reportable segment liability	**3,335,270**	**3,738,946**	**6,888,971**	**941,445**	**(752,443)**	**14,152,189**
Capital expenditure	**-**	**-**	**-**	**74,899**	**-**	**74,899**

29 Segment Analysis (Continued)

In millions of Uzbekistan Soums	Retail banking	Corporate banking	Treasury	Unallo-cated	Elimina-tions	Total
Interest income	846,590	1,172,003	268,654	-	-	2,287,247
Fee and commission income	275,520	220,680	580	-	-	496,780
Other operating income	24,459	37,563	-	4,451	-	66,473
Total revenues	**1,146,569**	**1,430,246**	**269,234**	**4,451**	**-**	**2,850,500**
Net gain on foreign currencies	162,704	101,494	43,354	(26,942)	-	280,610
Administrative and other operating expenses	-	-	-	(832,873)	-	(832,873)
Interest expense	(318,977)	(227,884)	(567,128)	-	-	(1,113,989)
Fee and commission expense	(43,705)	(53,745)	(52,324)	-	-	(149,774)
Income tax expense	-	-	-	(167,687)	-	(167,687)
Credit loss allowance	(60,247)	(71,327)	-	-	-	(131,575)
Segment result	**886,344**	**1,178,784**	**(306,864)**	**(1,023,051)**	**-**	**735,212**

29 Segment Analysis (Continued)

Segment information for the reportable segments for the period ended 31 December 2021 is set out below:

In millions of Uzbekistan Soums	**Retail banking**	**Corporate banking**	**Treasury**	**Unallo-cated**	**Elimina-tions**	**Total**
Cash and cash equivalents	-	-	1,585,991	-	-	1,585,991
Due from other banks	-	-	145,948	-	-	145,948
Investments in debt securities	-	-	741,695	-	-	741,695
Investments in equity securities	-	-	-	44,911	-	44,911
Derivative financial instruments	-	-	146,297	-	-	146,297
Loans and advances to customers, including finance lease receivables	2,708,291	6,609,780	-	-	-	9,318,071
Premises and equipment	-	-	-	264,038	-	264,038
Intangible assets	-	-	-	23,660	-	23,660
Current income tax prepayment	-	-	-	9,855	-	9,855
Other assets	-	-	-	143,287	-	143,287
Interbranch receivables	-	-	-	5,302,056	(5,302,056)	-
Total reportable segment assets	**2,708,291**	**6,609,780**	**2,619,931**	**5,787,807**	**(5,302,056)**	**12,423,753**
Due to other banks	-	-	221,809	-	-	221,809
Customer accounts	2,161,175	2,312,598	-	-	-	4,473,773
Debt securities in issue	-	-	14,050	-	-	14,050
Other borrowed funds	-	-	5,320,839	-	-	5,320,839
Subordinated debt	-	-	301,147	-	-	301,147
Other liabilities	-	-	-	164,571	-	164,571
Interbranch payables	-	-	-	5,302,056	(5,302,056)	-
Total reportable segment liability	**2,161,175**	**2,312,598**	**5,857,845**	**5,466,627**	**(5,302,056)**	**10,496,189**
Capital expenditure	**-**	**-**	**-**	**66,664**	**-**	**66,664**

29 Segment Analysis (Continued)

In millions of Uzbekistan Soums	**Retail banking**	**Corporate banking**	**Treasury**	**Unallo-cated**	**Elimina-tions**	**Total**
Interest income	600,416	923,742	146,107	-	-	1,670,265
Fee and commission income	153,928	158,235	355			312,518
Other operating income	39,959	62,559	-	20,631	-	123,149
Total revenues	**794,303**	**1,144,536**	**146,462**	**20,631**	**-**	**2,105,932**
Net gain on foreign currencies	34,130	33,400	29,905	(24,822)	-	72,613
Administrative and other operating expenses	-	-	-	(612,678)	-	(612,678)
Interest expense	(167,954)	(177,003)	(500,267)	-	-	(845,224)
Fee and commission expense	(33,215)	(44,013)	(11,142)	(939)		(89,309)
Income tax expense	-	-	-	(107,632)	-	(107,632)
Credit loss allowance	(52,101)	(20,716)	-	(72,817)	-	(72,817)
Segment result	**575,163**	**936,204**	**(335,042)**	**(725,440)**	**-**	**450,885**

(e) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

The Board reviews financial information prepared based on local accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- Adjustment 1 “deferral of commission and fees” – these adjustments relate to deferral of commission for financial guarantees, letters of credit and loan origination fees till the date of its settlement. There is no accounting consideration of the similar transacation costs in the segment reporting and they are immidialty recognized in the statement of profit and loss.

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- Adjustment 2 “ Recognition of expense/assets/liablities in an incorrect period” – These adjustments related to additional provision on unused vacations, income tax, inventory write off and etc., as these are not accounted for in the segment reporting accounting policy.

- Adjustment 3 “Credit loss” – This adjustment represents additional charge or reverse on impairment on loan to customers, including finance lease receivables in accordance with IFRS 9. In the segment reporting accounting policy, “Credit loss” stipulates the impairment provision in accordance document #2696 of Central bank of Uzbekistan.

- Adjustment 4 “Property and equipment and Right of Use Assets and Liabilities” – This adjustment relates to reverse of statutory revaluation and capitalized capital expenditures in accordance with IAS 16 “Property, Plant and Equipment” and accounting for the contracts with lease components in accordance with IFRS 16, Leases.

- Adjustment 5 “Fair value adjustments” – This adjustment represents recognition at fair value of financial assets and liabilities, In the segment reporting accounting policy, financial assets and liabilities are recognised at cost.

- Adjustment 6 “Deferred tax asset/liability" – the adjustment relates to recognition of deferred tax asset in accordance with IAS 12 “Income Taxes” where is no such consideration in segment reporting.

- Adjustment 7 “Investments in subsidiaries and associates" – these adjustments represent accounting for investments in subsidiaries and associates and impairment allowance on investments in subsidiaries and associates.

29 Segment Analysis (Continued)

Reconciliation of assets and liabilities at 31 December 2022 and capital expenditure is as follows:

In millions of Uzbekistan Soums	**Total amount for reportable segment**	**Adjust-ment 1**	**Adjust-ment 2**	**Adjust-ment 3**	**Adjust-ment 4**	**Adjust-ment 5**	**Adjust-ment 6**	**Adjust-ment 7**	**Reclassific ations and netting**	**Consoli-dation**	**As reported under IFRS**
ASSETS											
Cash and cash equivalents	2,779,199	-	-	(2,835)	-	-	-	-	563,116	13	3,339,493
Investments in debt securities	1,425,159	-	-	(234)	-	(8,838)	-	-	1	250	1,416,338
Due from other banks	620,303	-	-	25,373	-	-	-	-	(431,648)	64,004	278,032
Investments in equity securities	39,161	-	-	-	-	-	-	17,500	-	(52,401)	4,260
Derivative financial instruments	129,475	-	-	-	-	(102,447)	-	-	-	-	27,028
Loans and advances to customers, including finance lease receivables	11,212,809	(57,634)	-	326,927	-	-	-	-	(55,364)	23,799	11,450,537
Premises and equipment	263,359	-	-	-	(1,326)	-	-	-	(1,791)	25,141	285,383
Right of use assets	-	-	-	-	5,772	-	-	-	-	-	5,772
Intangible assets	29,406	-	-	-	(8)	-	-	-	-	385	29,783
Current income tax prepayment	12,685	-	-	-	-	-	-	-	-	1,069	13,754
Other financial assets	126,033	330	-	(1,496)	-	(714)	-	-	(123,660)	562	1,055
Other assets	84,663	-	(1,419)	(7,290)	-	-	-	-	(19,606)	6,837	63,185
TOTAL ASSETS	**16,722,252**	**(57,304)**	**(1,419)**	**340,445**	**4,438**	**(111,999)**	**-**	**17,500**	**(68,952)**	**69,659**	**16,914,620**
LIABILITIES											
Due to other banks	622,336	-	-	-	-	-	-	-	(49,970)	-	572,366
Customer accounts	7,074,216	-	-	-	-	-	-	-	(380,966)	(7,380)	6,685,870
Debt securities in issue	650	-	-	-	-	-	-	-	-	-	650
Other borrowed funds	5,865,446	-	-	-	-	-	-	-	376,161	-	6,241,607
Subordinated debt	400,539	-	-	-	-	-	-	-	10,691	-	411,230
Current income tax liability	-	-	-	-	-	-	-	-	-	142	142
Deferred income tax liability	-	-	-	-	-	-	38,741	-	-	-	38,741
Lease liabilities	-	-	-	-	11,281	-	-	-	-	-	11,281
Other financial liabilities	109,362	-	1,713	(1,617)	-	(112,811)	-	-	(24,868)	47,011	18,790
Other liabilities	79,640	160	17,133	-	-	-	-	-	-	356	97,289
TOTAL LIABILITIES	**14,152,189**	**160**	**18,846**	**(1,617)**	**11,281**	**(112,811)**	**38,741**	**-**	**(68,952)**	**40,129**	**14,077,966**
Capital expenditure	**74,899**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**74,899**

29 Segment Analysis (Continued)

Reconciliation of profit and losses at 31 December 2022 is as follows:

In millions of Uzbekistan Soums	**Total amount for reportable segment**	**Adjust-ment 1**	**Adjust-ment 2**	**Adjust-ment 3**	**Adjust-ment 4**	**Adjust-ment 5**	**Adjust-ment 6**	**Adjust-ment 7**	**Reclassific ations and netting**	**Consolidati on**	**As reported under IFRS**
Interest income	2,287,247	(21,242)	-	(33,854)	-	(4,285)	-	-	56,958	30,728	2,315,552
Fee and commission income	496,780	822	-	-	-	-	-	-	671	(82)	498,191
Other operating income	66,473	-	-	-	-	-	(1,254)	-	(57,397)	32,990	40,812
Net gain/loss on foreign currencies	280,610	-	-	-	-	(30,680)	-	-	5,722	33	255,685
Net gain or loss from trading securities	-	-	-	-	-	(7,556)	-	-	-	-	(7,556)
Total revenues	**3,131,110**	**(20,420)**	**-**	**(33,854)**	**-**	**(34,965)**	**(1,254)**	**-**	**5,954**	**63,669**	**3,102,684**
Administrative and other operating expenses	(832,873)	-	(4,804)	(5,994)	5,804	-	1,254	-	(9,847)	(53,516)	(899,976)
Interest expense	(1,113,989)	-	-	-	(2,766)	4,285	-	-	(45,594)	(118)	(1,158,182)
Fee and commission expense	(149,774)	-	363	-	-	-	-	-	56,347	(678)	(93,742)
Income tax expense	(167,687)	-	-	-	-	-	(4,840)	-	-	(1,943)	(174,470)
Credit loss allowance	(131,575)	-	-	102,643	-	-	-	16,969	(6,860)	1,643	(17,180)
Segment result	**735,212**	**(20,420)**	**(4,441)**	**62,795**	**3,038**	**(30,680)**	**(4,840)**	**16,969**	**-**	**9,057**	**759,134**

29 Segment Analysis (Continued)

Reconciliation of assets and liabilities at 31 December 2021 and capital expenditure is as follows:

In millions of Uzbekistan Soums	**Total amount for reportable segment**	**Adjust-ment 1**	**Adjust-ment 2**	**Adjust-ment 3**	**Adjust-ment 4**	**Adjust-ment 5**	**Adjust-ment 6**	**Adjust-ment 7**	**Reclassific ations and netting**	**Consoli-dation**	**As reported under IFRS**
ASSETS											
Cash and cash equivalents	1,585,991	-	-	(5,883)	-	-	-	-	43,095	243	1,623,446
Investments in debt securities	741,695	-	-	(65)	-	(2,263)	-	-	-	-	739,367
Due from other banks	145,948	-	-	(1,364)	-	-	-	-	(8,144)	62,218	198,658
Investments in equity securities	44,911	-	-	-	-	-	-	531	-	(41,475)	3,967
Derivative financial instruments	146,297	-	-	-	-	(95,622)	-	-	-	-	50,675
Loans and advances to customers, including finance lease receivables	9,318,071	(36,392)	-	194,836	-	-	-	-	8,418	12,473	9,497,406
Premises and equipment	264,038	-	-	-	(2,373)	-	-	-	(1,044)	27,641	288,262
Right of use assets	-	-	-	-	11,723	-	-	-	-	-	11,723
Intangible assets	23,660	-	-	-	(34)	-	-	-	-	281	23,907
Current income tax prepayment	9,855	-	-	-	-	-	-	-	-	434	10,289
Other financial assets	86,865	78	-	(3,745)	-	(664)	-	-	(67,023)	(4,434)	11,077
Other assets	56,423	-	(2,007)	3,666	-	-	-	-	(27,738)	5,369	35,713
TOTAL ASSETS	**12,423,754**	**(36,314)**	**(2,007)**	**187,445**	**9,316**	**(98,549)**	**-**	**531**	**(52,436)**	**62,750**	**12,494,490**
LIABILITIES											
Due to other banks	221,809	-	-	-	-	-	-	-	(20,879)	-	200,930
Customer accounts	4,473,773	-	-	-	-	-	-	-	(98,521)	(6,387)	4,368,865
Debt securities in issue	14,050	-	-	-	-	-	-	-	-	-	14,050
Other borrowed funds	5,320,839	-	-	-	-	-	-	-	72,137	-	5,392,976
Subordinated debt	301,147	-	-	-	-	-	-	-	8,352	-	309,499
Current income tax liability	-	-	-	-	-	-	-	-	-	762	762
Deferred income tax liability	-	-	-	-	-	-	33,704	-	-	-	33,704
Lease liabilities	-	-	-	-	19,195	-	-	-	-	-	19,195
Other financial liabilities	115,026	-	2,076	70	-	(136,615)	-	-	(13,525)	46,762	13,794
Other liabilities	49,545	731	11,741	-	-	-	-	-	-	954	62,971
TOTAL LIABILITIES	**10,496,189**	**731**	**13,817**	**70**	**19,195**	**(136,615)**	**33,704**	**-**	**(52,436)**	**42,091**	**10,416,746**
Capital expenditure	**66,664**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**66,664**

29 Segment Analysis (Continued)

Reconciliation of profit and losses at 31 December 2021 is as follows:

In millions of Uzbekistan Soums	**Total amount for reportable segment**	**Adjust-ment 1**	**Adjust-ment 2**	**Adjust-ment 3**	**Adjust-ment 4**	**Adjust-ment 5**	**Adjust-ment 6**	**Adjust-ment 7**	**Reclassifications and netting**	**Consoli-dation**	**As reported under IFRS**
Interest income	1,670,265	(18,679)	-	21,877	-	(1,672)	-	-	101,868	29,133	1,802,792
Fee and commission income	312,518	(106)	-	-	-	-	-	-	(1,097)	(62)	311,253
Other operating income	123,149	-	-	-	-	-	-	-	(101,671)	27,774	49,252
Net gain/loss on foreign currencies	72,613	-	-	-	-	30,564	-	-	-	31	103,208
Net gain or loss from trading securities	-	-	-	-	-	(1,865)	-	-	-	-	(1,865)
		-	-								
Total revenues	**2,178,545**	**(18,785)**	**-**	**21,877**	**-**	**27,027**	**-**	**-**	**(900)**	**56,876**	**2,264,640**
Administrative and other operating expenses	(612,678)	-	(3,749)	2,652	4,900	-	-	-	10,235	(42,702)	(641,342)
Interest expense	(845,224)	-	-	-	(3,996)	1,672	-	-	(34,501)	84	(881,965)
Fee and commission expense	(89,309)	-	(1,504)	-	-	-	-	-	27,838	(4,475)	(67,450)
Income tax expense	(107,632)	-	-	-	-	-	(11,255)	-	-	(4,170)	(123,057)
Credit loss allowance	(72,817)	-	-	24,591	-	-	-	-	(2,672)	343	(50,555)
Segment result	**450,885**	**(18,785)**	**(5,253)**	**49,120**	**904**	**28,699**	**(11,255)**	**-**	**-**	**5,956**	**500,271**

29 Segment Analysis (Continued)

(f) Geographical information

The geographic information analysis the Group's financial assets and liabilities by the domicile of the customers at 31 December 2022 as set out below:

In millions of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	2,626,192	607,376	105,925	3,339,493
Due from other banks	138,611	139,421	-	278,032
Loans and advances to customers, including finance lease receivables	11,450,537	-	-	11,450,537
Investments in debt securities	1,416,338	-	-	1,416,338
Investments in equity securities	4,260	-	-	4,260
Derivative financial instruments	-	27,028	-	27,028
Other financial assets	1,055	-	-	1,055
Total financial assets	**15,636,993**	**773,825**	**105,925**	**16,516,743**
Liabilities				
Due to other banks	3,919	-	568,447	572,366
Customer accounts	6,683,242	2,524	104	6,685,870
Debt securities in issue	650	-	-	650
Other borrowed funds	1,068,258	4,212,296	961,053	6,241,607
Lease liabilities	11,281	-	-	11,281
Other financial liabilities	17,455	1,335	-	18,790
Subordinated debt	-	411,230	-	411,230
Total financial liabilities	**7,784,805**	**4,627,385**	**1,529,604**	**13,941,794**

The geographic information analysis the Group's financial assets and liabilities by the domicile of the customers at 31 December 2021 as set out below:

In millions of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,546,111	46,298	31,037	1,623,446
Due from other banks	157,292	36,121	5,244	198,657
Loans and advances to customers, including finance lease receivables	9,850,590	-	-	9,850,590
Investments in debt securities	739,367	-	-	739,367
Investments in equity securities	3,967	-	-	3,967
Derivative financial instruments	-	50,675	-	50,675
Other financial assets	11,077	-	-	11,077
Total financial assets	**12,308,404**	**133,094**	**36,281**	**12,477,779**
Liabilities				
Due to other banks	186,910	4,627	9,392	200,929
Customer accounts	4,363,706	939	4,220	4,368,865
Debt securities in issue	14,050	-	-	14,050
Other borrowed funds	539,674	3,811,452	1,041,850	5,392,976
Lease liabilities	19,195	-	-	19,195
Other financial liabilities	13,794	-	-	13,794
Subordinated debt	-	309,500	-	309,500
Total financial liabilities	**5,137,329**	**4,126,518**	**1,055,462**	**10,319,309**

The Group's consolidated revenue comprises interest income, fee and commission income and other operating income which are concentrated on the domestic market with very limited and immaterial exposure to the external customers.

30 Financial Risk Management

Environmental, Social and Governance (ESG) matters. Since the concept of sustainability was introduced into the financial sector, a new type of risk has been emerging: sustainability risks, also referred to as environmental, social or governance (ESG) risks. These focus on the potential effect Group's stakeholders (such as customers, outsourcing suppliers, employees, or the environment) may exert and in reverse, the impact that the organization may have on its stakeholders and the environment due to its activities. The Group is subject to environmental and other laws and regulations in the Country it operates.

Environmental. The Group and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains. The Group is making progress on embedding climate risk in its Risk framework, including the development of appropriate risk appetite metrics and the creation of a Climate Risk Committee, which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories. In addition, the Group is re-evaluating its model landscape to incorporate climate-related risks and their impact on borrower's credit risk. The Group is currently increasing its lending to green sector in the context of environmental and climate change, these include but not limited to:

- In 2018, the Group and the International Bank for Reconstruction and Development signed a loan agreement for USD 25.0 million under the "Improving the Energy Efficiency of Industrial Enterprises" program, to finance sustainable energy resources and their utilization by the medium sized customers of the Group.
- In 2021, the Group and the European Bank for Reconstruction and Development signed an Agreement on attracting a green credit line in the amount of USD 10 million which is aimed at financing green projects and supporting green business initiatives implemented by local medium-sized businesses (SMEs) of the country, thereby providing access to green financing and stimulating.
- In 2021, the Group and NEDERLANDSE FINANCIERINGS-MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN N.V. ("FMO") signed a loan agreement for the total amount of USD 50 million of which USD 11.1 million were green loans to finance climate change mitigation projects (green financing).
- In December 2022, a new credit line was attracted from the Global Climate Partnership S.A. SICAV-SIF for the amount of USD 10 million aimed to finance electric vehicles industry, helping achieve sustainable development goals in Uzbekistan.

Social. To achieve the social goals of sustainable development, the Group carries out periodic engagements, trainings and awareness events with employees and customers covering a wide range of the sustainable development issues and its importance in Uzbekistan and the position of the Group as socially responsible employer. The Group is continuing to evaluate engagement, promotion and remuneration practices in terms of gender equality. As part of the achieving social goals, the Group establishments include but not limited to:

- Adequate payment of labour — achieving higher than the average industry labour market payments, ranking 7th among the industry employers in the Country as of 31 December 2022.
- Compliance with labour standards. The Group has a well-established trade Union in place for the employees of the Group, and the Trade Union supervises over the management of the Group for compliance with labour standards.

30 Financial Risk Management (Continued)

- Under "The Good health and well-being" program, industrial safety standards and health protection for employees are provided. All employees are introduced to procedures for safe working conditions and there is a survey that is conducted annually to assess the fulfilment of working conditions.

Corporate Governance. Group, being the largest taxpayer, adheres to its Corporate Governance Code which covers a range of matters including tax strategy, corporate risk management, executive compensation, donations, fraud, corruption and disclosure.

In 2022, in addition to supervision activities related to the assessment of operations, the Group involved International Finance Corporation (IFC) to assess the the quality of corporate governance and operational risk in accounting infrastructure of the Group to raise its efficiency and attractiveness for investors and the recommendations to improve the quality of corporate governance are provided and they are in the process of incorporation.

The risk management function

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Limits. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Group established a number of credit committees that are responsible for approving credit limits for individual borrowers:

- The Bank supervisory board reviews and approves limits above 10% of the Tier 1 capital of the Bank and meets monthly/weekly;
- The Management board of the Bank reviews and approves limits above UZS 20,000 million and meets weekly/daily;
- The credit committee of the Bank reviews and approves limits above UZS 5,000 million and meets weekly/daily.
- Until UZS 5,000 million, Underwriting department of the bank reviews and approves and meets daily.

30 Financial Risk Management (Continued)

Credit risk grading system**.** For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies two approaches –Approach of internal or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's).

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

Standard	1	Timely repayment of "standard" loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When assessing the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Substandard	2	As a whole, the financial position of a borrower is stable, but some unfavorable circumstances or tendencies are present, which, if not disposed of, raise some doubts about the borrower's ability to repay on time. "Standard" loans with insufficient information in the credit file or missing information on collateral could be also classified as "Substandard" loans.
Unsatisfactory	3	"Unsatisfactory" loans have obvious shortcomings, which make doubtful the repayment of the loan under the terms, envisaged by the initial agreement. For loans classified as "Unsatisfactory", the primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources, such as the sale of collateral.
Doubtful	4	"Doubtful" are loans which, in addition to having the characteristics of "Unsatisfactory" loans, have additional shortcomings, which make it doubtful that the loan will be repaid in full under the existing circumstances. The probability of incurring loss in respect of such loans is high.
Hopeless	5	Loans classified as "hopeless" are considered uncollectible and have such a little value that their continuance as assets of the Bank is not worth. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that the Bank should cease recognising such loans and make efforts to get rid of such debt through selling collateral or make every effort to collect the outstanding loan

Unsatisfactory, Doubtful and Hopeless are classified as impaired loans. Group used those classification also for Other financial assets.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default ("PD") are applied for the following financial instruments: interbank placements and investments in debt securities.

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

30 Financial Risk Management (Continued)

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committen amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period.* The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an Group has a present contractual obligation to extend credit.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

Overdue days are defined as the number of consecutive days when the arrears of the customer facility are continuous and simultaneously above both (a) absolute threshold and (b) relative materiality threshold. For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower's debt or its portion at a loss due to credit deterioration;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:
    - the borrower is deceased;
    - the borrower is insolvent;
    - the borrower is in breach of financial covenants;
    - it is becoming likely that the borrower will enter bankruptcy; and
    - the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of two reporting period (six months). This period has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

30 Financial Risk Management (Continued)

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

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

The assessment whether or not there has been a significant increase in credit risk (“SICR”) since initial recognition is performed on an individual basis and on a portfolio basis. SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Group’s Risk Management Department.

The Group decided not to use the low credit risk assessment exemption for investment grade financial assets. Hence, even assets of an investment grade are assessed whether there has been a SICR.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Loss given default. For corporate lending assets, LGD values are assessed at least quarterly by account managers and reviewed and approved by the Group’s credit risk department.

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

The bank manages exposure to credit risk by securing loans with real estate, financial guarantee (provided by government, legal entities and individuals), motor vehicles, equipment, insurance, inventory and other collaterals.

The Bank applies discount rates for assessment loss given default based on historical discounts on sales and projected collateral values.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach.

30 Financial Risk Management (Continued)

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Group calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

ECL measurement for financial guarantees and loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("$ExOff$"). CCF for undrawn credit lines of corporate customers, credit cards issued to individuals and for financial guarantees is defined based on statistical analysis of past exposures at default. CCF for overdrafts is defined as 100% since the limits can be used by the customers at any time.

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to government and blue chip corporate bonds exposures.

Forward-looking information and multiple economic scenarios. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs., such as:

- GDP growth;
- Export growth;
- Import growth

Forecasts of economic variables are provided by the Group's economics team and provide the best estimate of the expected macro-economic development over the next five years. After five years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g. GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

30 Financial Risk Management (Continued)

In the table below cash and cash equivalents, loans to banks and customers of high grade are those having a minimal level of credit risk, normally with a credit rating on or close to sovereign level or very well collateralised. Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises loans below standard grade but not individually impaired. For debt securities high grade is equivalent to Moody’s Baa3 rating and above, standard – below Baa3 but above B3, sub-standard – below B3.

31 December 2022, (In millions of Uzbekistan Soums)	**Stage of Asset**	**High grade**	**Standard grade**	**Sub-Standard grade**	**Impaired**	**Total**
Cash and cash equivalents, except for cash on hand	Stage 1	607,583	1,124,460	-	-	**1,732,043**
	Stage 2	-	-	42,558	-	**42,558**
Due from other banks	Stage 1	139,463	136,671	2,200	-	**278,334**
Investments in debt securities	Stage 1	-	276,735	-	-	**276,735**
Loans and advances to customers		-	11,379,893	12,484	212,774	**11,605,151**
Corporate lending	Stage 1	-	5,442,432			**5,442,432**
	Stage 2	-	402,753	10,811	-	**413,564**
	Stage 3	-	-	-	167,920	**167,920**
Individuals	Stage 1	-	3,903,134	-	-	**3,903,134**
	Stage 2	-	16,383	1,101	-	**17,484**
	Stage 3	-	-	-	29,912	**29,912**
Individual entrepreneurs	Stage 1	-	1,041,259	-	-	**1,041,259**
	Stage 2	-	4,356	572		**4,928**
	Stage 3	-	-	-	10,534	**10,534**
State and non-commercial organizations	Stage 1	-	543,881	-	-	**543,881**
	Stage 2	-	25,695	-	-	**25,695**
	Stage 3	-	-	-	4,408	**4,408**
Other financial assets	Stage 1	-	1,069	-	-	**1,069**
	Stage 3	-	-	-	2,874	**2,874**
Total gross amount of assets		**747,046**	**12,918,828**	**57,242**	**215,648**	**13,938,764**

30 Financial Risk Management (Continued)

31 December 2021 (In millions of Uzbekistan Soums)	Stage of Asset	High grade	Standard grade	Sub-Standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	Stage 1	75,534	1,060,570	-	-	**1,136,104**
Due from other banks	Stage 1	40,839	159,142	2,000	-	**201,981**
Investments in debt securities	Stage 1	-	5,862	-	-	**5,862**
Loans and advances to customers		-	9,291,504	3,219	339,552	**9,634,275**
Corporate lending	Stage 1	-	5,344,081	-	-	**5,344,081**
	Stage 2	-	127,687	1,675	-	**129,362**
	Stage 3	-	-	-	228,862	**228,862**
Individuals	Stage 1	-	2,716,186	-	-	**2,716,186**
	Stage 2	-	24,847	1,053	-	**25,900**
	Stage 3	-	-	-	79,694	**79,694**
Individual entrepreneurs	Stage 1	-	847,384	-	-	**847,384**
	Stage 2	-	12,198	491	-	**12,689**
	Stage 3	-	-	-	17,086	**17,086**
State and non-commercial organizations	Stage 1	-	216,629	-	-	**216,629**
	Stage 2	-	2,492	-	-	**2,492**
	Stage 3	-	-	-	13,910	**13,910**
Other financial assets	Stage 1	-	11,500	-	-	**11,500**
	Stage 3	-	-	-	1,170	**1,170**
Total gross amount of assets		**116,373**	**10,528,578**	**5,219**	**340,722**	**10,990,892**

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.The table below summarises foreign currency exchange rate risk at the end of the reporting period:

In millions of Uzbekistan Soums	Monetary financial assets	Monetary financial liabilities	Derivative instruments	Net balance sheet position
31 December 2022				
UZS	10,017,458	(7,278,572)	(310,760)	2,428,126
USD	5,231,232	(5,441,447)	337,788	127,573
EUR	988,642	(973,878)	-	14,764
Other	279,411	(247,897)	-	31,514
Total	**16,516,743**	**(13,941,794)**	**27,028**	**2,601,977**
31 December 2021				
UZS	7,719,878	(5,174,342)	(593,672)	1,951,864
USD	3,320,979	(4,100,331)	579,185	(200,167)
EUR	1,061,216	(1,033,859)	43,054	70,411
Other	22,523	(10,777)	-	11,746
Total	**12,124,596**	**(10,319,309)**	**28,567**	**1,833,854**

30 Financial Risk Management (Continued)

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 33. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	At 31 December 2022		At 31 December 2021	
In millions of Uzbekistan Soums	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollars strengthening by 20%	25,515	20,412	16,324	13,059
US Dollars weakening by (20%)	(25,515)	(20,412)	(16,324)	(13,059)
EUR strengthening by 20%	2,953	2,362	1,578	1,263
EUR weakening by (20%)	(2,953)	(2,362)	(1,578)	(1,263)

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In millions of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2022						
Total financial assets	4,209,411	3,832,599	3,173,678	5,301,055	397,877	16,914,620
Total financial liabilities	3,709,017	2,468,508	2,238,603	5,525,666	136,172	14,077,966
Net interest sensitivity gap	**500,394**	**1,364,091**	**935,075**	**(224,611)**	**261,705**	**2,836,654**

In millions of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2021						
Total financial assets	3,104,688	2,585,108	2,500,839	3,933,961	369,894	12,494,490
Total financial liabilities	2,135,693	3,025,899	1,794,967	3,362,863	97,324	10,416,746
Net interest sensitivity gap	**968,995**	**(440,791)**	**705,872**	**571,098**	**272,570**	**2,077,744**

30 Financial Risk Management (Continued)

At 31 December 2022, if interest rates at that date had been 200 basis points lower (2021: [200] basis points lower) with all other variables held constant, profit for the year would have been UZS 25,242 million or after tax UZS 20,194 million (2021: UZS 36,368 million or after tax UZS 29,094 million) higher, mainly as a result of lower interest expense on variable interest.

If interest rates had been 200 basis points higher (2021: [200] basis points higher), with all other variables held constant, profit would have been UZS 25,242 million after tax UZS 20,194 million (2021: UZS 36,368 million or after tax UZS 29,094 million) lower, mainly as a result of higher interest expense on variable interest liabilities.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	31 December 2022				31 December 2021			
	UZS	**USD**	**EUR**	**others**	**UZS**	**USD**	**EUR**	**others**
Assets								
Cash and cash equivalents	0 - 20.7%	0-3.2%	0%	0-20.7%	0 - 13.98%	0%	0-1%	0%
Due from other banks	0 - 21.9%	0%	0%	0-26.8%	0 - 21%	0-5.5%	0%	0%
Investments in Debt Securities	16.91-31.9%	4.6-6.84%	-	-	13.83-23%	3.9-4.75%	-	-
Loans and advances to customers	1-60.1%	4.1-20.8%	4.1-16.1%	-	1-48%	4-24.2%	4-14%	0%
Other financial assets	0%	0%	0%	0%	0%	0%	0%	0%
Liabilities								
Due to other banks	0%	0%	0%	0-12.7%	0-10%	0-5.5%	0%	5%
Customer accounts	0-24.4%	0-6.2%	0-4.6%	0-4.6%	0-22%	0-6%	0-5%	0%
Debt securities in issue	18.4-18.9%	-	-	-	16-17.5%	-	-	-
Other borrowed funds	0-23.5%	2-9.1%	0.4-6.7%	-	0-20.7%	0.59-5.95%	0.35-6.5%	-
Subordinated debt	20.2%	7.8-12.7%	6.4%	-	18.5%	10-12%	6.2%	-
Lease liabilities	20.375%	-	-	-	20.375%	-	-	-
Other financial liablities	0%	0%	0%	0%	0%	0%	0%	0%

At 31 December 2022, if interest rates at that date had been 200 basis points changes (2021: 200) with all other variables held constant, profit for the year would have been as follows:

In millions of Uzbekistan Soums	**Increase in basis points**	**Sensitivity of net interest income**	**Sensitivity of Equity**
Assets/Liabilities	**31 December 2022**	**31 December 2022**	**31 December 2022**
Loans and advances to customers	+200	229,011	183,209
Other borrowed funds	+200	(124,832)	(99,866)
Assets/Liabilities	**31 December 2021**	**31 December 2021**	**31 December 2021**
Loans and advances to customers	+200	189,948	151,959
Other borrowed funds	+200	(107,860)	(86,288)

30 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is the risk that an Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Group.

The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considersation of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratios are:

- Liquidity coverage ratio (min 100%), which is calculated as the ratio of highly Liquid Assets to expected net cash outflows in next 30 days. The ratio was 204% at 31 December 2022 (31 December 2021: 234%);

- Net stable financing ratio (min 100%), which is calculated as the ratio of total equity and 100% of liabilities maturing after one year and 30% maturing before one year to 100% of assets maturing after one year and 30% of assets maturing before one year. The ratio was 156% 31 December 2022 (31 December 2021: 131%).

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading debt securities, cash and cash equivalents, due from other banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The table below shows liabilities at 31 December 2022 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

30 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2022 in actual is as follows:

In millions of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	3,281,445	64,843	-	-	-	**3,346,288**
Due from other banks	177,535	59,091	50,770	-	-	**287,396**
Loans and advances to customers, including finance lease receivables	1,012,742	2,711,216	3,739,111	6,693,856	2,581,250	**16,738,175**
Investments in debt securities	358,927	729,727	302	265,692	231,999	**1,586,647**
Investments in equity securities	4,260	-	-	-	-	**4,260**
Derivative financial instruments	-	28,346	-	-	-	**28,346**
Other financial assets	1,055	-	-	-	-	**1,055**
Total undiscounted financial assets	**4,835,964**	**3,593,223**	**3,790,183**	**6,959,548**	**2,813,249**	**21,992,167**
Liabilities						
Due to other banks	431,138	143,404	-	-	-	**574,542**
Customer accounts	2,967,066	722,982	1,638,840	1,935,800	4,279	**7,268,967**
Debt securities in issue	152	-	226	386	-	**764**
Other borrowed funds	7,585	782,035	742,265	4,326,929	2,229,522	**8,088,336**
Subordinated debt	-	10,692	11,613	266,769	283,663	**572,737**
Lease liabilities	1,022	5,110	6,132	-	-	**12,264**
Other financial liabilities	18,790	-	-	-	-	**18,790**
Total undiscounted financial liabilities	**3,425,753**	**1,664,223**	**2,399,076**	**6,529,884**	**2,517,464**	**16,536,400**
COMMITMENTS						
Guarantees	93,724	-	-	-	-	**93,724**
Undrawn loan commitments	105,646	-	-	-	-	**105,646**
Total commitments	**199,370**	**-**	**-**	**-**	**-**	**199,370**

30 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2021 is as follows:

In millions of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Cash and cash equivalents	1,617,716	12,227	-	-	-	**1,629,943**
Due from other banks	137,255	26,576	40,289	1,182	-	**205,302**
Loans and advances to customers, including finance lease receivables	895,128	2,503,463	2,933,315	5,430,240	1,654,260	**13,416,406**
Investments in debt securities	533,938	160,724	-	2,388	74,911	**771,961**
Investments in equity securities	3,967	-	**-**	**-**	**-**	**3,967**
Derivative financial instruments	-	58,127	**-**	**-**	**-**	**58,127**
Other financial assets	11,077	-	**-**	**-**	**-**	**11,077**
Total undiscounted financial assets	**3,199,081**	**2,761,117**	**2,973,604**	**5,433,810**	**1,729,171**	**16,096,783**
Liabilities						
Due to other banks	16,689	185,504	-	-	-	**202,193**
Customer accounts	2,017,703	639,428	1,161,633	908,103	4,532	**4,731,399**
Debt securities in issue	2,107	4,837	7,448	868	-	**15,260**
Other borrowed funds	91,140	1,526,285	814,488	3,220,722	1,712,189	**7,364,824**
Subordinated debt	-	8,353	-	249,257	244,064	**501,674**
Lease liabilities	890	4,450	5,340	12,264	-	**22,944**
Other financial liabilities	13,907	-	-	-	13,907	**27,814**
Total undiscounted financial liabilities	**2,142,436**	**2,368,857**	**1,988,909**	**4,391,214**	**1,974,692**	**12,866,108**
COMMITMENTS						
Guarantees	74,075	-	-	-	-	**74,075**
Undrawn loan commitments	54,715	**-**	**-**	**-**	**-**	**54,715**
Total commitments	**128,790**	**-**	**-**	**-**	**-**	**128,790**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Uzbekistan Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

30 Financial Risk Management (Continued)

The Group does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Group monitors expected maturities and the resulting expected liquidity gap as follows:

In millions of UZS	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 31 December 2022						
Financial assets	4,407,279	3,388,163	3,168,692	4,697,027	855,582	16,516,743
Financial liabilities	3,709,586	1,328,955	2,182,285	5,415,711	1,305,257	13,941,794
Net liquidity gap based on expected maturities	**697,693**	**2,059,208**	**986,407**	**(718,684)**	**(449,675)**	**2,574,949**
At 31 December 2021						
Financial assets	3,353,731	2,336,063	2,500,839	3,820,683	466,463	12,477,779
Financial liabilities	2,147,599	1,646,954	1,908,290	3,615,247	1,001,219	10,319,309
Net liquidity gap based on expected maturities	**1,206,132**	**689,109**	**592,549**	**205,436**	**(534,756)**	**2,158,470**

Effect of IBOR reform (phase 2). Reform and replacement of various inter-bank offered rates ('IBORs') has become a priority for regulators. Many IBOR rates stopped being published on 31 December 2021, while certain 6 months USD LIBOR rates (Phase 2) would stop being published by 30 June 2023.

The table below discloses amounts of non-derivative financial assets and liabilities and derivative contracts at 31 December 2022 that would be transitioned to alternative interest rate benchmarks

In millions of UZS	6 months USD LIBOR	Total
NON-DERIVATIVE FINANCIAL ASSETS		
Loans and advances to customers	324,242	**324,242**
TOTAL NON-DERIVATIVE FINANCIAL ASSETS	**324,242**	**324,242**
NON-DERIVATIVE FINANCIAL LIABILITIES		
Other borrowed funds	1,248,574	**1,248,574**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**1,248,574**	**1,248,574**
DERIVATIVE FINANCIAL INSTRUMENTS		
Interest rate swaps: notional amounts	337,788	**337,788**
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS	**337,788**	**337,788**

The Group is working with its customers and other counterparties, such as international financial institutions to perform a transition of legacy LIBOR-based financial instruments to alternative benchmark interest rates and develop new financial products for its customers. The Group is also enhancing its IT systems and internal processes to ensure smooth transition from IBOR to alternative benchmark interest rates.

31 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these consolidated financial statements.

Tax contingencies. Uzbek tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Uzbekistan suggest, that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2022 no provision for potential tax liabilities had been recorded (2021: Nil). The Bank estimates that it has no potential obligations from exposure to other than remote tax risks (2021: Nil).

Future cash outlfows related to leases. Where the Group is a lessee, the future cash outflows, to which the Group is potentially exposed and that are not reflected in the lease liabilities at 31 December 2022 relate mainly to:

- Leases of buildings (related to 69 (2021: 69) service centres) with rent annually indexed by the Consumer Price Index; the lease liability related to such leases at 31 December 2022 is UZS 9,913 million and the lease terms are between 1 and 5 years (2021: the lease liability was UZS 10,367 million and the lease terms were between 1 and 5 years).

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings. Group's Management believes that the Group was in compliance with covenants at 31 December 2022.

The composition of the Group's capital calculated in accordance with the Basel Accord is as follows:

In thousands of Uzbekistan Soums	**31 December 2022**	**31 December 2021**
Tier 1 capital		
Share capital	109,929	109,929
Share premium	77,751	77,751
Retained earnings	2,648,188	1,890,064
Other comprehensive income	786	-
Total Tier 1 capital	**2,836,654**	**2,077,744**
Tier 2 capital		
Corrected subordinated debt for regulatory capital	254,974	309,499
Total Tier 2 capital	**254,974**	**309,499**
Total regulatory capital	**3,091,628**	**2,387,243**
Tier 1 capital ratio	*15.3%*	*14.3%*
Regulatory capital ratio	*16.7%*	*16.4%*

The Group's objectives when managing capital are to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%.

31 Contingencies and Commitments (Continued)

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In thousands of Uzbekistan Soums	***Note***	**31 December 2022**	**31 December 2021**
Undrawn credit lines		105,646	54,833
Import letters of credit	15	66,088	150,701
Total loan commitments		171,733	205,534
Financial guarantees issued		93,725	74,075
Less: Provision for financial guarantees		(1)	(6)
Less: Provision for loan commitments		(62)	(64)
Less: Commitment collateralised by cash deposits		(84,088)	(126,581)
Total credit related commitments, net of provision and cash covered exposures		**181,307**	**152,957**

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2022 is as follows. All credit related commitments are graded as internal credit rating grades.

In millions of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Total**
Issued financial guarantees		
- Standard	93,725	93,725
Unrecognised gross amount	93,725	93,725
Provision for financial guarantees	(1)	(1)
Loan commitments		
- Standard	171,733	171,733
Unrecognised gross amount	171,733	171,733
Provision for loan commitments	(62)	(62)

Refer to Note 30 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to credit related commitments.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was UZS 259,973 million at 31 December 2022 (2021: UZS 265,872 million).

32 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature:

		31 December 2022		**31 December 2021**	
In millions of Uzbekistan Soums	***Note***	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Cross-currency interest rate SWAPs					
USD receivable on settlement (+)		337,788	-	867,333	-
UZS payable on settlement (-)		(310,760)	-	(816,899)	-
UZS receivable on settlement (+)		-	-	6,602	-
USD payable on settlement (-)		-	-	(6,361)	-
				-	-
Cross-currency SWAPs				-	-
EUR payable on settlement (-)		-	-	-	(19,466)
UZS receivable on settlement (+)		-	-	-	19,087
Net fair value of swaps	**28**	**27,028**	**-**	**50,675**	**(379)**

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions.

Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. Information on related "Interest income and expense" is disclosed in Note 22.

33 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In millions of Uzbekistan Soums	**31 December 2022**	
Assets at fair value	**Level 2**	**Level 3**
FINANCIAL ASSETS		
Investments in debt securities	***1,139,836***	***-***
-Central bank of Uzbekistan	993,924	-
-Corporate bonds	50,084	-
-Uzbekistan government Eurobonds	49,395	-
-Uzbekistan government bonds	46,433	-
Investments in equity securities	***-***	***4,260***
- Corporate shares	-	4,260
Cross-currency interest rate SWAP	***-***	***27,028***
Total assets recurring fair value measurements	**1,139,836**	**31,288**

In millions of Uzbekistan Soums	**31 December 2021**	
Assets at fair value	**Level 2**	**Level 3**
FINANCIAL ASSETS		
Investments in debt securities	***733,570***	***-***
-Central bank of Uzbekistan	648,405	-
-Uzbekistan government Eurobonds	55,285	-
-Uzbekistan government bonds	29,880	-
Investments in equity securities	***-***	***3,967***
- Corporate shares	-	3,967
Cross-currency interest rate SWAP	***-***	***50,675***
Total assets recurring fair value measurements	**733,570**	**54,642**
FINANCIAL LIABILITIES		
Other financial liabilities	***-***	***379***
TOTAL LIABILITIES WITH RECURRING FAIR VALUE MEASUREMENTS	**-**	**379**

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2022:

In millions of UZS	**Fair value**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE			
FINANCIAL ASSETS			
Investments in debt securities	***1,139,836***		
-Central bank of Uzbekistan	993,924	Discounted cash flows (“DCF”)	Central bank of Uzbekistan bonds yield curve
-Corporate bonds	50,084	DCF	Incremental borrowing rate
-Uzbekistan government Eurobonds	49,395	DCF	Government bonds yield curve
-Uzbekistan government bonds	46,433	DCF	Government bonds yield curve
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 2	***1,139,836***		

33 Fair Value Disclosures (Continued)

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2021:

In millions of UZS	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
FINANCIAL ASSETS			
Investments in debt securities	***733,570***		
-Central bank of Uzbekistan	648,405	Discounted cash flows ("DCF")	Central bank of Uzbekistan bonds yield curve
-Uzbekistan government Eurobonds	55,285	DCF	Government bonds yield curve
-Uzbekistan government bonds	29,880	DCF	Government bonds yield curve
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 2	***733,570***		

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2022 (2021: none).

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

31 December 2022 (In millions of Uzbekistan Soums)	Net amount	Valuation techniques	Unobserv-able input	Rang (weighted average)	Reason-able change	Sensitivity of fair value measu-rement
Financial instruments						
Interest rate Swaps	27,028	DCF	Credit spread	14.90%	± 10 %	± 403

31 December 2021 (In millions of Uzbekistan Soums)	Net amount	Valuation techniques	Unobserv-able input	Rang (weighted average)	Reason-able change	Sensitivity of fair value measu-rement
Financial instruments						
Interest rate Swaps	50,297	DCF	Credit spread	12.47-18.15 (16.38%)	± 10 %	± 824

The above tables disclose sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2022 (2021: none).

33 Fair Value Disclosures (Continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2022 and 31 December 2021 is as follows:

	Assets at FVTPL		Financial derivative liabilities
In millions of Uzbekistan Soums	Investments in equity securities	Interest rate Swaps	
Fair value at 1 January 2022	**3,967**	**50,676**	**379**
Gains (losses) recognised in profit or loss for the year	-	(5,195)	-
Purchases	293	112,255	-
Sales or disposal	-	(130,708)	(379)
Fair value at 31 December 2022	**4,260**	**27,028**	**-**

	Assets at FVTPL		Financial derivative liabilities
In millions of Uzbekistan Soums	Investments in equity securities	Interest rate Swaps	
Fair value at 1 January 2021	**3,967**	**30,738**	**2,171**
Gains (losses) recognised in profit or loss for the year	-	56,615	379
Purchases	-	108,377	-
Sales or disposal	-	(145,054)	(2,171)
Fair value at 31 December 2021	**3,967**	**50,676**	**379**

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

	31 December 2022		31 December 2021	
In millions of Uzbekistan Soums	Realised (loss)	Unrealised gain	Realized (loss)	Unrealized gain
Total gain or loss included for the period in the profit or loss	(85,282)	(5,195)	(133,272)	56,615

33 Fair Value Disclosures (Continued)

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value at 31 December 2022 are as follows:

In millions of Uzbekistan Soums	Level 2	Level 3	Total fair value	Carrying value
Assets				
Due from other banks	284,379	-	**284,379**	**204,633**
- Term placements with other banks with original maturities of more than three months	283,420	-	283,420	**203,674**
-Restricted cash deposits	959	-	959	**959**
Investments in debt securities	268,252	-	**268,252**	**276,735**
-Uzbekistan government bonds	134,400	-	134,400	128,632
-Uzbekistan government Eurobonds	92,070	-	92,070	106,691
-Corporate bonds	41,782	-	41,782	41,412
Loans to customers, including finance lease receivables	-	11,868,494	11,868,494	**11,605,151**
-Corporate lending	-	6,225,836	6,225,836	6,023,916
-Individuals	-	3,921,749	3,921,749	3,950,530
-Individual entrepreneurs	-	1,128,797	1,128,797	1,056,721
-State and municipal organisations	-	592,111	592,111	573,984
Other financial assets	-	3,943	**3,943**	**3,943**
LIABILITIES				
Due to other banks	-	572,974	**572,974**	**572,366**
-Correspondent accounts and overnight placements of other banks	-	352,588	352,588	352,653
-Term placements of other banks	-	126,052	126,052	125,312
-Security deposits of other financial institutions	-	94,334	94,334	94,401
Customer accounts	-	**6,733,570**	**6,733,570**	**6,685,870**
- Term deposits of individuals	-	2,688,209	2,688,209	2,618,522
- Current deposits of legal entities	-	1,904,078	1,904,078	1,915,055
- Term deposits of legal entities	-	1,368,589	1,368,589	1,379,599
- Current deposits of individuals	-	772,694	772,694	772,694
Debt securities in issue	-	650	**650**	**650**
- Deposit certificates	-	650	650	650
Other borrowed funds	-	5,717,192	5,717,192	6,241,607
- Term borrowings from companies, government and its companies	-	5,717,192	5,717,192	6,241,607
Subordinated debt	-	408,244	**408,244**	**411,230**
-Subordinated debt	-	408,244	408,244	411,230
Other financial liabilities	-	18,789	**18,789**	**18,789**
Credit related commitments	-	193,886	**193,886**	**199,370**
-Undrawn credit lines	-	100,161	100,161	105,646
-Financial guarantees issued	-	93,725	93,725	93,725
Total	**552,631**	**25,517,742**	**26,070,373**	**26,220,344**

33 Fair Value Disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value at 31 December 2021 are as follows:

In millions of Uzbekistan Soums	Level 2	Level 3	Total fair value	Carrying value
Assets				
Due from other banks	148,166	-	**148,166**	**151,171**
- Term placements with other banks with original maturities of more than three months	106,780	-	106,780	109,785
-Restricted cash deposits	41,386	-	41,386	41,386
Investments in debt securities		5,862	**5,862**	**5,862**
-Corporate bonds	-	5,862	5,862	5,862
Loans to customers, including finance lease receivables	-	9,849,832	**9,849,832**	**9,634,275**
-Corporate lending	-	5,815,030	5,815,030	5,702,305
-Individuals	-	2,887,159	2,887,159	2,821,780
-Individual entrepreneurs	-	920,223	920,223	877,159
-State and municipal organisations	-	227,420	227,420	233,031
Other financial assets	-	12,670	**12,670**	**12,670**
LIABILITIES	-	-		
Due to other banks	-	200,930	**200,930**	**200,930**
-Term placements of other banks	-	184,240	184,240	184,240
-Security deposits of other financial institutions	-	3,677	3,677	3,677
-Correspondent accounts and overnight placements of other banks	-	13,013	13,013	13,013
Customer accounts	-	**4,365,152**	**4,365,152**	**4,368,865**
- Term deposits of legal entities	-	809,254	809,254	810,758
- Current deposits of legal entities	-	1,370,035	1,370,035	1,370,035
- Term deposits of individuals	-	1,731,294	1,731,294	1,733,503
- Current deposits of individuals	-	454,569	454,569	454,569
Debt securities in issue	-	14,050	**14,050**	**14,050**
- Deposit certificates	-	14,050	14,050	14,050
Other borrowed funds	-	5,069,555	**5,069,555**	**5,392,976**
- Term borrowings from companies, government and its companies	-	5,069,555	5,069,555	5,392,976
Subordinated debt	-	301,553	**301,553**	**309,499**
-Subordinated debt	-	301,553	301,553	309,499
Other financial liabilities	-	13,415	**13,415**	**13,415**
Credit related commitments	-	128,907	**128,907**	**134,806**
-Undrawn credit lines	-	54,833	54,833	60,731
-Financial guarantees issued	-	74,075	74,075	74,075
Total	**148,166**	**19,961,926**	**20,110,092**	**20,238,519**

33 Fair Value Disclosures (Continued)

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. For assets, the Group used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group.

34 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

	31 December 2022			*31 December 2021*		
In millions of Uzbekistan Soums	*Key manageme nt personnel*	*Other signify-cant share-holders*	*Other related parties*	*Key manageme nt personnel*	*Other signifycant share-holders*	*Other related parties*
Right of use assets	-	5,772	-	-	11,723	-
Loans to customers	460	-	-	164	-	-
(contractual interest rate: 18% –28 % in UZS)						
Customer accounts	626	9,329	2,301	1,159	8,707	416
(contractual interest rate: 0.1-20% in UZS / 3- 5 % in USD)						
Deposit for Stock Subscription	-	13,429	1,066	-	5,733	695
(contractual interest rate: 20 % in UZS)						
Lease liabilities	-	23,980	-	-	19,195	-
(contractual interest rate: 19.72% – 21.03 %)						
Other borrowed funds	-	841,366	-	-	1,375,552	-
(contractual interest rate: 16.4-21.2% in UZS / 4.05- 8 % in USD and 3.7-4% in EUR)						
Salary and bonuses accrued (other liabilities)	440	-	48	356	-	34

The income and expense items with related parties were as follows:

	31 December 2022			*31 December 2021*		
In millions of Uzbekistan Soums	*Key manage-ment personnel*	*Other signifycant share-holders*	*Other related parties*	*Key manage-ment personnel*	*Other signify-cant share-holders*	*Other related parties*
Interest income on loans	55	-	-	15	-	-
Interest expense on deposits	3	3,476	210	37	2,842	137
Interest expense on borrowings	-	144,162	-	-	134,811	-
Interest expense on Lease liabilities	-	2,766	-	-	2,121	-
Fee and commission income	4	-	22	1	-	28
Salaries and other benefits	6,917	842	666	4,722	549	742
Social tax (pension fund)	819	101	78	541	66	88

35 Events after the End of the Reporting Period

Change in refinancing rate. On March 16, 2023, the Board of the Central Bank of Uzbekistan decided to lower the policy rate refinancing rate by 1 percentage point and set it at 14 percent per annum.

Current market events in the banking sector. In March 2023, due to recent events that led to higher interest rates in both Europe and the US, California-based Silicon Valley Bank filed for bankruptcy, the second largest bankruptcy in US history since the closure of Washington Mutual in 2008. Silicon Valley Bank was one of the 16 largest US banks and specialized in working with start-ups. The risks of the impact of the local crisis in the US on the banks of the Eurozone led to a fall in the value of shares of the Swiss bank Credit Suisse. In recent days, global events are reflected in the domestic foreign exchange market. There is an increase in volatility and a weakening of the national currency against the US dollar, which is complicated by the fall in oil prices to $73-74 per barrel. At the same time, the impact of local crises in US and Eurozone banks on the financial market of Uzbekistan is limited. The Group has no assets in US and Eurozone banks. As of the date of issue of these financial statements, the management of the Group does not observe the impact of these events on the Group, and the Group regularly conducts stress testing, which allows to predict the potential effect of such events on the financial position of the Group. According to the results of the latest stress testing, the margin of safety is sufficient and in the event of such scenarios, the Group's prudential standards will not be violated.

36 Abbreviations

The list of the abbreviations used in these consolidated financial statements is provided below:

Abbreviation	Full name
AC	Amortised Cost
CBU	The Central Bank of the Republic of Uzbekistan
CCF	Credit Conversion Factor
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective interest rate
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX, Forex	Foreign Currency Exchange
IFRS	International Financial Reporting Standard
IRB system	Internal Risk-Based system
L&R	Loans and Receivables
LGD	Loss Given Default
PD	Probability of Default
POCI financial assets	Purchased or Originated Credit-Impaired financial assets
ROU asset	Right of use asset
SICR	Significant Increase in Credit Risk
SME	Small and Medium-sized Enterprises
SPPI	Solely Payments of Principal and Interest
SPPI test	Assessment whether the financial instruments' cash flows represent Solely Payments of Principal and Interest