JSCB Tenge Bank

Financial Statements and
Independent Auditor's Report
For the Year Ended 31 December 2020

JSCB Tenge Bank

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JSCB Tenge Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2020

Management of JSCB Tenge Bank is responsible for the preparation of the financial statements that present fairly the financial position of JSCB Tenge Bank (the "Bank") as at 31 December 2020, and the related statements of profit or loss and comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements (the "financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements for the year ended 31 December 2020 were approved by the Management Board of the Bank on 26 February 2021.

On behalf of the Management Board:

Bayan Paruxovna Imasheva
Acting Chairman of the Board

26 February 2021
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

26 February 2021
Tashkent, Uzbekistan

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of JSCB "Tenge Bank"

Opinion

We have audited the financial statements of JSCB Tenge Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

"Deloitte & Touche" Audit Organisation LLC
License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019

Certificate authorizing audit of banks registered by the Central bank of the Republic of Uzbekistan under #3 dated 14 October 2013

26 February 2021
Tashkent, Uzbekistan

Erkin Ayupov
Qualified Auditor/Engagement Partner
Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan
Auditor qualification certificate authorizing audit of banks, #6/8 dated 25 January 2021 issued by the Central bank of the Republic of Uzbekistan
Director
"Deloitte & Touche" Audit Organisation LLC

JSCB Tenge Bank

Statement of Financial Position
as at 31 December 2020
(in millions of Uzbekistan Soums)

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	6,24	458,067	166,101
Due from banks	7	-	52,993
Loans to customers	8	971,385	135,423
Property, equipment and intangible assets	9	64,255	11,853
Deferred income tax asset	19	3,962	-
Current income tax prepayment		885	-
Other assets	10,24	109,509	460
TOTAL ASSETS		**1,608,063**	**366,830**
LIABILITIES			
Amounts due to credit institutions	11	68,000	-
Deposits from the Parent	12,24	1,044,790	232,323
Customer accounts	13,24	119,353	15,320
Other liabilities	14	30,548	4,004
TOTAL LIABILITIES		**1,262,691**	**251,647**
EQUITY			
Share capital	15	340,800	118,000
Retained earnings		4,572	(2,817)
TOTAL EQUITY		**345,372**	**115,183**
TOTAL LIABILITIES AND EQUITY		**1,608,063**	**366,830**

On behalf of the Management Board:

Bayan Paruxovna Imasheva
Acting Chairman of the Board

26 February 2021
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

26 February 2021
Tashkent, Uzbekistan

The notes on pages 8 to 53 form an integral part of these financial statements.

JSCB Tenge Bank

Statement of Profit or Loss and Other comprehensive income
for the year ended 31 December 2020
(in millions of Uzbekistan Soums, Except for Earnings per Share which is in Soums)

	Note	2020	For the period from 18 May 2019 to 31 December 2019
Interest income	16	66,463	6,663
Interest expense	16,24	(19,124)	(574)
Net interest income before allowance for expected credit losses on loans to customers		**47,339**	**6,089**
Initial recognition adjustment on interest bearing assets		(2,253)	-
Allowance for expected credit losses on loans to customers	17	(11,838)	(1,120)
Net interest income		**33,248**	**4,969**
Fee and commission income	24	8,452	567
Fee and commission expense		(1,646)	(149)
Net gain from trading in foreign currencies		782	297
Net foreign exchange translation gain		41	1,729
Other income		12	-
Allowance for other expected credit losses	17	(82)	(186)
Net non-interest income		**7,559**	**2,258**
Operating income		**40,807**	**7,227**
Operating expenses	18	(31,581)	(10,044)
Profit/(loss) before income tax		**9,226**	**(2,817)**
Income tax expense		(1,837)	-
Net profit/(loss) for the year		**7,389**	**(2,817)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**7,389**	**(2,817)**

On behalf of the Management Board:

Bayan Paruxovna Imasheva
Acting Chairman of the Board

26 February 2021
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

26 February 2021
Tashkent, Uzbekistan

The notes on pages 8 to 53 form an integral part of these financial statements.

JSCB Tenge Bank

Statement of Changes in Equity
for the year ended 31 December 2020
(in millions of Uzbekistan Soums)

	Note	Share capital	Retained earnings	Total equity
***18 May 2019 (date of inception)**		**-**	**-**	**-**
Net loss for the period		-	(2,817)	(2,817)
Total comprehensive loss for the period		-	(2,817)	(2,817)
Ordinary shares issued	15	118,000	-	118,000
31 December 2019		**118,000**	**(2,817)**	**115,183**
Net profit for the period		-	7,389	7,389
Total comprehensive income for the period		-	7,389	7,389
Ordinary shares issued	15	222,800	-	222,800
31 December 2020		**340,800**	**4,572**	**345,372**

*Banking license was granted to the JSCB Tenge Bank by the Central bank of the Republic of Uzbekistan on 18 May 2019. The first transaction in the accounts was reflected on 10 July 2019, when the share capital of the bank was registered and fully paid.

On behalf of the Management Board:

Bayan Paruxovna Imasheva
Acting Chairman of the Board

26 February 2021
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

26 February 2021
Tashkent, Uzbekistan

The notes on pages 8 to 53 form an integral part of these financial statements

JSCB Tenge Bank

Statement of Cash flows
for the year ended 31 December 2020
(in millions of Uzbekistan Soums)

	Note	2020	For the period from 18 May 2019 to 31 December 2019
Cash flows from operating activities			
Interest received		61,842	5,525
Interest paid		(13,380)	(42)
Fees and commissions received		8,198	580
Fees and commissions paid		(1,862)	(149)
Receipts from trading in foreign currencies		782	297
Other operating income received		12	-
Staff costs paid		(15,195)	(4,650)
Administrative and other operating expenses paid		(5,327)	(2,626)
Income tax paid		(6,684)	-
Cash flows from / (used in) operating activities before changes in operating assets and liabilities		**28,386**	**(1,065)**
Changes in operating assets and liabilities			
Net (increase) / decrease in due from banks		56,642	(52,721)
Net increase in loans to customers		(817,457)	(135,731)
Net (increase) / decrease in other non-financial assets		173	(28)
Net increase in amounts due to credit institutions		65,445	-
Net increase in customer accounts		103,321	15,309
Net decrease in other financial liabilities		(120)	-
Net increase in other non-financial liabilities		24	-
Net cash used in operating activities		**(563,586)**	**(174,236)**
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(142,566)	(5,334)
Net cash used in investing activities		**(142,566)**	**(5,334)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares		222,800	118,000
Proceeds from deposits from the Parent		2,374,182	254,235
Repayment of deposits from the Parent		(1,612,161)	(22,278)
Repayment of lease liability		(2,907)	(5,863)
Net cash from financing activities		**981,914**	**344,094**
Effect of exchange rate changes on cash and cash equivalents		16,204	1,577
Net increase in cash and cash equivalents		**291,966**	**166,101**
CASH AND CASH EQUIVALENTS at the beginning of the period	6	166,101	-
CASH AND CASH EQUIVALENTS at the end of the period	6	**458,067**	**166,101**

On behalf of the Management Board:

Bayan Paruxovna Imasheva
Acting Chairman of the Board

26 February 2021
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

26 February 2021
Tashkent, Uzbekistan

The notes on pages 8 to 53 form an integral part of these financial statements.

1. Principal activities

Joint-Stock Commercial Bank "Tenge Bank" was founded as Joint-Stock Commercial Bank on 18 May 2019 in accordance with decision of the Board of Directors of Joint Stock Company "Halyk Bank", the sole shareholder of the Bank ("JSC Halyk Bank" or "the Parent") who remains the owner as at 31 December 2020.

The Bank provides corporate and retail banking services principally in Uzbekistan. The Bank operates under license No. 85 for carrying out banking and foreign exchange activities, issued by the Central bank of Uzbekistan ("CBU") on 18 May 2019.

The Bank participates in the state deposit insurance scheme introduced by the Uzbek Law #360-II "Insurance of Individual Bank Deposit" dated 5 April 2002. On 28 November 2008, the President of Uzbekistan issued the Decree #UP-4057 stating that in case of the bank license withdrawal, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in foreign currencies, executing transfers, cash and payment card operations, as well as rendering other banking services to its customers.

The Bank's legal address is 66 Parkent Street, Yashnabad District, 100007, Tashkent, the Republic of Uzbekistan.

As at 31 December 2019 and 31 December 2020, the number of the Bank's full-time equivalent employees was 58 and 178, respectively.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material non-accrued losses will be incurred and accordingly no provision has been made in these financial statements.

Operating environment

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. Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government, together with other legal, regulatory and political developments, all of which are beyond the Bank's control.

The Bank's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations which greatly impact Uzbek financial markets and the economy overall.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it has a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Bank has already started to face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets.

In line with the Presidential Decree No.5978 dated 3 April 2020, the Bank has provided holidays for certain loans to customers ("restructured loans") for the period of up to six months as a measure introduced during quarantine due to the COVID-19 pandemic. As at 31 December 2020, the gross carrying amount of these loans to customers amounted to UZS 58,960 million. These measures have not been treated as a trigger for credit impairment as those were based on legislative moratoria on loan repayments applied in light of the COVID-19 crisis.

Furthermore, the Bank observed behavior of restructured loans during post COVID-19 period (From 1 October 2020 to 31 December 2020), and only 1.3% of the total restructured loans were transferred from stage 1 to stages 2 and 3 due to delinquent payments, refer to Note 4.

In December 2020, S&P Global Ratings affirmed its long- and short-term foreign and local currency ratings on Uzbekistan at 'BB-/B'. The outlook remains negative. The decision was made due to rapid rise in the country's external debt, partly due to USD 1 billion (UZS 10,476,920 million at the exchange rate prevailing as at the reporting date) in additional government spending in response to the coronavirus pandemic. In addition, in April and September 2020, the refinancing rate has been reduced from 16% to 15% and from 15% to 14%, respectively.

Management of the Bank is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Bank's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Bank at this stage is difficult to determine.

2. Basis of preparation

Going concern

These financial statements have been prepared assuming that the Bank is a going concern, as the Bank have the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and capital resources.

The Board of Directors of JSC Halyk Bank and the Supervisory Council of the Bank approved the Development Strategy of the Bank for 2020-2022. In accordance with the Strategy, share capital of the Bank is expected to be at least UZS 1,149,000 million by the end of 2021, UZS 1,845,000 million by the end of 2022. The continued support is evidenced by the intention to additionally increase the share capital of the Bank by the shareholder according to Decision dated 24 November 2020 for additional amount of UZS 467,400 million. Cash receipt of additional capital injection is expected in March 2021.

Also, the Parent has confirmed to the management that it will continue to support the operation of the Bank, including funding.

As a result, the Management believes that the Bank will continue as a going concern for foreseeable future.

Statement of compliance

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

These financial statements are presented in million of Uzbekistan Soums ("UZS million"), unless otherwise indicated.

The financial statements have been prepared under the historical cost convention.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 21.

Functional currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The functional currency of the Bank is UZS. The presentation currency of the financial statements is UZS.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

3. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within three months.

Due from banks

In the normal course of business, the Bank maintains current accounts or deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Due from banks are carried net of any allowance for expected credit losses.

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Bank accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

All financial assets are recognized and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 *Financial Instruments* ("IFRS 9") are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- *Retention of an asset to obtain the cash flows stipulated by the contract.* This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- *Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets.* This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.
- *Retention of an asset for other purposes.* Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis.

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking.

A financial liability other than a financial liability held for trading, may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans to customers granted by the Bank are initially recognised at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Subsequently, loans are carried at amortised cost using the effective interest method. Loans to customers are carried net of any allowance for expected credit losses.

Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

Reclassification of financial assets

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Bank's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate ("EIR"). Renegotiated terms are evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Banks's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers qualitative factors, such as contractual cash flows modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

When a financial asset is modified due to commercial reasons, the Bank considers various qualitative factors (change in currency, interest rate, maturity) and on that basis concludes whether old loan should be derecognised and new loan should be recognised at fair value.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification.

Impairment

Calculation of financial assets impairment is carried out taking into account the following factors:

- In order to calculate the ECL, the Bank performs loan assessment on an individual basis and on a collective basis depending on general credit risk features.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Bank's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Allowances for expected credit losses

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. The decision to use cross-default is based on case by case assessment of borrower and facility conditions such as collateral and materiality of exposure.

Write off

Loans are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains. Where loans are secured, they are generally written off after receipt of any proceeds from the sale of collateral. When such net realizable value of collateral has been determined and no reasonable expectation of further recovery, write off may be earlier.

Derecognition of financial assets and liabilities

Financial assets

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

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

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Modification and derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that 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 rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Taxation

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

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

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities are offset and reported net in the statement of financial position if:

- The Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Uzbekistan has various operating taxes that are assessed on the Bank's activities. These taxes are recorded as taxes other than income tax.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment. Right to use land are carried at cost.
Except for permanent right to use land, depreciation of a property and equipment begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Right to use a land plot	Not depreciated
Vehicles	5
Computers and banking equipment	5-7

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses.

Intangible assets

The Bank's intangible assets have finite useful lives and primarily comprise capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of five years.

Customer accounts, Amounts due to credit institutions and Deposits from Parent

Customer accounts, due to credit institutions and deposits from Parent are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the statement of profit or loss.

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share capital

Ordinary shares are 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, if any.

Earnings per share

Basic and diluted earnings/loss per share are calculated by dividing profit or loss attributable to owners of the Bank's shares by the weighted average number of participating shares outstanding during the reporting year/period.

Contingencies

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

Derivative financial instruments

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Recognition of income and expense

Interest income and expense for all financial instruments are recognized in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets POCI the EIR reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Bank identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognizes income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Bank determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Bank's influence. The consideration is subsequently allocated to the identified performance obligation.

Fee and commission income from maintenance of customer accounts and cash operations include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products are recognized over time as services are provided.
Other banking fees include fees for various transactional banking activities such as bank transfers, letters of credit fees and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided. Letter of credit fees primarily includes fees received related to letter of credit agreements and are generally recognized upon execution of the contract.

Staff costs and related contributions

Wages, salaries, contributions to 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. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Foreign currency translation

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").

Monetary assets and liabilities are translated into Bank's functional currency at the official exchange rate of the CBU at the end of respective reporting period.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Bank's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. 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.

At 31 December 2020, the principal rate of exchange used for translating foreign currency balances was:

	31 December 2020
UZS/1 USD	10,476.92
UZS/1 EUR	12,786.03

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Bank are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

4. Significant accounting estimates

The preparation of the Bank's financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statement and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Bank's financial condition.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Establishing the number and relative weightings of forward-looking scenarios for each type of product

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future, if such information available. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default ("PD").

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, if such information available, migration of collective loans and collateral coverage.

When measuring ECL the Bank uses reasonable information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default. The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

PD for individually assessed loans of corporate, small and medium businesses is estimated using an internal rating model based on the quantitative and qualitative characteristics of the borrower. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll-rates.

Loss Given Default

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, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch, Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated, sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

Exposure at Default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Measurement of allowances for expected credit losses ("ECL")

The allowances for ECL of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in Uzbekistan and in other countries it operates in and what effect such changes might have on the adequacy of the allowances for ECL of financial assets in future years.

In line with the Presidential Decree No.5978 dated 3 April 2020, the Bank has provided holidays for certain loans to customers ("restructured loans") for the period of up to six months as a measure introduced during quarantine due to the COVID-19 pandemic. As at 31 December 2020, the gross carrying amount of these loans to customers amounted to UZS 58,960 million. These measures have not been treated as a trigger for credit impairment as those were based on legislative moratoria on loan repayments applied in light of the COVID-19 crisis. Furthermore, the Bank observed behavior of restructured loans during post COVID-19 period (From 1 October 2020 to 31 December 2020), and only 1.3% of the total restructured loans were transferred from stage 1 to stages 2 and 3 due to delinquent payments.

As at 31 December 2020, significant portion of loans to customers were classified as stage 1, and only 0.2% of the total loan portfolio was in stages 2 and 3. However, due to recent establishment, the Bank did not yet accumulate sufficient statistical data on the performance of its loan portfolio to build an arrears migration matrix to determine key ECL model parameters such as PD and LGD rates. The Management has, therefore, believes that until sufficient statistical data becomes available, it is more appropriate to determine the ECL on loans to customers based on the available information reflecting the performance of loan portfolio of similar financial institutions operating in the Republic of Uzbekistan. As a result, the Management has calculated ECL on the Bank's loan portfolio using the weighted average provision rate derived from the loan portfolio of other local market participants that share similar credit risk characteristics.

As a reasonableness check, the Management has analyzed and determined that the growth of the Bank's effective provision rate for the year ended 31 December 2020 is within the range of that of similar local financial institutions that already incorporated the impact of Covid 19 and that were available in open sources.

In addition, currently limited observable data available to form a supportable, fully-modelled view on how the economic impacts of this pandemic might affect customers has further exacerbated the ability of the banking sector of Uzbekistan to assess the levels of ECL. The Bank incorporates forward-looking information into a measurement of ECL when there is a statistically proven correlation between the macro-economic variables and the Non-Performing Loans ("NPL"). As at the reporting date, statistical tests have failed and ECL across all loan portfolios has not been adjusted for forward-looking information and macroeconomic scenarios. The Management updates its statistical tests for correlation as at each reporting date.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2020 and 31 December 2019 is UZS 13,273 million and UZS 1,120 million, respectively.

Land received for permanent use

Based on the Khokim's Decision, the land plot with the right for permanent use in the center of Tashkent city with a total area of 0.7 hectares was allocated to the Bank. The Bank received the right for permanent use of the land for constructing the office building under the Investment Contract with the Tashkent City Khokimiyat (Note 10). According to the Khokim's Decision, the Bank can use the land only for certain purposes; and land ownership is not transferable.

Management considers that the transferred right contains characteristics of a lease. However, the management of the Bank decided that the classification as land under IAS 16 "Property, Plant and Equipment" better reflects the nature of the right received. The management believes that control over the land has passed to the Bank and the Bank has full right under the current legislation and based on the Khokim's Decision.

The management classified the right as Property under IAS 16 "Property, Plant and Equipment" at the cost without depreciation. The Management's judgement is based on IFRS 16 "Leases" (IFRS 16.BC140), which states that the contract is classified as lease when the contracts conveys the right to use an underlying asset for a period of time and does not apply to transactions that transfer control of the underlying asset to an entity—such transactions are sales or purchases within the scope of other Standards.

(in millions of Uzbekistan Soums)

Deferred income tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits, and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. As at 31 December 2020, the Bank deferred tax assets amounted to UZS 3,962 million. The Management of the Bank believes that these assets will be utilized as the Bank will have sufficient profit in future.

Taxation

Uzbekistan tax, currency and customs legislations are 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 Bank may be challenged by the relevant regional and state authorities.
The management of the Bank is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than the deferred tax asset will be fully realized.

5. Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

The following amendments and interpretations are effective for the Bank effective January 1, 2020:

Amendments to IFRS 9, IFRS 7	Basic interest rate reform
Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Materiality
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

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

Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

1) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
2) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
3) There is no substantive change to other terms and conditions of the lease.

This amendment is effective for annual reporting periods beginning on or after 1 June 2020. Applied retrospectively in accordance with IAS 8, but does not require revise prior periods. There is no any modification to existing leases of the Bank during 2020 and after the reporting period, accordingly there is no any effect of the application of the amendment.

(in millions of Uzbekistan Soums)

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020. The management of the Bank does not expect that the application of these changes will have an impact on the financial statements of the Bank.

New and revised IFRS Standards in issue but not yet effective

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles)	*Classification of Liabilities as Short-Term or Long-Term*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendments to IFRS 3	*Business combinations - Reference to the Conceptual Framework*
Amendments to IAS 16	*Property and equipment - Proceeds before Intended Use*
Amendments to IAS 37	*Provisions, contingent liabilities and contingent assets - Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IFRS 1, IFRS 9, IAS 41; and illustrative examples accompanying IFRS 16.	*Annual Improvements to IFRS 2018-2020 cycles*

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

IFRS 17 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2023 (previously – on or after 1 January 2021).

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The management of the Bank does not expect that the application of this standard will have an impact on the financial statements of the Bank in the future, since the Bank does not have instruments within the scope of this Standard.

Amendments to IAS 1 Classification of Liabilities as Short-Term or Long-Term (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles). The amendments are intended to facilitate the understanding that a liability is classified as long-term if the organization expects and has the authority to refinance the liability or postpone its maturity by at least 12 months after the reporting period under the existing credit line with the previous lender, on equal or similar terms.

The amendments only amend the presentation of liabilities in the statement of financial position, i.e. not regarding the amount, the moment of recognition or disclosure of information. The amendments clarify that the classification should be based on the existence at the end of the reporting period of the right to defer repayment of a liability for at least 12 months. Thus, the amendments explicitly indicate that only those rights that exist "at the end of the reporting period" should affect the classification of the liability. Moreover, the classification does not depend on expectations as to whether the organization will use the right to defer repayment of the liability, which means transferring funds, equity instruments, or other assets or services to a counterparty.

The amendments apply retrospectively to the periods beginning on or after 1 January 2023. Early application is acceptable.

The management of the Bank does not expect that the application of these amendments could have an impact on the Bank's financial statements in future periods.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2. The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the impact of the interest rate benchmark reform on the modification of financial assets, financial liabilities and lease liabilities, hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

Modification of financial assets, financial liabilities and lease liabilities. The IASB introduces a practical expedient for changes in contractual cash flows as a direct consequence of the interest rate benchmark reform provided that the new cash flow basis is economically equivalent to the original basis According to the practical exception these modifications are accounted prospectively for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.**Disclosures.** The amendments require that an entity discloses additional information in order to allow users to understand the nature and extent of risks arising from the IBOR and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required, however, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

The management of the Bank does not expect that the application of these amendments could have an impact on the Bank's financial statements in future periods.

Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date has yet to be set; however, earlier application of the amendments is permitted.

The management of the Bank does not expect that the application of these amendments could have an impact on the Bank's financial statements in future periods should such transactions occur.

Annual Improvements to IFRS 2018-2020 Cycles. The list of amendments includes amendments to the three standards, as well as annual improvements to the Board, which are changes that clarify the wording or eliminate minor inconsistencies, omissions or contradictions between the requirements in the standards.

- **The amendments to IFRS 3** Business Combinations update the reference in IFRS 3 to the Conceptual Framework for Financial Statements without changing the accounting requirements for a business combination.
- **Amendments to IAS 16** Property, Plant and Equipment prohibit deducting from the value of property, plant and equipment the amounts received from the sale of manufactured goods while preparing the asset for its intended use. Instead, these sales revenue and related costs are recognized in profit or loss.
- **Amendments to IAS 37** "Provisions, Contingent Liabilities and Contingent Assets" determine the costs to be included in assessing whether the contract is unprofitable.
- Annual improvements introduce minor amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and illustrative examples accompanying IFRS 16 "Leases".

All amendments are effective on 1 January 2022, early application is permitted.

The management of the Bank does not expect that the application of these amendments could have an impact on the Bank's financial statements in future periods should such transactions occur.

(in millions of Uzbekistan Soums)

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2020	31 December 2019
Cash balances with the CBU (other than obligatory reserve deposits)	289,376	84,966
Placements with other banks with original maturities of less than three months	115,312	55,308
Cash on hand	49,022	12,997
Correspondent accounts with other banks	4,625	12,872
Less: Allowance for expected credit losses (Note 17)	(268)	(42)
Total cash and cash equivalents	**458,067**	**166,101**

Interest rates of cash and cash equivalents are disclosed in Note 21.

The credit quality of cash and cash equivalents, excluding cash on hand, as at 31 December 2020 is summarized below:

	Cash balances with the CBU (other than obligatory reserve deposits)	Placements with other banks with original maturities of less than three months	Correspondent accounts with other banks	Total
Neither past due nor impaired				
- CBU	289,376	-	-	289,376
- Ba1 (Moody's)	-	-	2,663	2,663
- BB- (Fitch)	-	31,447	731	32,178
- B1 (Moody's)	-	20,977	1,231	22,208
- B2 (Moody's)	-	41,908	-	41,908
- B (S&P)	-	20,980	-	20,980
Less: Allowance for expected credit losses (Note 17)	(30)	(238)	-	(268)
Total cash and cash equivalents, excluding cash on hand	**289,346**	**115,074**	**4,625**	**409,045**

The credit quality of cash and cash equivalents, excluding cash on hand, as at 31 December 2019 is summarized below:

(in millions of Uzbekistan Soums)

	Cash balances with the CBU (other than obligatory reserve deposits)	Placements with other banks with original maturities of less than three months	Correspondent accounts with other banks	Total
Neither past due nor impaired				
- CBU	84,966	-	-	84,966
- Ba1 (Moody's)	-	-	10,934	10,934
- BB- (Standard & Poor`s)	-	27,624	-	27,624
- BB- (Fitch)	-	-	1,938	1,938
- B1 (Moody's)	-	27,684	-	27,684
Less: Allowance for expected credit losses (Note 17)	(9)	(33)	-	(42)
Total cash and cash equivalents, excluding cash on hand	**84,957**	**55,275**	**12,872**	**153,104**

7. Due from banks

	31 December 2020	31 December 2019
Short term placements with other banks with original maturities of more than three months	-	53,137
Less: Allowance for expected credit losses (Note 17)	-	(144)
Total due from banks	-	**52,993**

As at 31 December 2020, all placements with other banks had original maturities of less than three months.

Analysis by credit quality of amounts due from banks outstanding at the end of the period is as follows:

	31 December 2019
Neither past due nor impaired	
- BB- (Fitch)	53,137
Less: Allowance for expected credit losses (Note 17)	(144)
Total due from banks	**52,993**

Geographical and interest rate analyses of due from banks are disclosed in Note 21.

8. Loans to customers

Loans to customers comprise:

	31 December 2020	31 December 2019
Corporate loans	880,549	132,723
Loans to individuals	104,109	3,820
Total loans to customers, gross	**984,658**	**136,543**
Less: Allowance for expected credit losses (Note 17)	(13,273)	(1,120)
Total loans to customers	**971,385**	**135,423**

(in millions of Uzbekistan Soums)

As at 31 December 2020, the Bank recognized losses on initial recognition in the amount of UZS 2,253 million on certain loans to customers which were issued at rates below market. (31 December 2019: 0). The management uses statistical bulletin of the CBU (average interest rates calculated based on deals during 2020 within the Republic of Uzbekistan) as a reasonable source of market information.

	31 December 2020	31 December 2019
Stage 1	982,346	136,543
Stage 2	882	-
Stage 3	1,430	-
Total loans to customers, gross	**984,658**	**136,543**
Less: Allowance for expected credit losses (Note 17)	(13,273)	(1,120)
Total loans to customers	**971,385**	**135,423**

Loans are granted to the following sectors:

	31 December 2020		31 December 2019	
	amount	%	amount	%
Manufacturing	573,313	58	67,641	50
Trade and services	288,463	30	55,189	40
Car loans	81,678	8	9,893	7
Individual Entrepreneurs	19,454	2	2,810	3
Financial services	18,773	2	531	0
Mortgage loans	2,977	0	479	0
Total loans to customers, gross	**984,658**	**100**	**136,543**	**100**

As at 31 December 2020, the Bank had a concentration of loans of UZS 525,754 million to ten largest borrowers that comprised 53% of the Bank's total gross loan portfolio and 152% of the Bank's total equity (31 December 2019: UZS 124,135 million to ten largest borrowers that comprised 91% of the Bank's total gross loan portfolio and 108% of the Bank's total equity). As at 31 December 2020, the allowance for expected credit losses created against these loans was UZS 7,257 million (31 December 2020: UZS 1,027 million).

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

31 December 2020	Corporate loans	Loans to individuals	Total
Unsecured loans	-	-	-
Loans collateralised by:			
- real estate	628,224	3,300	**631,524**
- equipment and inventory	143,719	-	**143,719**
- insurance	41,436	55,081	**96,517**
- letter of surety	35,027	3,366	**38,393**
- vehicles	10,981	42,362	**53,343**
- other assets	21,162	-	**21,162**
Total loans collateralised	**880,549**	**104,109**	**984,658**
Less: Allowance for expected credit losses (Note 17)	(12,177)	(1,096)	(13,273)
Total loans to customers	**868,372**	**103,013**	**971,385**

(in millions of Uzbekistan Soums)

31 December 2019	Corporate loans	Loans to individuals	Total
Unsecured loans	-	-	-
Loans collateralised by:			
-real estate	121,452	531	**121,983**
-equipment	9,529	-	**9,529**
-lettes of surety	1,392	-	**1,392**
-vehicles	350	-	**350**
-insurance	-	3,289	**3,289**
Total loans collateralised	**132,723**	**3,820**	**136,543**
Less: Allowance for expected credit losses (Note 17)	(1,098)	(22)	(1,120)
Total loans to customers	**131,625**	**3,798**	**135,423**

Analysis by credit quality of loans outstanding at 31 December 2020 is as follows:

	Corporate loans	Loans to individuals	Total
Not past due loans	880,549	100,810	**981,359**
Total not past due loans	**880,549**	**100,810**	**981,359**
Past due loans			
- less than 30 days overdue	-	987	**987**
- 31 to 60 days overdue	-	882	**882**
- 61 to 90 days overdue	-	780	**780**
- 91 to 180 days overdue	-	650	**650**
Total past due loans	-	**3,299**	**3,299**
Impairment provisions assessed on portfolio basis	(12,177)	(1,096)	(13,273)
Less: Allowance for expected credit losses (Note 17)	(12,177)	(1,096)	(13,273)
Total loans to customers	**868,372**	**103,013**	**971,385**

Analysis by credit quality of loans outstanding at 31 December 2019 is as follows:

	Corporate loans	Loans to individuals	Total
Not past due loans	132,723	3,820	**136,543**
Less: Allowance for expected credit losses (Note 17)	(1,098)	(22)	(1,120)
Total loans to customers	**131,625**	**3,798**	**135,423**

(in millions of Uzbekistan Soums)

The tables below analyze information about the changes in the gross carrying amount of loans to customers during the 2020:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2019	**136,543**	-	-	**136,543**
Changes in the gross carrying amount				
- Transfer to stage 2	(887)	887	-	-
- Transfer to stage 3	(1,439)	-	1,439	-
- Changes due to modifications that did not result in derecognition	(2,239)	(5)	(9)	**(2,253)**
New financial assets originated	911,460	-	-	**911,460**
Financial assets that have been derecognised	(86,450)	-	-	**(86,450)**
Foreign exchange differences and other movements	25,358	-	-	**25,358**
Gross carrying amount as at 31 December 2020	**982,346**	**882**	**1,430**	**984,658**
Allowance for expected credit losses as at 31 December 2020	**(12,693)**	**(58)**	**(522)**	**(13,273)**

For the year ended 31 December 2020, the Bank modified the terms of certain loans to customers by granting credit holidays as part of measures introduced by government in response to the impact of the COVID-19 pandemic. The Bank has provided a deferral of payments for up to six months on corporate loans (UZS 115,914 million) and loans to individuals (UZS 6,581 million) in connection with the introduction of quarantine due to the COVID-19 pandemic. As at 31 December 2020, the gross carrying amount of corporate loans and loans to individuals amounted to UZS 53,214 million and UZS 5,746 million, respectively.

The tables below analyze information about the changes in the gross carrying amount of loans to customers during the period from 18 May 2019 to 31 December 2019:

	Stage 1	Total
Gross carrying amount as at 18 May 2019	-	-
Changes in the gross carrying amount		
New assets issued or acquired	136,441	**136,441**
Matured or derecognized assets	(66)	**(66)**
Foreign exchange differences and other movements	168	**168**
Gross carrying amount as at 31 December 2019	**136,543**	**136,543**
Allowance for expected credit losses as at 31 December 2019	**(1,120)**	**(1,120)**

Geographical and interest rate analyses of loans to customers are disclosed in Note 21.

9. Property, equipment and intangible assets

The movements in property, equipment and intangible assets are as follows:

(in millions of Uzbekistan Soums)

	Right to use land plot	Office and computer Equipment	Motor vehicles	Construction in progress	Intangible assets	Leasehold rights and improve-ments	Right-of-use assets	Total
Carrying amount at 18 May 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	3,071	2,003	-	260	-	9,515	14,849
Disposals	-	(5)	-	-	-	-	-	(5)
Net transfers	-	-	-	-	-	-	-	-
Depreciation/amortisation charge (Note 18)	-	(190)	(78)	-	(4)	-	(2,719)	(2,991)
Carrying amount at 31 December 2019	**-**	**2,876**	**1,925**	**-**	**256**	**-**	**6,796**	**11,853**
Cost at 31 December 2019	-	3,066	2,003	-	260	-	9,515	14,844
Accumulated depreciation/ amortisation	-	(190)	(78)	-	(4)	-	(2,719)	(2,991)
Carrying amount at 31 December 2019	**-**	**2,876**	**1,925**	**-**	**256**	**-**	**6,796**	**11,853**
Additions	13,371	9,227	2	174	9,264	2,505	28,114	62,657
Disposals	-	-	-	-	-	(396)	-	(396)
Net transfers	-	(433)	433	-	-	-	-	-
Depreciation/amortisation charge (Note 18)	-	(920)	(401)	-	(788)	-	(7,750)	(9,859)
Carrying amount at 31 December 2020	**13,371**	**10,750**	**1,959**	**174**	**8,732**	**2,109**	**27,160**	**64,255**
Cost at 31 December 2020	13,371	11,860	2,438	174	9,524	2,109	37,629	77,105
Accumulated depreciation/ amortisation	-	(1,110)	(479)	-	(792)	-	(10,469)	(12,850)
Carrying amount at 31 December 2020	**13,371**	**10,750**	**1,959**	**174**	**8,732**	**2,109**	**27,160**	**64,255**

(in millions of Uzbekistan Soums)

As at 31 December 2020, Office and computer Equipment and Intangible assets amounted to UZS 19,482 million UZS (31 December 2019: UZS 3,132 million) and increased mainly due to:
- Software and licenses amounting to UZS 6,756 million;
- Purchase of automated teller machines amounting to UZS 1,935 million;
- Server equipment, vacuum packing machine, four-pocket sorting system, universal embosser machines in total amounting to UZS 1,839 million;
- Purchase of point of sale terminals amounting to UZS 1,584 million.

As at 31 December 2019 and 31 December 2020, there were no fully depreciated property and equipment items. Assets in the warehouse are included in the category of office and computer equipment.

The buildings and premises for head office, branch and centers for retail services (2019: one building for head office) are leased by the Bank. The average lease term is 3 years (2019: 2 years). The Bank has no option to purchase the buildings under the lease agreement at the end of the lease term. The Bank has extended the lease period of the head office building for additional 2 years for the original lease agreement dated 18 June 2019.

Lease liability as at 1 January 2020	**3,790**
Additions	28,114
Repayment	(2,907)
Interest expense (Note 16)	2,536
Interest paid	(2,536)
Lease liability as at 31 December 2020	**28,997**

As at 31 December 2020, the carrying amount of right of use assets comprises UZS 27,160 million (31 December 2019: UZS 6,796 million) and lease payment liability in the amount of UZS 28,997 million (31 December 2019: UZS 3,790 million) in accordance with IFRS 16 (Note 14).
Cash outflows on lease liability for the year ended 31 December 2020 is UZS 5,443 million, UZS 2,536 million of which represented under Interest paid in the Statement of Cash flows.
The maturity analysis of lease liabilities is presented in Note 21.

For the details of right to use land plot, refer to Note 10.

10. Other assets

	31 December 2020	31 December 2019
Other financial assets		
Commission receivable	14	2
Total other financial assets	**14**	**2**
Other non-financial assets		
Prepayment for construction of building	103,300	-
Prepayments for property and equipment	4,723	-
Prepayment for services	1,286	428
Other	186	30
Total other assets	**109,509**	**460**

On 27 February 2019, JSC Halyk Bank has signed an Investment Contract for the construction of a building for the Bank's operations in Tashkent city with the Directorate for the Construction and Operation of Facilities on the Territory of the Mirzo-Ulugbek Business City Entrepreneurship Centre under the Khokimiyat of Tashkent City (the "Directorate"). The Investment Contract has also stipulated a requirement to appoint a co-investor to the construction of the building.

Based on the Investment Contract, land plot with the right of permanent use with a total area of 0.7 hectares was allocated to the sole shareholder, JSC Halyk Bank (Republic of Kazakhstan) for the construction works.

(in millions of Uzbekistan Soums)

On 14 January 2020, an additional agreement was signed in accordance to which JSC Halyk Bank has assigned all its rights and transferred all its obligations to the Bank. The additional agreement has entitled the Bank with the right to use land plot for further construction of multi-storey administrative building (the "investment project"). The total fee paid to the Directorate for the land plot by the Bank amounted to USD 1.4 million (UZS 13,371 million) (Note 9).

According to the Investment Contract and the letter from the Directorate No. 01/18 dated 10 April 2020, Raduga Properties LLC ("co-investor") was appointed as a co-investor in the investment project. Subsequent to the appointment of the co-investor a construction contract was arranged between the Bank and the co-investor, in accordance to which the Bank will own 33% of the investment project, while the co-investor will own 67%. The construction of the investment project will be carried out by the Bazis Construction LLP (Republic of Kazakhstan) and Bazis Asia Company LLC (Republic of Uzbekistan) (together referred as "Consortium"). The construction was planned be performed on a turnkey basis (Engineering Procurement Construction) using the fast-track method (simultaneous design, procurement, construction work). Joint activities and the conduct of common affairs are entrusted to co-investor based on the Contract.

Based on calculations of building construction costs set by Agreement concluded between the co-investor and the Consortium, the Bank and co-investor acquires a commitment for capital expenditures in the amount not less than USD 54 million.

In August and September 2020, the Bank made advance prepayments to the co-investor in the amount of UZS 103,300 million. The Bank and the co-investor are entities under commonly control.

However, due to uncertainty around determining the period required to approve the draft of the "procedure for granting permission for construction of facilities on a turnkey basis using the fast-track method", on 5 February 2021, the Directorate addressed the Bank's management with a request to commence the development of the design and the construction estimate documentation as well as obtain relevant construction permission to commence the construction of the investment project.

As of the date of approval of the present financial statements by the Management, the design and estimate documentation is under development.

11. Amounts due to credit institutions

	31 December 2020	31 December 2019
Short-term placements of credit institutions	68,000	-
Total due to credit institutions	**68,000**	-

Interest rate analyses of due to credit institutions are disclosed in Note 21.

(in millions of Uzbekistan Soums)

12. Deposits from the Parent

	31 December 2020	31 December 2019
Long-term placements	651,428	-
Short-term placements	392,442	228,848
Correspondent accounts	920	3,475
Total deposits from the Parent	**1,044,790**	**232,323**

The placements with JSC Halyk bank are deposits in USD and EURO bearing interest of 1.15-3.90%. Interest rate analyses of deposits from the Parent are disclosed in Note 21.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows as cash flows from financing activities.

			non-cash changes		
	31 December 2019	Financing cash flows	Effect of exchange rate changes	Accrued interest	31 December 2020
Deposits from the Parent	**228,848**	762,021	47,326	5,675	1,043,870

			non-cash changes		
	18 May 2019	Financing cash flows	Effect of exchange rate changes	Accrued interest	31 December 2019
Deposits from the Parent	-	228,482	(15)	381	228,848

13. Customer accounts

	31 December 2020	31 December 2019
Legal entities		
- Current/settlement accounts	80,895	9,760
- Term deposits	33,772	4,900
Individuals		
- Current/settlement accounts	3,081	561
- Term deposits	1,605	99
Total customer accounts	**119,353**	**15,320**

As at 31 December 2020, the Bank had top 10 customers with 62% (31 December 2019: 78%) of total customer accounts.

An analysis of customer accounts by type is as follows:

	31 December 2020		31 December 2019	
	Amount	**%**	**Amount**	**%**
Joint ventures	47,257	39	1,763	12
Private enterprises	44,085	37	7,932	52
Insurance companies	18,770	16	4,922	32
Individuals	4,686	4	42	4
State organisations	4,555	4	660	0
Other	-	0	1	0
Total customer accounts	**119,353**	**100**	**15,320**	**100**

Geographical and interest rate analyses of customer accounts are disclosed in Note 21.

14. Other liabilities

	31 December 2020	31 December 2019
Lease payment liability (Note 9)	28,997	3,790
Payable to suppliers	348	200
Other payables	33	-
Total other financial liabilities	**29,378**	**3,990**
Payables to employees	1,029	-
Other tax liabilities	117	-
Other	24	14
Total other non financial liabilities	**1,170**	**14**
Total other liabilities	**30,548**	**4,004**

15. Share capital

In millions of Uzbekistan Soums except for number of shares	**Number of outstanding shares**	**Ordinary shares**	**Total**
At 18 May 2019	**-**	**-**	**-**
Ordinary shares issued	23,600,000	118,000	118,000
At 31 December 2019	**23,600,000**	**118,000**	**118,000**
Ordinary shares issued	44,560,000	222,800	222,800
At 31 December 2020	**68,160,000**	**340,800**	**340,800**

As at 31 December 2020 and 31 December 2019, outstanding shares include 68,160,000 and 23,600,000 ordinary shares, respectively, with a par value of UZS 5,000 per share issued and fully paid by the sole shareholder.

(in millions of Uzbekistan Soums)

16. Net interest income

	2020	For the period from 18 May 2019 to 31 December 2019
Interest income		
Loans to customers	56,910	2,959
Due from banks	9,187	3,537
Cash and cash equivalents	366	167
Total interest income	**66,463**	**6,663**
Interest expenses		
Deposits from the Parent	10,567	385
Customer accounts	3,197	51
Amounts due to credit institutions	2,824	-
Lease payment liability	2,536	138
Total interest expense	**19,124**	**574**
Net interest income	**47,339**	**6,089**

The total interest income calculated for financial assets measured at amortised cost is UZS 66,463 million and UZS 6,663 million during the period ended 31 December 2020 and 31 December 2019, respectively. The total interest expense calculated for financial liabilities measured at amortised cost is UZS 19,124 million and UZS 574 million during the period ended 31 December 2020 and 31 December 2019, respectively.

(in millions of Uzbekistan Soums)

17. Allowance for expected credit losses

The movements in accumulated allowances of financial assets were as follows:

	Cash and cash equivalents (Note 6)	Due from banks (Note 7)	Loans to customers (Note 8)			
	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
31 December 2019	**42**	**144**	**1,120**	**-**	**-**	**1,306**
Changes in the gross carrying amount						
- Transfer to stage 2	-	-	(58)	58	-	-
- Transfer to stage 3	-	-	(522)	-	522	-
- Changes due to modifications that did not result in derecognition	-	-	(29)	-	-	**(29)**
New financial assets originated	268	-	12,228	-	-	**12,496**
Financial assets that have been derecognised	(42)	(144)	(361)	-	-	**(547)**
Foreign exchange differences and other movements	-	-	315	-	-	**315**
31 December 2020	**268**	**-**	**12,693**	**58**	**522**	**13,541**

	Cash and cash equivalents (Note 6)	Due from banks (Note 7)	Loans to customers (Note 8)	
	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Total
18 May 2019	**-**	-	-	-
New originations or purchases of financial assets	42	144	1,120	1,306
31 December 2019	**42**	**144**	**1,120**	**1,306**

(in millions of Uzbekistan Soums)

18. Operating expenses

	Note	2020	For the period from 18 May 2019 to 31 December 2019
Staff costs		16,224	4,650
Depreciation expense on right-of-use assets	9	7,750	2,719
Depreciation and amortisation	9	2,109	272
Professional services		1,249	374
Communication charges		870	233
Advertising and Publicity		690	83
Security Service		641	318
Stationery and Supplies		436	281
Taxes other than Income Taxes		395	44
Representation expenses		353	363
Expenses on SWIFT and UzCARD registration and setup		307	231
Rent and maintenance		278	54
Fuel and utilities		95	39
Business trip and travel expenses		68	157
Fines and Penalties		13	-
Membership Fees		8	120
Insurance		6	13
Other Operational Expenses		89	93
Total operating expenses		**31,581**	**10,044**

19. Taxation

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

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

As at 31 December 2020 the Bank recognized deferred tax asset in the amount UZS 3,962 million, as the Bank is in the active growth stage and the Management forecasts sufficient future taxable profit in the upcoming years. As at 31 December 2020, the deferred tax asset arises primarily from the difference between IFRS and NAS allowances on loans to customers as well as from initial recognition adjustment on interest bearing assets.

Management believes that the Bank is in compliance with the tax law affecting its operations; however, the risk that relevant authorities could take differing positions with regard to interpretive issues remains.

(in millions of Uzbekistan Soums)

20. Commitments and contingencies

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

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

The Bank's financial commitments and contingencies comprise the following:

	31 December 2020	31 December 2019
Letters of credit	2,137	1,027
Guarantees	532	2,377
Undrawn loan commitments	138,831	40,446
SWAP (commitment to buy UZS and sell foreign currency)	21,585	-
Total gross commitments and contingencies	**163,085**	**43,850**
Less – Cash held as security against letters of credit	(2,137)	(1,027)
Total net commitments and contingencies	**160,948**	**42,823**

The total outstanding contractual amount of undrawn credit lines, import letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Credit related commitments are denominated in currencies as follows:

	31 December 2020	31 December 2019
US Dollars	97,715	31,452
Euros	-	3,842
UZS	65,370	8,556
Total	**163,085**	**43,850**

As at 31 December 2020, the Bank has commitments for capital expenditures (Note 10) in the amount of approximately USD 7.8 million (31 December 2019: 0).

21. Risk management policy

Risk management is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. Through the risk management framework, the Bank manages the following risks:

Credit risk

Credit risk is the risk of loss arising for the Bank when a counterparty is unable to meet its contractual obligations on time or in full.

The risk management division plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification and evaluation and implementation of control and monitoring measures. The risk management division directly participates in credit decision-making processes and the consideration of internal rules, regulations and loan programs. In addition, the division provides independent recommendations concerning credit exposure minimization measures, controls limits and monitors credit risks, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee ("ALMC"). Limits on credit risk exposure with respect to credit programmes (Small and medium enterprises (SME) and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures, which are reviewed by the Credit Committees and the ALMC. Actual exposures against limits are monitored daily.

The risk, that the counterparty will not meet its obligations, is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards.

The Bank applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the statement of financial position(i.e. the policy based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring). The Bank monitors the term to maturity of off-balance sheet contingencies, as longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Structure and authorities of credit committees

Credit committees, the ALMC, the Management Board and the Board of Directors are credit authorities responsible for the implementation of the Bank's Credit Policy and credit decision-making process.

ALMC

The primary goal of the ALMC is profit maximization and to limit the risks of banking activities related to raising and allocating funds. The main tasks of the ALMC are: liquidity management, interest rate risk management, price risk and other banking risks management.

The ALMC is also responsible for establishing country and counterparty-banks limits. The ALMC reports to the Board of Directors.

Credit Committees of the Bank

The primary goal of the Credit Committee is the implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers. Approval loans to borrowers within the limits established by the Management of the Board and the Supervisory Council.

The Management Board

Approval of allowances creation for bad debt, approval of loan limits for Credit Committees of the Bank, making decisions on restructuring loans, replacing or releasing collateral for loans related to Management' authority, making decisions for allowances creation on repossessed assets.
Approval of the loan applications exceeding the authority of the Credit Committees.

(in millions of Uzbekistan Soums)

The Supervisory Council of the Bank

Approval of unsecured loans and loans to related parties, making decisions on restructuring loans, replacing or releasing collateral for loans related to Supervisory Council' authority, approval of repossess assets taking. Approval of the loan applications exceeding the authority of the Management of the Board.

The sole shareholder of the Bank

Approval of the creation of any loans, with the exception of those committed in the normal course of business of the Bank. Approval of the final write-off loan or other debt from off-balance sheet items in accordance with the requirements of the legislation of the Republic of Uzbekistan. Approval of the loan applications exceeding the authority of the Supervisory Council of the Bank.

Maximum Exposure

The Bank's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on. The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2020	
	Maximum exposure and net exposure after offset	**Collateral pledged**
Cash and cash equivalents, excluding cash on hand	408,777	-
Loans to customers	971,385	971,385
Other financial assets	14	-
Commitments and contingencies	139,363	532

	31 December 2019	
	Maximum exposure and net exposure after offset	**Collateral pledged**
Cash and cash equivalents, excluding cash on hand	153,062	-
Due from banks	52,993	-
Loans to customers	135,423	135,423
Other financial assets	2	-
Commitments and contingencies	42,823	-

As at 31 December 2020 and 2019, there is no any difference between maximum exposure and net exposure after offset.

Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

For treasury operations, a significant increase in credit risk is determined individually for each financial asset on the basis of quantitative indicators (rating downgrades by 3 or more steps, overdue by 1 day or more) and qualitative indicators (negative information relating to the issuer/counterparty, including deterioration of financial condition, change of shareholders, the realization of the risk of loss of reputation, the systematic violation of prudential standards).

For bank loans assessed on a collective basis, a significant increase in credit risk is determined for loans with an overdue of over 30 days since initial recognition, for loans assessed on an individual basis - additionally in case of the decrease of internal credit rating and increase in lifetime PD on 10 percentage points in accordance with the internal rating model (the presence of restructuring during deterioration of the financial position for classification to Stage 3), expert opinions of the Bank's specialists based on the changes in the qualitative and quantitative indicators of the borrower, a significant deterioration of collateral and other objective evidence of significant financial difficulties since initial recognition.

Stage 3 is determined for loans that are assessed on a collective basis with an overdue of over 60-90 days, for loans assessed on an individual basis - over 90 days past due, restructuring related to the deterioration of financial condition, deterioration of the internal credit rating and expert opinion of the Bank's specialists.

The Bank considers that certain financial instruments with low credit risk at the reporting date, have not experienced a significant increase in credit risk. The Bank applies this policy to financial instruments issued to sovereign and financial institutions only. The Bank considers a financial instrument to have low credit risk when their external credit risk rating is equivalent to definition of 'investment grade' by international rating agencies.

The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Bank to provide funds for repayment of its obligations in a due time. The Bank's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

Short-term liquidity needs are managed by the Bank's Treasury function collecting daily cash inflow/outflow forecasts. Long-term liquidity management is performed by ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Bank analyzes the financial assets and liabilities, and obligatory reserves taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss in the form of securities, which are included in the column "Less than 1 month" as they are available to meet the Bank's short-term liquidity needs.

(in millions of Uzbekistan Soums)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	384,840	73,227	-	-	458,067
Loans to customers	6,382	152,487	208,295	604,221	971,385
Other financial assets	14	-	-	-	14
Total financial assets	**391,236**	**225,714**	**208,295**	**604,221**	**1,429,466**
Liabilities					
Amounts due to credit institutions	59,000	9,000	-	-	68,000
Deposits from the Parent	122,798	209,353	84,381	628,258	1,044,790
Customer accounts	89,057	1,051	11,420	17,825	119,353
Other financial liabilities	679	4,083	5,195	19,421	29,378
Total financial liabilities	**271,534**	**223,487**	**100,996**	**665,504**	**1,261,521**
Net liquidity gap based on contractual maturities	**119,702**	**2,227**	**107,299**	**(61,283)**	**167,945**
Cumulative liquidity gap at 31 December 2020	**119,702**	**121,929**	**229,228**	**167,945**	**-**

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	138,552	27,549	-	-	166,101
Due from banks	418	24,687	27,888	-	52,993
Loans to customers	780	861	75,656	58,126	135,423
Other financial assets	2	-	-	-	2
Total financial assets	**139,752**	**53,097**	**103,544**	**58,126**	**354,519**
Liabilities					
Deposits from the Parent	98,932	52,292	81,099	-	232,323
Customer accounts	10,321	65	2,913	2,021	15,320
Other financial liabilities	13	187	2,843	947	3,990
Total financial liabilities	**109,266**	**52,544**	**86,855**	**2,968**	**251,633**
Net liquidity gap based on contractual maturities	**30,486**	**553**	**16,689**	**55,158**	**102,886**
Cumulative liquidity gap at 31 December 2019	**30,486**	**31,039**	**47,728**	**102,886**	**-**

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. A significant portion of the Bank's liabilities is represented by deposits from the Parent.

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

The Bank monitors remaining contractual maturities, which may be summarised as follows at 31 December 2020:

(in millions of Uzbekistan Soums)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Liabilities					
Amounts due to credit institutions	59,235	9,005	-	-	**68,240**
Deposits from the Parent	124,661	217,289	93,400	651,988	**1,087,338**
Customer accounts	89,522	2,996	13,259	19,433	**125,210**
Other financial liabilities	679	4,083	5,195	19,421	**29,378**
Commitments and contingencies	138,831	532	-	-	**139,363**
Total potential future payments for financial obligations	**412,928**	**233,905**	**111,854**	**690,842**	**1,449,529**

Remaining contractual maturities summarised as follows at 31 December 2019:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Liabilities					
Deposits from the Parent	99,320	53,825	83,689	-	**236,834**
Customer accounts	10,393	409	3,291	2,398	**16,491**
Other financial liabilities	13	187	2,843	947	**3,990**
Guarantees	2,377	-	-	-	**2,377**
Undrawn loan commitments	40,446	-	-	-	**40,446**
Total potential future payments for financial obligations	**152,549**	**54,421**	**89,823**	**3,345**	**300,138**

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.

Market risk

Market risk is a risk that Bank's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Bank is exposed to market risks which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimize risk/return, minimize losses in case of adverse events and decrease deviation of factual financial results from the expected one.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review at least on an annual basis and should be monitored continuously.

Interest rate risk

The Bank is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decrease, interest expense increase or negative impact on equity resulting from adverse changes of market interest rates.

(in millions of Uzbekistan Soums)

The Bank determines interest rate risk resulting from assets and liabilities maturity dates (dates of interest rates repricing) mismatch that are sensitive to the interest rates changes (risk of interest rates changes.

ALMC manages interest rate risks and market risks through the management of the Bank's position on interest rates to reach positive interest margins.

The Bank manages interest rates by determining the Bank's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Bank's exposure to the interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities.

Sensitivity analysis of interest rate risk

The Management regularly reviews sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The Bank assesses the reasonably possible changes in interest rates in UZS and foreign currencies separately, in which financial assets and liabilities are denominated due to the different volatility of interest rates.

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk management Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in fair value interest rates and its influence on the Bank's profitability and reports on them to the Management.

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

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Total interest bearing financial assets	6,357	224,841	206,786	600,366	**1,038,350**
Cash and cash equivalents	-	73,228	-	-	**73,228**
Loans to customers	6,357	151,613	206,786	600,366	**965,122**
Total interest bearing financial liabilities	(139,822)	(219,404)	(95,801)	(646,164)	**(1,101,191)**
Amounts due to credit instit	(19,000)	(9,000)	-	-	**(28,000)**
Deposits from the Parent	(115,822)	(209,353)	(84,381)	(628,258)	**(1,037,814)**
Customer accounts	(5,000)	(1,051)	(11,420)	(17,906)	**(35,377)**
Net interest sensitivity gap at 31 December 2020	**(133,465)**	**5,437**	**110,985**	**(45,798)**	**(62,841)**

(in millions of Uzbekistan Soums)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Total interest bearing financial assets	27,628	53,097	103,544	58,126	**242,395**
Cash and cash equivalents	27,563	27,549	-	-	**55,112**
Due from banks	-	24,687	27,888	-	**52,575**
Loans to customers	65	861	75,656	58,126	**134,708**
Total interest bearing financial liabilities	(95,076)	(52,292)	(84,012)	(2,021)	**(233,401)**
Deposits from the Parent	(95,076)	(52,292)	(81,099)	-	**(228,467)**
Customer accounts	-	-	(2,913)	(2,021)	**(4,934)**
Net interest sensitivity gap at 31 December 2019	**(67,448)**	**805**	**19,532**	**56,105**	**8,994**

Currency Risk

The Bank is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Bank.

The ALMC controls currency risk by management of the open currency position based on the estimations of UZS devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rate fluctuations of national and foreign currencies.

The treasury department performs daily monitoring of the Bank's open currency position with the aim to comply with the requirements of the regulatory authority.

The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position, results of operations and cash flows, which are monitored daily. ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority.

The Bank's principal cash flows are generated in UZS and USD. As a result, potential movements in the exchange rate between UZS and USD will affect the carrying values of the Bank's USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the statement of financial position and off-balance sheet positions. The current Bank's sensitivity to fluctuations in exchange rates is acceptable due to the fact that the off balance sheet items significantly neutralize the statement of financial position.

(in millions of Uzbekistan Soums)

As at 31 December 2020 and 2019, the Bank's exposure to foreign currency exchange rate risk is as follows:

	UZS	US Dollars	Euros	Other	Total
Monetary financial assets					
Cash and cash equivalents	97,378	273,274	82,398	5,017	**458,067**
Loans to customers	289,599	500,734	181,052	-	**971,385**
Other financial assets	14	-	-	-	**14**
Total financial assets	**386,991**	**774,008**	**263,450**	**5,017**	**1,429,466**
Monetary financial liabilities					
Amounts due to credit institutions	68,000	-	-	-	**68,000**
Deposits from the Parent	123	785,053	259,614	-	**1,044,790**
Customer accounts	96,729	17,941	4,511	172	**119,353**
Other financial liabilities	29,378	-	-	-	**29,378**
Total financial liabilities	**194,230**	**802,994**	**264,125**	**172**	**1,261,521**
Net balance sheet position	**192,761**	**(28,986)**	**(675)**	**4,845**	**167,945**
Net off-balance sheet position	**86,955**	**73,993**	**-**	**-**	**160,948**
Net position at 31 December 2020	**105,806**	**(102,979)**	**(675)**	**4,845**	**6,997**

	UZS	US Dollars	Euros	Other	Total
Monetary financial assets					
Cash and cash equivalents	28,680	132,756	4,165	500	**166,101**
Due from banks	28,181	24,812	-	-	**52,993**
Loans to customers	53,667	81,756	-	-	**135,423**
Other financial assets	2	-	-	-	**2**
Total financial assets	**110,530**	**239,324**	**4,165**	**500**	**354,519**
Monetary financial liabilities					
Deposits from the Parent	3,475	228,848	-	-	**232,323**
Customer accounts	11,752	2,537	1,027	4	**15,320**
Other financial liabilities	3,990	-	-	-	**3,990**
Total financial liabilities	**19,217**	**231,385**	**1,027**	**4**	**251,633**
Net balance sheet position	**91,313**	**7,939**	**3,138**	**496**	**102,886**
Net off-balance sheet position	**8,556**	**31,452**	**2,815**	**-**	**42,823**
Net position at 31 December 2019	**82,757**	**(23,513)**	**323**	**496**	**60,063**

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Bank had exposure at 31 December 2020 and 2019, and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate with all other variables held constant on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase.

(in millions of Uzbekistan Soums)

Sensitivity of currency risk is assessed based on balance sheet and off-balance sheet open currency positions. The management of the Bank believes income tax not to have substantial effect for the purpose of currency risk management.

The impact on income before tax and equity, based on asset values as at 31 December 2020 and 2019, was calculated using the annual analysis of the exchange rates volatility based on historical data of the exchange rates dynamics over the period; see the details in the following table:

	31 December 2020 Impact on profit or loss	31 December 2019 Impact on profit or loss
US Dollars strengthening by 10% (2019: 15%)	(2,899)	1,191
US Dollars weakening by 10% (2019: 15%)	2,899	(1,191)
Euro strengthening by 20% (2019: 12%)	(135)	377
Euro weakening by 20% (2019: 12%)	135	(377)

Limitations of sensitivity analysis

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

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Bank has no material exposure to equity price risk.
The Bank is exposed to prepayment risk through providing fixed loans, which give the borrower the right to early repay the loans. The Bank's current profit or loss and equity at the current balance sheet date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the to customers.

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

(in millions of Uzbekistan Soums)

In % p.a.	31 December 2020 UZS	USD	Euro
Assets			
Cash and cash equivalents	-	0% - 5.5%	-
Due from banks	-	-	-
Loans to customers	20% - 32%	3.5% - 12%	3.5% - 8%
Liabilities			
Amounts due to credit institutions	0%-16%	-	-
Deposits from the Parent	-	1.15%-3.90%	1.21%-1.65%
Customer accounts	0%-20%	-	-

In % p.a.	31 December 2019 UZS	USD
Assets		
Cash and cash equivalents	-	4.18% - 5.2%
Due from banks	15% - 17%	5.5%
Loans to customers	20% - 32%	8% - 10%
Liabilities		
Deposits from the Parent	-	2.8%-3.32%
Customer accounts	0%-20%	-

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2020 and 2019 is set out below:

	Uzbekistan	Non OECD	Total
Financial assets			
Cash and cash equivalents	455,404	2,663	458,067
Loans to customers	971,385	-	971,385
Other financial assets	14	-	14
Total financial assets	**1,426,803**	**2,663**	**1,429,466**
Financial liabilities			
Amounts due to credit institutions	68,000	-	68,000
Deposits from the Parent	-	1,044,790	1,044,790
Customer accounts	119,353	-	119,353
Other financial liabilities	29,378	-	29,378
Total financial liabilities	**216,731**	**1,044,790**	**1,261,521**
Net position in on-balance sheet financial instruments	**1,210,072**	**(1,042,127)**	**167,945**
Net off-balance sheet position	**139,363**	**-**	**139,363**
Net position at 31 December 2020	**1,070,709**	**(1,042,127)**	**28,582**

(in millions of Uzbekistan Soums)

	Uzbekistan	Non OECD	Total
Financial assets			
Cash and cash equivalents	155,167	10,934	166,101
Due from banks	52,993	-	52,993
Loans to customers	135,423	-	135,423
Other financial assets	2	-	2
Total financial assets	**343,585**	**10,934**	**354,519**
Financial liabilities			
Deposits from the Parent	-	232,323	232,323
Customer accounts	15,320	-	15,320
Other financial liabilities	3,990	-	3,990
Total financial liabilities	**19,310**	**232,323**	**251,633**
Net position in on-balance sheet financial instruments	**324,275**	**(221,389)**	**102,886**
Net off-balance sheet position	**40,446**	**2,377**	**42,823**
Net position at 31 December 2019	**283,829**	**(223,766)**	**60,063**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held. Non-OECD includes Kazakhstan and Tajikistan.

22. Capital risk management

The Bank's objectives when managing capital, which are a broader concept than the "equity" on the face of the statement of financial position, are as follows:

- To comply with the capital requirements set by the CBU;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Bank manages regulatory capital as Bank's capital. The Bank's objectives when managing capital are to comply with the capital requirements set by the CBU, and to safeguard the Bank's ability to continue as a going concern. Compliance with capital adequacy ratios set by the CBU is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman of the Board and Chief Accountant.

Under the current capital requirements set by the CBU, banks have to maintain ratios of (actual ratios given below are unaudited):

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13%. Actual ratio as at 31 December 2020: 27.8% (31 December 2019: 46.8%).
- Ratio of Bank's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10%. Actual ratio as at 31 December 2020: 26.1% (31 December 2019: 46.8%).
- Ratio of Bank's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6.0%. Actual ratio as at 31 December 2020: 21.1% (31 December 2019: 30.8%).

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

(in millions of Uzbekistan Soums)

	31 December 2020 (unaudited)	31 December 2019 (unaudited)
Tier 1 capital	339,120	116,331
Tier 2 capital	21,954	-
Less: deductions from capital	-	-
Total regulatory capital	**361,074**	**116,331**

23. Fair Value of Financial Instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

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.

Financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

As at 31 December 2020, the fair value of financial assets and financial liabilities except for those shown below approximate their carrying value.

	Fair value					
Financial Assets/ Liabilities as at 31 December 2020	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Loans to customers	971,385	972,431	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value
Customer accounts	119,353	119,371	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value

(in millions of Uzbekistan Soums)

Considering that the Bank has started its operations in 2019 and that it issued its financial assets and accepted financial liabilities at the market rate, the Management considers the carrying value of financial instruments as at 31 December 2019 approximate their fair values.

As at 31 December 2020, the Bank determined fair value for some of its financial assets and liabilities using the discounted cash flow model by applying CBU statistical bulletin, which became open to public starting 2019. Such financial instruments were categorised as Level 2.

For those financial instruments, where interest rates were not directly available in the CBU's Statistical bulletin, the Management uses discounted cash flow model by applying market interest rates based on the rates of the deals concluded towards the end of the reporting period, thereby, categorizing such instruments as Level 3.

24. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties.

As at 31 December 2020, the Bank had the following transactions outstanding with related parties:

	31 December 2020	
	Related party balances	**Total category as per the financial statements caption**
Cash and cash equivalents	**2,663**	**458,067**
- Parent	*692*	
- Other related entities	*1,971*	
Other assets	**103,300**	**109,509**
- other related entities	*103,300*	
Deposits from the Parent	**1,044,790**	**1,044,790**
- Parent	*1,044,790*	
Customer accounts	**338**	**119,353**
- key management personal	*309*	
- other related entities	*29*	

Included in the statements of profit or loss for the period ended 31 December 2020, are the following amounts which arose due to transactions with related parties:

	2020	
	Related party transactions	**Total category as per the financial statements caption**
Interest expense	**10,567**	**19,124**
- Parent	*10,567*	
Fee and commission income	**18**	**8,452**
- Parent	*14*	
- key management personal	*3*	
- other related entities	*1*	
Operating expenses	**2,586**	**31,581**
- key management personal	*2,586*	

(in millions of Uzbekistan Soums)

As at 31 December 2019, the Bank had the following transactions outstanding with related parties:

	31 December 2019	
	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents	**10,934**	**166,101**
- Parent	*10,934*	
Deposits from the Parent	**232,323**	**232,323**
- Parent	*232,323*	
Customer accounts	**22**	**15,320**
- key management personal	*22*	

Included in the statements of profit or loss for the period ended 31 December 2019, are the following amounts which arose due to transactions with related parties:

	For the period from 18 May 2019 to 31 December 2019	
	Related party transactions	Total category as per the financial statements caption
Interest expense	**385**	**574**
- Parent	*385*	
Fee and commission income	**7**	**567**
- Parent	*6*	
- key management personal	*1*	
Operating expenses	**1,251**	**10,044**
- key management personal	*1,251*	

	2020	For the period from 18 May 2019 to 31 December 2019
Short-term benefits:		
- Salaries and other short term benefits	2,349	1,221
- Social Security costs	237	30
Total key management personnel compensation	**2,586**	**1,251**

25. Events after the reporting period

According to decision of the Sole shareholder dated 24 November 2020 for additional injection to the share capital for UZS 467,400 million. Cash receipt of additional capital injection is expected in March 2021.

Based on the Sole shareholder's decision dated 1 February 2021, Ayupov Talgat Zholdasbekovich was elected to the position of the Chairman of the Board of the Bank.