



TBC

**Financial Statements and
Independent Auditor's Report
JSCB TBC Bank**

31 December 2020

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Independent Auditor's Report

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Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

Supervisory Board is 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 scepticism 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.



Independent Auditor's Report

To the Shareholders and Supervisory Board of the Joint Stock Commercial Bank "TBC BANK":

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Joint Stock Commercial Bank "TBC BANK" ("the Bank") as at 31 December 2020, and the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

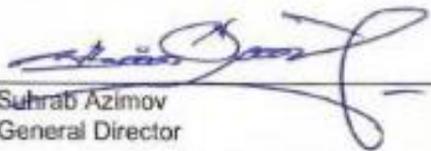
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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



We communicate with the Supervisory Board 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.



Suhrob Azimov
General Director

Certificate of auditor No. 05338
dated 7 November 2015 issued by
Ministry of Finance of Uzbekistan



Shukurilla Pulatov
Auditor

Certificate of auditor No. 05618
dated 25 June 2019 issued by
Ministry of Finance of Uzbekistan

Certificate of auditor No. 9/21
dated 16 November 2020 issued by
Central Bank of Uzbekistan

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC

09 April 2021

Tashkent, Uzbekistan

JSCB TBC Bank
Statement of Financial Position

<i>In thousands of Uzbekistan Soums</i>	Notes	31 December 2020
ASSETS		
Cash and cash equivalents	7	80,828,373
Due from other banks		1,386
Loans and advances to customers including finance lease receivable		15,051
Investment in debt securities	8	91,906,986
Premises and equipment	10	17,489,583
Right of use assets	11	8,286,616
Intangible assets	10	7,107,551
Deferred income tax asset	17	4,479,174
Other assets	9	3,067,614
TOTAL ASSETS		213,182,334
LIABILITIES		
Due to other banks		1,620
Customer accounts	12	1,073,642
Lease liabilities	11	7,341,667
Other liabilities	13	6,567,491
TOTAL LIABILITIES		14,984,419
EQUITY		
Share capital	14	221,746,927
Accumulated deficit		(23,549,012)
TOTAL EQUITY		198,197,915
TOTAL LIABILITIES AND EQUITY		213,182,334

Approved for issue and signed on behalf of Management Board on April 9, 2021.


Spartak Tetrashvili
 Chief Executive Officer




David Melikidze
 Chief Financial Officer

<i>In thousands of Uzbekistan Soums</i>	Notes	Period from 11 April 2020 to 31 December 2020
Interest income calculated using the effective interest method	15	9,874,986
Interest expense	15	(425,832)
Net interest income		9,449,154
Credit loss allowance		(6,390)
Net interest income after provision for impairment on interest bearing assets		9,442,764
Fee and commission income		84,725
Fee and commission expense		(438,473)
Foreign exchange translation gains less losses		143,930
Net gain from trading in foreign currencies		261,824
Administrative and other operating expenses	16	(37,522,957)
Loss before tax		(28,028,186)
Income tax credit	17	4,479,174
LOSS FOR THE PERIOD		(23,549,012)
Other comprehensive loss for the period		-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(23,549,012)
Loss is attributable to:		
- Owners of the Bank		(23,549,012)
Loss for the period		(23,549,012)
Total comprehensive loss is attributable to:		
- Owners of the Bank		(23,549,012)
Total comprehensive loss for the period		(23,549,012)
Basic and diluted loss per ordinary share (expressed in UZS per share)	18	(123)

JSCB TBC Bank
Statement of Changes in Equity

<i>In thousands of Uzbekistan Soums</i>	Note	Share capital	Retained earnings	Total equity	Total equity
Balance at 11 April 2020		-	-	-	-
Loss for the period		-	(23,549,012)	(23,549,012)	(23,549,012)
Total comprehensive loss for the period		-	(23,549,012)	(23,549,012)	(23,549,012)
Share issue	14	221,746,927	-	221,746,927	221,746,927
Balance at 31 December 2020		221,746,927	(23,549,012)	198,197,915	198,197,915

<i>In thousands of Uzbekistan Soums</i>	Notes	2020
Cash flows from operating activities		
Interest income calculated using the effective interest method received		9,594,085
Interest paid		(425,832)
Fees and commission received		84,725
Fees and commission paid		(438,473)
Net gain received trading in foreign currencies		261,824
Staff costs paid		(24,606,343)
Administrative and other operating expenses paid		(4,739,701)
Cash flows used in operating activities before changes in operating assets and liabilities		(20,269,714)
<i>Net (increase) in:</i>		
- loans and advances to customers including finance lease receivable		(16,429)
- other non-financial assets		(3,064,457)
<i>Net increase in:</i>		
- customer accounts		1,073,642
Net cash used in operating activities		(22,276,958)
Cash flows used in investing activities		
Acquisition of investments in debt securities carried at amortised cost		(91,632,483)
Purchase of premises, equipment and intangible assets	10	(27,153,042)
Net cash used in investing activities		(141,062,484)
Cash flows from financing activities		
Proceeds from share issue	14	221,746,927
Net cash flows from financing activities		80,684,443
Effect of exchange rate changes on cash and cash equivalents		143,930
Net increase in cash and cash equivalents		80,838,373
Cash and cash equivalents at the beginning of the period	7	-
Cash and cash equivalents at the end of the year		80,828,373

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2020 for TBC Bank (the "Bank").

The Bank was incorporated and is domiciled in the Republic of Uzbekistan. The Bank is a joint stock commercial bank limited by shares and was set up in accordance with regulations of the Republic of Uzbekistan. As of 31 December 2020 the Bank's immediate and ultimate parent company was TBC BANK GROUP PLC (the "TBCG"), which is a public limited liability company, incorporated in UK. The shares of TBCG are admitted to the Premium Listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities.

As of 31 December 2020 the Bank had no ultimate controlling party.

Principal activity. The Bank's principal business activity is retail and micro operations within the Republic of Uzbekistan and universal banking operations that include individuals, corporate, small and medium enterprises ("SME"). The Bank has operated under a full banking licence issued by the Central Bank of the Republic of Uzbekistan ("CBU") since 11 April 2020.

The Bank participates in the state deposit insurance scheme introduced by the Law of the Republic of Uzbekistan #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 had 1 branch within the Republic of Uzbekistan as of 31 December 2020.

Registered address. The Bank's registered address is: 118/1 Amir Temur street, Yunusabad district, Tashkent, the Republic of Uzbekistan, 100084.

Presentation currency. These financial statements are presented in Uzbekistan soums ("UZS"), unless otherwise stated.

2 Operating Environment of the Bank

The Bank's operations are primarily located in the Republic of Uzbekistan. Consequently, the Bank is exposed to the economic and financial markets of the Republic of Uzbekistan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Uzbekistan.

During 2020 significant reforms initiated by the President, within implementation of the Strategy of Actions for the Further Development of the Republic of Uzbekistan in 2018 - 2021, occurred in Uzbekistan. Recently, main limitations on currency conversion and mandatory sale of foreign currency received as a result of export sales were cancelled, settlement period for export transactions was increased, unified system of state services have been introduced, and other positive changes are implemented.

The financial statements reflect the management's assessment of the impact of the business environment of the Republic of Uzbekistan on the operations and the financial position of the Bank.

The Bank's financial position and operating results will be affected by political and economic changes in the Republic of Uzbekistan, including application of current and future legislation and tax regulations that have a significant impact on the financial markets of the Republic of Uzbekistan and economy as a whole. The Bank's management is unable to predict all changes that could affect the banking sector as a whole and the Bank's financial position in particular.

For 12 months 2020, the following key economic indicators are specific to Republic of Uzbekistan:

- Inflation: 11.1% (2019: 15.2%)
- Official exchange rate: December 31, 2020: USD 1 = UZS 10 476.92 (December 31, 2019: USD 1 = UZS 9 507.56)
- GDP growth: 1.6% (2019: 5.7%)
- Refinancing rate of the CBU: 14,0% (2019: 16,0%)

3 Significant Accounting Policies

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

Going concern. 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 outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic’s spread have significantly impacted the Bank. These measures required the Bank to postpone the dates of commencement of operational activities and launching banking products. Management has therefore modelled a number of different scenarios considering a period until the end of 2025. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations, along with management’s proposed responses over the course of the period. Quarantine measures that were introduced in March 2020 had been cancelled since August 2020. No announcements related to further responses to pandemic situation such as lockdown have been introduced by government authorities. The Bank continue the operate in accordance with base case scenario reflected in the Development Strategy.

The Board of Directors of JSCB TBC Bank and the Supervisory Board of the Bank approved the Development Strategy of the Bank for 2020-2025. In accordance with the Strategy, share capital of the Bank is expected to be at least UZS 492,474 million by the end of 2021, UZS 735,705 million by the end of 2022, UZS 1,090,447 million by the end of 2023. The continued support is evidenced by injection of UZS 21,607 million by the Parent company in COVID-19 year, which is fully in-line with the capital injection plan approved by the Board. Also, the Parent has confirmed to the management that the Bank will continue to support the operation of the Bank and that it is not planning to liquidate the Bank.

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

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

3 Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 21.

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

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

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

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

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Bank uses discounted cash flow valuation techniques to determine the fair value of currency swaps, Foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight line basis over the term of the currency swaps, Foreign exchange forwards.

3 Significant Accounting Policies (Continued)

The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

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

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

Business model is determined for a Bank of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Bank in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Bank in performing the SPPI test for its financial assets.

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

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

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

The Bank applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Bank identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

3 Significant Accounting Policies (Continued)

Refer to Note 19 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank's definition of credit impaired assets and definition of default is explained in Note 19. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 19 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

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

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The latter includes penalties under the local regulation requirements. The loans are collectively assessed for write off based on overdue days criteria or are individually evaluated, depending on the loan segment and product type. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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

Financial assets – modification. The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: : change in interest rate due to market environment changes, change in the currency denomination; consolidation of two or more loans into one new loan; change in counterparty; loan with no schedule is replaced with loan with schedule or vice versa.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Payment holidays granted by the Bank in response to COVID-19 pandemic are treated as contractual modifications of the respective loans and advances. Their impact on the gross carrying amount (modification loss) is presented in profit or loss within.

3 Significant Accounting Policies (Continued)

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

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, amounts due from the Central Bank of Uzbekistan (CBU), excluding mandatory reserves, and all interbank placements and interbank receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the Central Bank of Uzbekistan (CBU). Mandatory cash balances with the CBU are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Bank's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Amount of Mandatory cash balances with CBU is insignificant and included within Due from other banks in the statement of financial position.

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

3 Significant Accounting Policies (Continued)

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the period. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Bank may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

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

Impairment allowances are determined based on the forward-looking ECL models. Note 0 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

Premises and equipment. Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Premises and equipment are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the period. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings/accumulated deficit when the revaluation surplus is realised on the retirement or disposal of the asset, or as the asset is used by the Bank; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

If there is no market based evidence of fair value, fair value is estimated using an income approach. Management has updated the carrying value of land and buildings measured in accordance with the revaluation model at the end of the reporting period using market based evidence and is satisfied that sufficient market based evidence of fair value is available to support the updated fair values.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

Leasehold improvements are alterations made to rented properties by the Bank to customise it to its particular business needs and preferences. The improvements that are specialised to the Bank's intended use of the property are treated as own assets for accounting purposes.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the period to the extent it exceeds the previous revaluation surplus in equity.

3 Significant Accounting Policies (Continued)

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

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

	Useful lives in years
Premises	5 to 10 years
Office and computer equipment	3 to 8 years
Motor vehicles	4 to 5 years
Right-of-use assets	Shorter of useful life and the term of the underlying lease
Leasehold improvements	Shorter of useful life and the term of the underlying lease

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

Intangible assets. The Bank's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software and licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Intangible assets is amortised on a straight line basis over expected useful lives of 2 to 15 years.

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

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3 Significant Accounting Policies (Continued)

Right-of-use assets are measured at cost comprising the following:

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

restoration costs.

As an exception to the above, the Bank accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis.

In determining the lease term, management of the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

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

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill that is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period that are expected to apply to the extent of time when the temporary differences will reverse or the tax loss carry forwards will be utilised.

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

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

3 Significant Accounting Policies (Continued)

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

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

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Bank controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

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

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

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

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

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares or options 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.

Ordinary shares issued to a lender (who is not an owner of the entity) in order to settle a financial liability are recorded at the fair value of the shares issued when the settlement in shares was not part of the original terms and conditions of the borrowing. A gain or loss on the negotiated early extinguishment of the debt is recognised in profit or loss.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The Bank does not have Interest income on debt instruments at FVTPL.

3 Significant Accounting Policies (Continued)

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, premium service package fees, portfolio and other asset management advisory and service fees, wealth management and financial planning services, or fees for servicing loans on behalf of third parties, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses.

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

Foreign currency translation. The financial statements are presented in Uzbek soums, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the reporting date. Income and expenses arising from translation of transactions in foreign currencies are recognised in the statement of profit and loss as "Net Income from Foreign Currency Transactions Revaluation of Foreign Exchange Items". Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of transaction.

3 Significant Accounting Policies (Continued)

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

At 31 December 2020 the closing rate of exchange used for translating foreign currency balances was USD 1 = 10,476.92; EUR 1 = 12,786.03; RUB 1 = 141.27.

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

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

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

Share based payments.

A share-based payment arrangement is an agreement between the entity and another party (including an employee) that entitles the other party to receive cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity, or equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met.

Under the share-based compensation plan subject of performance and service conditions, the company grants shares of its parent entity (TBC Bank Group PLC) to the top management. Originally, the company grants phantom shares which will be converted in the actual shares at the end of the scheme period. No dividend is paid on Phantom shares and there is restriction on any disposition and pledge of these rights; also, no voting rights are attached to phantom shares.

The individual performance indicators are set on an individual basis and are used to calculate the award amount provided to each employee. Service conditions foresee continuous employment until the gradual transfer of the full title to the scheme participants is complete. Under the compensation system the vesting period for the award extends to March 2024. The conversion is done by the TBC Bank Uzbekistan and TBC Bank Group PLC based on the predetermined rule. The amount of the award calculated by management assumes making the best estimate of the Bank's financial metrics and related fulfilment of performance conditions.

The award as well as respective personal income tax is accounted as cash settled share-based payment under IFRS 2. An expense is recognized in the income statement using graded vesting method over the vesting period which is until March 2024; and a liability is recorded as the other side of the entry. The liability is re-measured at each reporting date until settlement. As long as the amount of award is dependent on fulfilment of performance and service conditions, management revises estimated value of award based on forecasted achievement throughout the vesting period and adjusts the liability accordingly. Each accrual is made based on discounted value. The liability is amortized through accrual of interest expense (classified within staff costs) until the settlement date. Interest rate of government bonds are used.

3 Significant Accounting Policies (Continued)

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 19 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 19.

<i>In thousands of Uzbekistan Soums</i>	31 December 2020		
	Amounts expected to be recovered or settled		
	Within 12 months after the reporting period	Beyond 12 months after the reporting period	Total
ASSETS			
Cash and cash equivalents	80,828,373	-	80,828,373
Due from other banks	1,386	-	1,386
Loans and advances to customers, including finance lease receivables	10,237	4,814	15,051
Premises, equipment and intangible assets	-	32,883,750	32,883,750
Deferred income tax asset	-	4,479,174	4,479,174
Other financial assets	91,906,986	-	91,906,986
Other non-financial assets	3,067,614	-	3,067,614
TOTAL ASSETS	175,814,596	37,367,738	213,182,334
LIABILITIES			
Due to other banks	1,620	-	1,620
Customer accounts	1,073,642	-	1,073,642
Other financial liabilities	1,077,692	6,263,975	7,341,667
Other non-financial liabilities	6,567,491	-	6,567,491
TOTAL LIABILITIES	8,720,444	6,263,975	14,984,419

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

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. Key assumptions in the business plan are list key assumptions used to prepare the budget.

5 Adoption of New or Revised Standards and Interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Bank:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a Bank of similar assets).

Definition of material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: 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; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Bank has not early adopted.

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

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

- **Effective date:** The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- **Expected recovery of insurance acquisition cash flows:** An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- **Contractual service margin attributable to investment services:** Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an ‘investment-return service’ under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- **Reinsurance contracts held – recovery of losses:** When an entity recognises a loss on initial recognition of an onerous Bank of underlying insurance contracts, or on addition of onerous underlying contracts to a Bank, an entity should adjust the contractual service margin of a related Bank of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- **Other amendments:** Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of Banks; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

7 Cash and Cash Equivalents

	31 December 2020
<i>In thousands of Uzbekistan Soums</i>	
Placements with other banks with original maturity of less than three months	80,000,000
Cash balances with the CBU (other than mandatory reserve deposits)	745,072
Correspondent accounts and overnight placements with other banks	86,484
Less credit loss allowance	(3,183)
Total cash and cash equivalents	80,828,373

As at 31 December 2020, cash and cash equivalents in the amount of UZS 80,828,373 thousand (100%) was placed in 4 commercial banks and Central Bank of Uzbekistan. The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2020. Refer to Note 19 for the description of the Bank's credit risk grading system.

	Cash balances with the CBU	Correspondent accounts and overnight placements	Placements with other banks with original maturity of less than three months	Total
<i>In thousands of Uzbekistan Soums</i>				
<i>Neither past due nor impaired</i>				
BB- (Moody's rated)	745,072	86,484	80,000,000	80,831,556
Less credit loss allowance			(3,183)	(3,183)
Total cash and cash equivalents, excluding cash on hand	745,072	86,484	80,000,000	80,828,373

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount. Refer to Note 19 for the ECL measurement approach.

8 Investments in Debt Securities

	2020
<i>In thousands of Uzbekistan Soums</i>	
Debt securities at AC	91,906,986
Total investments in debt securities	91,906,986

The table below discloses investments in debt securities at 31 December 2020 by measurement categories and classes:

	Debt securities at AC
<i>In thousands of Uzbekistan Soums</i>	
Government bonds	61,914,067
CBU bonds	29,996,126
Total investments in debt securities at 31 December 2020 (gross carrying value)	91,910,193
Credit loss allowance	(3,207)
Total investments in debt securities at 31 December 2020 (carrying value)	91,906,986

8 Investments in Debt Securities (Continued)

At 31 December 2020, the Bank had investment in Government and CBU debt securities carried at AC with a carrying value of 91,906,986 thousand. The counterparty is not allowed to sell further or repledge the investments. For the purpose, of ECL measurement investment in debt securities balances are included in Stage 1.

9 Other Assets

<i>In thousands of Uzbekistan Soums</i>	31 December 2020
Prepaid expenses	1,601,754
Plastic cards	841,001
Inventory	447,055
Prepayment for taxes other than income tax	71,129
Other	106,675
Total other assets	3,067,614

10 Premises, Equipment and Intangible Assets

<i>In thousands of Uzbekistan Soums</i>	Buildings and Premises	Office and computer equipment	Total premises and equipment	Intangible Assets	Total
Cost at 11 April 2020	-	-	-	-	-
Accumulated depreciation/ amortisation	-	-	-	-	-
Carrying amount at 11 April 2020	-	-	-	-	-
Additions	738,352	17,448,477	18,186,829	7,406,673	25,593,502
Depreciation/amortisation charge	(65,180)	(632,066)	(697,246)	(299,122)	(996,368)
Carrying amount at 31 December 2020	673,172	16,816,411	17,489,583	7,107,551	24,597,134
Cost at 31 December 2020	738,352	17,448,477	18,186,829	7,406,673	25,593,502
Accumulated depreciation/ amortisation	(65,180)	(632,066)	(697,246)	(299,122)	(996,368)

11 Right of Use Assets and Lease Liabilities

The Bank leases head office, branch, and several warehouses. Rental contracts are typically made for fixed periods of 12 months to 5 years but may have extension options as described below.

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

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

<i>In thousands of Uzbekistan Soums</i>	Buildings	Total
Carrying amount at 11 April 2020	-	-
Additions	8,898,051	8,898,051
Depreciation/amortisation charge	(611,434)	(611,434)
Carrying amount at 31 December 2020	8,286,616	8,286,616

Interest expense on lease liabilities was UZS 418,980 thousand and cash outflow for rent payments was UZS 647,317 thousand.

Expenses relating to short-term leases (included in administrative and other operating expenses) and to leases of low value assets that are not shown as short-term leases are included in administrative and other operating expenses.

12 Customer Accounts

<i>In thousands of Uzbekistan Soums</i>	31 December 2020
Individuals	
- Current/settlement accounts	1,073,642
Total customer accounts	1,073,642

Current/settlement accounts represent retail customers' current and savings accounts held with the Bank for daily banking needs. Saving accounts represent UZS 862,146 thousands bearing 17% annual interest rate, the remaining amount of UZS 211,496 represents balances on plastic card accounts.

13 Other liabilities

Other liabilities comprise the following:

<i>In thousands of Uzbekistan Soums</i>	31 December 2020
Bonus and salary accrual	6,294,815
Share based payments	242,550
Other	30,126
Total other liabilities	6,567,491

14 Share Capital

<i>In thousands of Uzbekistan Soums</i>	Number of outstanding shares	Ordinary shares	Total
At 11 April 2020	-	-	-
Issue of new shares	120,000,000	120,000,000	120,000,000
Issue of new shares	101,746,927	101,746,927	101,746,927
At 31 December 2020	221,746,927	221,746,927	221,746,927

The total authorised number of ordinary shares is 221,747 thousand shares, with a par value of UZS 1,000 per share. All ordinary shares are fully issued and paid.

15 Interest Income and Expense

<i>In thousands of Uzbekistan Soums</i>	2020
Interest income calculated using the effective interest method	
Due from other banks	6,322,548
Debt securities at AC	3,551,492
Loans and advances to customers	946
Total interest income on debt financial assets measured at amortized cost	9,874,986
Interest expense on financial liabilities	
Lease liabilities	418,980
Customer accounts	6,852
Total interest expense on financial liabilities measured at amortized cost	425,832
Net interest income	9,449,154

The total interest income calculated for financial assets measured at amortised cost is UZS 9,874,986 thousand during the period ended 31 December 2020. The total interest expense calculated for financial liabilities measured at amortised cost is UZS 425,832 thousand during the period ended 31 December 2020.

16 Administrative and Other Operating Expenses

<i>In thousands of Uzbekistan Soums</i>	2020
Staff costs	31,131,012
Depreciation and amortisation	1,607,802
Business trip and travel expenses	1,143,660
Advertising costs	732,900
Subscription expenses	673,539
Rent expenses	590,728
Office supplies	356,740
Professional services	256,503
Communication expenses	252,473
Repairs and maintenance	202,465
Taxes other than income tax	171,091
Membership fees	124,769
Representation expenses	86,841
Utilities	21,090
Fuel	17,844
Security service costs	17,361
Insurance	5,353
Other	130,786
Total administrative and other operating expenses	37,522,957

Included in staff costs are mandatory social contributions of UZS 2,758,482 thousand.

Included in staff costs is the amount of UZS 242,550 thousand, which represents share-based remuneration provided to the Bank's personnel.

17 Income Taxes

Components of income tax expense / (benefit)

Income tax credit recorded in profit or loss for the period comprises the following:

<i>In thousands of Uzbekistan Soums</i>	2020
Current tax charge	-
Deferred tax credit	(4,479,174)
Total income tax (credit) for the period	(4,479,174)

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

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.

The Bank is subject to income tax in the Republic of Uzbekistan. In accordance with the Presidential Decree #4086 dated 26 December 2018 "On the forecast of major macroeconomic indicators and parameters of the State budget of the Republic of Uzbekistan for 2019 and budget guidelines for 2020-2021", corporate income tax rate for banks was set at 20% effective from 1 January 2019. A reconciliation between the expected and the actual taxation charge is provided below.

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17 Income Taxes (Continued)

<i>In thousands of Uzbekistan Soums</i>	2020
Profit before tax	28,028,186
Theoretical tax charge at the applicable statutory rate - 20%	(5,605,637)
- Non deductible expenses	1,126,463
Income tax expense/(credit) for the period	(4,479,174)

Deferred taxes analysed by type of temporary difference

Differences between IFRS and the tax legislation of the Republic of Uzbekistan result in certain temporary differences between carrying amount of a number of assets and liabilities for the purpose of the financial statements and their tax base. The tax effect of movements in these temporary differences is detailed below and recognized at 20% rate.

<i>In thousands of Uzbekistan Soums</i>	2020	(Charged)/ credited to profit or loss
Tax effect of deductible/(taxable) temporary differences		
Tax loss carry forwards	3,369,521	3,369,521
Lease liabilities	1,468,333	1,468,333
Other liabilities	1,081,603	1,081,603
Investment securities held to maturity	641	641
Cash and cash equivalents	637	637
Right-of-use assets	(1,393,124)	(1,393,124)
Other assets	(48,438)	(48,438)
Net deferred tax asset	4,479,174	4,479,174
Recognised deferred tax asset	5,920,736	5,920,736
Recognised deferred tax liability	(1,441,562)	(1,441,562)
Net deferred tax asset/(liability)	4,479,174	4,479,174

18 Loss per Share

Basic loss per share are calculated by dividing the loss attributable to owners of the Parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Bank has no dilutive potential ordinary shares; therefore, the diluted loss per share equal the basic loss per share. Loss per share is calculated as follows:

<i>In thousands of Uzbekistan Soums</i>	31 December 2020
Loss for the period from continuing operations attributable to ordinary shareholders	23,549,012
Loss for the period from continuing operations	23,549,012
Weighted average number of ordinary shares in issue	191,222,849
Basic and diluted loss per ordinary share from continuing operations (expressed in UZS per share)	(123)

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

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

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

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

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

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

Limits. In order to ensure high-quality formation of the loan portfolio and prevent the concentration of risks, the Bank introduces the restrictions on lending and sets the economic standards as follows:

- The maximum amount of risk per a borrower or group of related borrowers (including loans, guarantees, uncovered funds and guarantees, letters of credit with defined payment, factoring and leasing operations, off-balance sheet liabilities and accrued interest) shall not exceed 25% of the Bank's tier I capital at the time of issuing the loan, subject to availability of collateral;
- The maximum amount of risk per a borrower or group of related borrowers for blank (trust) loans shall not exceed 5% of the Bank's tier I capital.
- The total amount of all loans granted by the Bank to all related parties shall not exceed 10% of the Bank's tier I capital.
- The total amount of all major Bank's loans (with size of 3% or more versus the Bank's tier I capital) shall not exceed 100% of the Bank's tier I capital.

Credit Approval. The Bank established a credit committee that is responsible for approving all scoring card rules and other models in the "Automated decision-making system and Automated verification system" systems, including changes in the credit product processes.

Decision-making, scoring, and verification procedures - Decision-making on the loan is performed with using software (Systems): Automated Verification System (further - AVS) and Automated Decision Making System (ADMS). AVS compares and collates of available images of the client's (potential client's) face and his/her data (details of documents and other data) with information, images and data available in Databases (obtained from state databases and available in the Bank). The AVS is capable to verify the client by establishing the similarity (partial and complete match of data) of the entered data (photos, details, information, etc.) with those available in the Bank's Databases.

Credit risk grading system. Depending on the type of financial asset the Bank may utilize different sources of asset credit quality information including credit ratings assigned by the international rating agencies (Standard & Poor's, Fitch), credit scoring information from credit bureau and internally developed credit ratings. Financial assets are classified in an internally developed credit quality grades by taking into account the internal and external credit quality information in combination with other indicators specific to the particular exposure (e.g. delinquency). The Bank defines following credit quality grades: Each master scale credit risk grade is assigned a specific degree of creditworthiness:

19 Financial Risk Management (Continued)

- *Very low risk* – exposures demonstrate strong ability to meet financial obligations;
- *Low risk* – exposures demonstrate adequate ability to meet financial obligations;
- *Moderate risk* – exposures demonstrate satisfactory ability to meet financial obligations;
- *High risk* – exposures that require closer monitoring, and
- *Default* – exposures in default, with observed credit impairment.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated, if necessary. Despite the method used, the Bank regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

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

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor (“CCF”). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. The Bank’s management estimates that 12-month and lifetime CCFs are materially the same. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate (“EIR”) for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument’s *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. As a matter of exception from determining the lifetime exposure based on contractual maturity, for credit cards issued to individuals, the lifetime exposure is measured over a period that is based on expected life of the credit card contracts, based on internal statistics.

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

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

19 Financial Risk Management (Continued)

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

For purposes of measuring PD, the Bank defines default as a situation when the exposure meets one or more of the following criteria:

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

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

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

The assessment whether or not there has been a significant increase in credit risk (“SICR”) since initial recognition is performed on an individual basis and on a portfolio basis. For loans issued to corporate entities, interbank loans and debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. For loans issued to individuals and other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Bank’s Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

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

The Bank considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met. The Bank uses both quantitative and qualitative indicators of SICR.

Quantitative criteria

On a quantitative basis the Bank assess change in probability of default parameter for each particular exposure since initial recognition and compares it to the predefined threshold. When absolute change in probability of default exceeds the applicable threshold, SICR is deemed to have occurred and exposure is transferred to Stage 2. Quantitative indicator of SICR is applied to retail and micro segments, where the Bank has sufficient number of observations.

19 Financial Risk Management (Continued)

Qualitative criteria

Financial asset is transferred to Stage 2 and lifetime ECLs is measured if at least one of the following SICR qualitative criteria is observed:

- delinquency period of more than 30 days on contractual repayments;
- exposure is restructured, but is not credit impaired;
- borrower is classified as “watch”.

The Bank has not rebutted the presumption that there has been significant increase in credit risk since origination when financial asset becomes more than 30 days past due. This qualitative indicator of SICR together with debt restructuring is applied to all segments. Particularly for corporate and SME segment the Bank uses downgrade of risk category since origination of the financial instrument as a qualitative indicator of SICR. Based on the results of the monitoring borrowers are classified across different risk categories. In case there are certain weaknesses present, which if materialized may lead to loan repayment problems, borrowers are classified as “watch” category. Although watch borrowers’ financial standing is sufficient to repay obligations, these borrowers are closely monitored and specific actions are undertaken to mitigate potential weaknesses. Once the borrower is classified as “watch” category it is transferred to Stage 2. If any of the SICR indicators described above occur financial instrument is transferred to Stage 2. Financial asset may be moved back to Stage 1, if SICR indicators are no longer observed.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset’s effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Bank monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Bank therefore only recognises the cumulative changes in lifetime expected credit losses.

The Bank has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Bank performs an assessment on an individual basis for the following types of loans: loans with unique credit risk characteristics, individually significant loans. The Bank performs an assessment on a portfolio basis for the following types of loans: retail loans and loans issued to SMEs, when no borrower-specific information is available. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

The Bank also performs an assessment on a portfolio basis for loans issued to corporate customers (standard lending, specialised lending, loans to leasing companies, etc.), interbank loans, retail loans and loans issued to SMEs.

The Bank performs assessments based on external ratings for interbank loans, debt securities issued by banks and certain blue chip corporate customers, and loans issued to sovereigns.

19 Financial Risk Management (Continued)

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Bank defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers from the Credit Risk and Non-Performing Loan Management Department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis. The Bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a Bank have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as wholesale or retail), product type, credit risk rating, date of initial recognition, term to maturity, the quality of collateral and loan to value (LTV) ratio. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of Bankings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future 12-month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument.

The Bank uses different statistical approaches depending on the segment and product type to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data and gradual convergence of long-term PD with the long-term default rate.

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

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

19 Financial Risk Management (Continued)

The Bank calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products. **ECL measurement for financial guarantees and loan commitments.** The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("*ExOff*"). CCF for undrawn credit lines of corporate customers, credit cards issued to individuals and for financial guarantees is defined based on statistical analysis of past exposures at default. CCF for overdrafts is defined as 100% since the limits can be used by the customers at any time.

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

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate unbiased and supportable forward-looking information. The Bank identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Bank's economics team on a quarterly basis and provide the best estimate of the expected macro-economic development. The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank's Risk Department also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking into account the range of possible outcomes of which each chosen scenario is representative. The assessment of SICR is performed using the Lifetime PD under each of the bases and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

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

The Bank regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year.

The results of backtesting the ECL measurement methodology are communicated to Bank Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

19 Financial Risk Management (Continued)

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

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

<i>In thousands of Uzbekistan Soums</i>	31 December 2020		Net position
	Monetary financial assets	Monetary financial liabilities	
UZS	172,667,925	13,855,069	158,812,855
US Dollars	22,006	1,129,350	(1,107,344)
Euros	61,583	-	61,583
Other	283	-	283
Net balance sheet position on financial assets and liabilities	172,751,797	14,984,419	157,767,377

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Bank's gross exposure.

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

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

<i>In thousands of Uzbekistan Soums</i>	At 31 December 2020 Impact on profit or loss
US Dollars strengthening by 10%	(110,734)
US Dollars weakening by 10%	110,734
Euro strengthening by 10%	6,158
Euro weakening by 10%	(6,158)
Other strengthening by 10%	28
Other weakening by 10%	(28)

19 Financial Risk Management (Continued)

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

The table below summarises the 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:

<i>In thousands of Uzbekistan Soums</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2020					
Total financial assets	80,831,070	41,661,800	50,254,113	4,814	172,751,797
Total financial liabilities	1,075,262	485,119	592,573	6,263,975	8,416,929
Net interest sensitivity gap as of 31 December 2020	79,755,808	41,176,681	49,661,540	(6,259,161)	164,334,868

The risk of changes in interest rate arises from the possibility that changes interest rates will effect future cash flows or the fair value of financial instruments. The Bank believes that the impact is insignificant due to the fact that all financial assets and liabilities have fixed interest rates.

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

<i>In thousands of Uzbekistan Soums</i>	Uzbekistan	Total
Assets		
Cash and cash equivalents	80,828,373	80,828,373
Due from other banks	1,386	1,386
Loans and advances to customers, including finance lease receivables	15,051	15,051
Investment in debt securities	91,906,987	91,906,987
Total financial assets	172,751,797	172,751,797
Liabilities		
Due to other banks	1,620	1,620
Customer accounts	1,073,642	1,073,642
Lease liabilities	7,341,667	7,341,667
Total financial liabilities	8,416,929	8,416,929
Net balance sheet position as 31 December 2020	164,334,868	164,334,868

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with Uzbekistan counterparties actually outstanding to/from offshore companies of these Uzbekistan counterparties, are allocated to the caption "Uzbekistan". Cash on hand have been allocated based on the country in which they are physically held.

19 Financial Risk Management (Continued)

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Bank did not have any such significant risk concentrations at 31 December 2020.

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

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and debt securities. The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

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

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 4,137 at 31 December 2020;
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 308,837 at 31 December 2020;
- Net stable funding ratio, which is calculated as the amount of Available Stable Funding (ASF) divided by the amount of Required Stable Funding (RSF) over a one-year horizon. The ratio was 763 at 31 December 2020.

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

The daily liquidity position is monitored and regular liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department.

The table below shows liabilities at 31 December 2020 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Bank expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

19 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2020 is as follows:

<i>In thousands of Uzbekistan Soums</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	80,828,373	-	-	-	80,828,373
Due from other banks	1,386	-	-	-	1,386
Loans and advances to customers, including finance lease receivables	1,311	5,390	3,536	4,814	15,051
Investment in debt securities	-	41,656,410	50,250,577	-	91,906,987
Total financial assets	80,831,070	41,661,800	50,254,113	4,814	172,751,797
Liabilities					
Due to other banks	1,620	-	-	-	1,620
Customer accounts	1,073,642	-	-	-	1,073,642
Other borrowed funds	-	-	-	-	-
Lease liabilities	-	485,119	592,573	6,263,975	7,341,667
Total financial liabilities	1,075,262	485,119	592,573	6,263,975	8,416,929
Net liquidity gap	79,755,808	41,176,681	49,661,540	(6,259,161)	164,334,868
Cumulative liquidity gap as of 31 December 2020	79,755,808	120,932,489	170,594,029	164,334,868	

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

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

The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of the portfolio's realisability.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

20 Management of Capital

In the management of capital, the Bank has the following objectives: compliance with capital requirements established by the CBU and, in particular, the requirements of the deposit insurance system; ensuring the Bank's ability to function as a going concern and maintaining the capital base at the level necessary to ensure the compliance of the capital adequacy ratio with the requirements of the CBU. The compliance with the capital adequacy ratio established by the CBU is monitored monthly according to the forecast and actual data containing the relevant calculations, which are verified and vetted by the Bank's Management.

According to the Regulation on the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 registered by the Ministry of Justice on July 6, 2015 and its supplement, the following requirements are set for banks:

- From January 1, 2019, the minimum level of K1 is set at 13,0%;
- From January 1, 2019, banks are required to ensure a minimum level of K2 of 10,0%, taking into account the capital conservation buffer of 3,0% of risk-weighted assets.

According to the supplement dated October 23, 2017 No. 2693-2, the requirement is set for existing banks to increase the minimum share capital to UZS 100 billion.

As at December 31, 2020, the Bank met the requirements to regulatory capital set by the Regulation of the CBU On the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 (hereinafter referred to as "the CBU Regulation No. 2693") dated July 6, 2017.

The following table provides an analysis of the Bank's regulatory capital calculated based on the CBU Regulation No. 2693 (unaudited).

<i>In thousands of Uzbekistan Soums</i>	31 December 2020
Fully paid shares	221,746,927
Retained earnings	(22,479,922)
Adjusted Tier I capital	199,267,005
Adjusted Tier II capital	-
Adjusted total amount of capital based on risk	199,267,005
The amount of on- and off-balance sheet assets, risk-weighted	61,982,338
Operational risk	-
Market risk	547,503
Adjusted total assets, risk-weighted	62,529,841
<i>Capital adequacy ratios:</i>	
Tier I capital	318,68%
Tier II capital	-

21 Fair Value Disclosures

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

21 Fair Value Disclosures (Continued)

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

Fair values analysed by level in the fair value hierarchy not measured at fair value are as follows:

<i>In thousands of Uzbekistan Soums</i>	31 December 2020			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents				
- Cash balances with the CBU	745,072	-	-	745,072
- Correspondent accounts and overnight placements with other banks	83,301	-	-	83,301
- Placements with other banks with original maturities of less than three months		80,000,000		80,000,000
Due from other banks				
- Mandatory reserve deposit held with CBU against assets impairment	-	1,386	-	1,386
Loans to individuals				
Consumer loans	-	-	15,051	15,051
Investment in debt securities				
Ministry of Finance Treasury Bills	-	61,829,165	-	61,829,165
CBU Bonds	-	30,077,821	-	30,077,821
TOTAL	828,373	171,908,372	15,051	172,751,797

<i>In thousands of Uzbekistan Soums</i>	31 December 2020			Total
	Level 1	Level 2	Level 3	
Due to other banks				
- Short term placements of other domestic banks	-	1,620	-	1,620
Customer accounts				
- Current/demand accounts of individuals	-	1,073,642	-	1,073,642
Other financial liabilities				
- Lease liabilities	-	-	7,341,667	7,341,667
TOTAL	-	1,075,262	7,341,667	8,416,929

22 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

All of the Bank's financial assets fell in the financial assets carried at AC measurement category except for financial derivatives. All of the Bank's financial liabilities except for derivatives were carried at AC. Derivatives belonged to the FVTPL measurement category.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2020:

<i>In thousands of Uzbekistan Soums</i>	Amortised Cost
31 December 2020	
Investment in debt securities	91,906,986
Cash and cash equivalents	80,828,373
Loans and advances to customers including finance lease receivable	15,051
Due from other banks	1,386
Total financial assets at 31 December 2020	172,751,797

23 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The number of key management at 31 December 2020 was 6.

At 31 December 2020, the outstanding balances with related parties were as follows:

<i>In thousands of Uzbekistan Soums</i>	Key management personnel
Customer accounts (contractual interest rate - 0-17%)	7,368

The table below shows expenses with related parties and for the period:

<i>In thousands of Uzbekistan Soums</i>	Key management personnel
Salaries	10,249,805
Social security contributions	1,229,977
Interest expense	3

24 Events after the End of the Reporting Period

In the first quarter of 2021, the Bank signed a Framework License and Service Memorandum with JSC Space International (affiliated party) on the provision of front-end application software, including license, service level support and works on the customization, improvement and further development in the preliminary amount of USD 2,2 million for 2021.