



IPOTEKA BANK

**JOINT-STOCK COMMERCIAL
MORTGAGE BANK "IPOTEKA BANK"
AND ITS SUBSIDIARIES**

Interim Condensed Consolidated
Financial Information for the six months
ended 30 June 2022

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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Joint Stock Commercial Mortgage Bank "Ipoteka Bank" and its subsidiaries

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2022 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of JSCMB "Ipoteka bank" ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2022, the results of its operations, changes in equity and cash flows for the six months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Uzbekistan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 was authorized for issue by the Management Board on 25 October 2022.

On behalf of the Management Board:

Elyor Inomjonov
Chairman of the Board

25 October 2022
Tashkent, Uzbekistan



Elyor Normetov
Chief Accountant

25 October 2022
Tashkent, Uzbekistan



Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

To the Shareholders and Supervisory Board of Joint Stock Commercial Mortgage Bank "Ipoteka Bank"

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Joint Stock Commercial Mortgage Bank "Ipoteka Bank" (the "Bank") and its subsidiaries (the "Group") as at 30 June 2022, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information (the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Reviewed entity: Joint Stock Commercial Mortgage Bank "Ipoteka-bank"

Registered by the Central Bank of Uzbekistan on 21.10.2017 #28/33.

Tashkent, the Republic of Uzbekistan.

Independent auditor: AO "KPMG Audit" LLC, a company incorporated under the Laws of the Republic of Uzbekistan, a member of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration No. in the United State Register of Legal Entities 0111887-10



Joint Stock Commercial Mortgage Bank "Ipoteka-bank"

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information as at 30 June 2022 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*

Saidov S.K.
Engagement Director
General Director of
Audit organization "KPMG Audit" LLC

Qualification certificate of bank auditor
#16/3 dated 1 February 2020, issued by the
Central Bank of the Republic of Uzbekistan.

25 October 2022



Kuznetsov A.A.
Engagement Partner


Audit organization "KPMG Audit"
LLC Tashkent, the Republic of
Uzbekistan.

Joint Stock Commercial Mortgage Bank "Ipoteka Bank" and its subsidiaries
Interim Condensed Consolidated Statement of Financial Position as at 30 June 2022 (unaudited)

	Notes	30 June 2022 (unaudited)	31 December 2021
<i>In millions of Uzbekistan Soums</i>			
ASSETS			
Cash and cash equivalents	7	3,403,374	7,229,674
Due from other banks	8	1,808,062	2,031,514
Loans and advances to customers	9	29,757,807	29,263,226
Debt securities at amortized cost	10	3,483,752	1,095,081
Financial assets at fair value through other comprehensive income		2,179	4,308
Investment in associates		24,900	22,907
Premises, equipment and intangible assets	11	312,767	325,586
Current income tax prepayment		60,804	25,666
Deferred tax asset		50,736	34,292
Other financial assets	12	28,292	21,385
Other non-financial assets	13	234,556	110,677
TOTAL ASSETS		39,167,229	40,164,316
LIABILITIES			
Customer accounts	14	10,812,754	13,632,275
Debt securities in issue	15	4,067,373	4,057,179
Borrowings from government, state and international financial institutions	16	18,197,282	16,947,048
Subordinated debt		425,905	425,905
Other financial liabilities	17	2,356	13,306
Other non-financial liabilities	17	174,496	161,559
TOTAL LIABILITIES		33,680,166	35,237,272
EQUITY			
Share capital		2,990,570	2,990,570
Retained earnings		2,496,531	1,936,488
Revaluation reserve of financial assets at fair value through other comprehensive income		(38)	(14)
Net assets attributable to the Bank's owners		5,487,063	4,927,044
TOTAL EQUITY		5,487,063	4,927,044
TOTAL LIABILITIES AND EQUITY		39,167,229	40,164,316

Approved for issue and signed on behalf of the Management Board on 25 October 2022.




Elyor Normetov
Chairman of the Board



Elyor Normetov
Chief Accountant

Joint Stock Commercial Mortgage Bank "Ipoteka Bank" and its subsidiaries
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the
six months ended 30 June 2022 (unaudited)

<i>In millions of Uzbekistan Soums</i>	Notes	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
Interest income calculated using the effective interest rate	18	2,125,428	1,589,520
Other interest income	18	16,244	28,742
Interest expense	18	(984,033)	(731,126)
Net interest income before charge for expected credit losses		1,157,639	887,136
Charge for credit losses on loans and advances to customers		(206,162)	(215,855)
Net interest income		951,477	671,281
Fee and commission income	19	165,237	152,554
Fee and commission expense	19	(37,902)	(34,203)
Net gain from trading in foreign currencies		60,610	20,068
Net (loss)/gain from foreign exchange translation		(17,621)	2,760
Net effect of initial recognition of financial instruments at fair value		(468)	11,518
Loans and advances to customers		(468)	-
Borrowings from government, state and international financial institutions		-	11,518
Impairment charge on other financial assets and contingencies		(5,354)	(28,496)
Other operating income	20	54,129	82,718
Administrative and other operating expenses	21	(452,575)	(377,726)
Share of profit of associates		1,993	972
Profit before tax		719,526	501,446
Income tax expense	22	(159,483)	(97,194)
NET PROFIT FOR THE PERIOD		560,043	404,252
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Fair value adjustment on financial assets at fair value through other comprehensive income		(30)	(126)
Tax effect	22	6	25
Total other comprehensive loss for the period		(24)	(101)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		560,019	404,151

Approved for issue and signed on behalf of the Management Board on 25 October 2022.


Elyor Normetov
 Chairman of the Board




Elyor Normetov
 Chief Accountant

Joint Stock Commercial Mortgage Bank “Ipoteka Bank” and its subsidiaries
Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2022 (unaudited)

<i>In millions of Uzbekistan Soums</i>	Share capital	Share capital reserve	Retained earnings	Revaluation reserve of financial assets at fair value through other comprehensive income	Total equity
1 January 2021	2,868,205	122,359	1,049,707	35	4,040,306
Net profit for the period (unaudited)	-	-	404,252	-	404,252
Other comprehensive income for the period (unaudited)	-	-	-	(101)	(101)
Total comprehensive income for the period (unaudited)	-	-	404,252	(101)	404,151
Share subscription deposit - ordinary shares (unaudited)	-	6	-	-	6
30 June 2021 (unaudited)	2,868,205	122,365	1,453,959	(66)	4,444,463

Joint Stock Commercial Mortgage Bank "Ipoteka Bank" and its subsidiaries
Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2022 (unaudited)

	Attributable to owners of the Bank			Total equity
	Share capital	Retained earnings	Revaluation reserve of financial assets at fair value through other comprehensive income	
<i>In millions of Uzbekistan Soms</i>				
1 January 2022	2,990,570	1,936,488	(14)	4,927,044
Net profit for the period (unaudited)	-	560,043	-	560,043
Other comprehensive income for the period (unaudited)	-	-	(24)	(24)
Total comprehensive income for the period (unaudited)	-	560,043	(24)	560,019
30 June 2022 (unaudited)	2,990,570	2,496,531	(38)	5,487,063

Approved for issue and signed on behalf of the Management Board on 15 October 2022.



Elyor Inomilov
Chairman of the Board

Elyor Normetov
Chief Accountant

Joint Stock Commercial Mortgage Bank "Ipoteka Bank"

Interim Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2022 (unaudited)

<i>In millions of Uzbekistan Soums</i>	Notes	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
Cash flows from operating activities			
Interest received		2,031,936	1,483,539
Interest paid		(973,803)	(719,154)
Fees and commissions received		171,309	135,619
Fees and commissions paid		(37,902)	(34,203)
Insurance operations income received		16,313	31,224
Insurance operations expense paid		(10,222)	(10,128)
Income received from trading in foreign currencies		60,610	20,068
Other operating income received		37,718	50,301
Staff costs paid		(335,696)	(284,527)
Administrative and other operating expenses paid		(58,661)	(64,574)
Income tax paid		(211,059)	(98,373)
Cash flows from operating activities before changes in operating assets and liabilities		690,543	509,792
Net decrease / (increase) in due from other banks		218,022	(993,765)
Net increase in loans and advances to customers		(841,589)	(2,038,228)
Net (increase) / decrease in other financial assets		(157)	60
Net increase in other non-financial assets		(6,619)	(27,220)
Net decrease in due to other banks		-	(113,395)
Net (decrease) / increase in customer accounts		(2,798,163)	221,232
Net decrease in other financial liabilities		(10,950)	(10,402)
Net (decrease) / increase in other non-financial liabilities		(1,027)	26,447
Net cash used in operating activities		(2,749,940)	(2,425,479)
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(20,903)	(38,375)
Proceeds from disposal of premises, equipment and intangible assets		2,135	1,966
Sale of financial assets at fair value through other comprehensive income		2,099	-
Purchase of debt securities at amortized cost		(5,380,729)	(924,850)
Proceeds from debt securities at amortized cost		2,992,073	775,510
Net cash used in investing activities		(2,405,325)	(185,749)
Cash flows from financing activities			
Proceeds from borrowings from government, state and international financial institutions		3,833,163	2,024,851
Repayment of borrowings from government, state and international financial institutions		(2,466,945)	(1,615,611)
Proceeds from issue of debt securities		-	846,657
Repayment of debt securities in issue		(1,451)	-
Net cash from financing activities		1,364,767	1,255,897
Effect of exchange rate changes on cash and cash equivalents		(35,802)	(2,122)
Net increase in cash and cash equivalents		(3,826,300)	(1,357,453)
Cash and cash equivalents at the beginning of the year before allowance for expected credit losses	7	7,229,900	5,147,641
Change in allowance for expected credit losses		(156)	(37)
Cash and cash equivalents at the end of the period before allowance for expected credit losses	7	3,403,444	3,790,151

Approved for issue and signed on behalf of the Management Board on 25 October 2022

Elyor Inomjonov
Chairman of the Board



Elyor Normetov
Chief Accountant

Joint Stock Commercial Mortgage Bank “Ipoteka Bank” and its subsidiaries
Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2022 (unaudited)

1. Introduction

The Bank is a Joint Stock Company limited by shares and was set up in accordance with the regulations of the Republic of Uzbekistan (“Uzbekistan”).

The Bank operates in Uzbekistan and was founded by the Decree of the President of the Republic of Uzbekistan #PP-10 dated 16 February 2005. The Bank was established by merging two banks – State Joint Stock Housing Savings Bank “Uzjilsberbank” and State Joint Stock Mortgage Bank “Zamin”. The Bank is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under the banking license #74 reissued by the Central bank of Uzbekistan (the “CBU”) on 21 October 2017.

Principal activity. The Bank’s principal activity is commercial banking and retail banking, operations with securities, foreign currencies and trade financing. The Bank accepts deposits from legal entities and individuals and makes loans, transfers payments in Uzbekistan and abroad. The Bank conducts its banking operations from its head office in Tashkent and 39 branches within Uzbekistan as at 30 June 2022 (unaudited) (31 December 2021: 39 branches). As at 30 June 2022 (unaudited) and 31 December 2021, the number of employees of the Bank was 4,039 and 4,003, respectively.

The Bank participates in the state deposit insurance scheme introduced by the Uzbek Law #360-II “Insurance of Individual Bank Deposits” 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.

Registered address and place of business. The Bank’s registered address is: Shahrizabz Street 30, Tashkent, 100000, Uzbekistan.

Presentation currency. This interim condensed consolidated financial information is presented in millions of Uzbekistan Soums (“UZS millions”).

Shareholders. As at 30 June 2022 and 31 December 2021, the interest of the shareholders in the Bank’s share capital was as follows:

	30 June 2022 (unaudited)	31 December 2021
Ministry of Finance of the Republic of Uzbekistan	96.9%	93.7%
Uzneftmahsulot JSC	-	2.5%
Others (individually less than 5%)	3.1%	3.8%
Total	100%	100%

Subsidiaries and associates. During the six months ended 30 June 2022 (unaudited), the composition and ownership share in the Bank's subsidiaries and associates remained unchanged.

The subsidiaries controlled by the Group are consolidated in this condensed consolidated financial information and associates are accounted for using the equity method.

2. Operating Environment of the Group

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

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

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

Management of the Group is monitoring developments in the current environment and taking measures, it considered necessary to support the sustainability and development of the Group's business in the foreseeable future.

In the last few months, following the special military operation undertaken by the Russian Federation in Ukraine, the United States of America, the European Union, and some other countries have imposed additional tough sanctions against the Government of the Russian Federation, as well as large financial institutions and other enterprises and individuals in Russia. The events had an impact on the financial market of Uzbekistan.

The interest rate of the Central Bank of the Republic of Uzbekistan was raised to 17% in March 2022, however, as of June 30, 2022, it decreased to 16%, as of the date of the report's release, it decreased to 15%.

Until 2022, the Bank had substantial deposits in banks of the Russian Federation; and as of 30.06.2022, the Bank managed to withdraw most of the funds from banks of the Russian Federation. The outstanding balances amounted to 21.3 billion Uzbek soums, or 1.4% of all interbank deposits placed.

3. Summary of Significant Accounting Policies

Basis of preparation. The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

In preparing this interim condensed consolidated financial information, the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2021.

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021 prepared in accordance with IFRS.

The Group is required to maintain its records and prepare its financial information for regulatory purposes in Uzbekistan Soums in accordance with Uzbekistan Accounting Legislation and related instructions ("UAL"). This interim condensed consolidated financial information is based on the Group's UAL books and records, adjusted and reclassified in order to comply with IFRS.

Exchange rates for the currencies in which the Bank transacts were as follows:

Closing exchange rates – [UZS]	30 June 2022	31 December 2021
1 USD	10,860.25	10,837.66
1 EUR	11,414.12	12,224.88
Average exchange rates for the period ended 30 June - [UZS]	2022	2021
1 USD	11,032.83	10,524.48
1 EUR	12,078.03	12,692.93

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2021 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2021.

5. Adoption of New or Revised Standards and Interpretations and New Accounting Pronouncements

New Standards And Interpretations Not Yet Adopted

A number of new standards effective for annual periods beginning on 1 January 2022 and did not have a significant impact on the Group's consolidated financial statements.

None of new standards effective for annual periods beginning after 1 January 2023 are expected to have a significant impact on the Group's consolidated financial statements.

6. Provisions for Expected Credit Losses

The following table illustrates the movement in provisions for expected credit losses on loans and advances to customers and for other financial assets and contingencies for the six months ended 30 June 2022:

	Loans and advances to customers (Note 9)				Cash and cash equivalents (Note 7)	Due from other banks (Note 8)			Guarantees (Note 17, 26)	Other financial assets (Note 12)	Debt securities at amortized cost (Note 10)	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 1	Stage 3	Total	Stage 1	Stage 3	Stage 1	Total
1 January 2022	434,219	309,132	984,161	1,727,512	226	10,357	21,675	32,032	5,271	13,399	2,775	1,781,215
Transfer to stage 1	211,680	(132,467)	(79,213)	-	-	-	-	-	-	-	-	-
Transfer to stage 2	(31,212)	163,214	(132,002)	-	-	-	-	-	-	-	-	-
Transfer to stage 3	(9,222)	(60,191)	69,413	-	-	-	-	-	-	-	-	-
New originations	101,158	-	-	101,158	6	30	-	30	-	-	1,292	106,915
Transfer of new originations**	(31,092)	24,515	6,577	-	-	-	-	-	-	-	-	-
Derecognition of financial assets	(26,005)	(15,423)	(104,626)	(146,054)	(87)	(500)	-	(500)	-	(12,979)	(80)	(164,129)
Other changes*	(223,215)	38,289	435,984	251,058	(74)	(2,146)	21,270	19,124	11	-	(1,389)	268,730
Bad debt written off	-	-	(89,963)	(89,963)	-	-	-	-	-	-	-	(89,963)
Unwinding of discount on present value of ECL	-	-	57,529	57,529	-	-	-	-	-	-	-	57,529
Currency translation difference	(727)	(317)	(1,323)	(2,367)	(1)	(49)	45	(4)	-	-	-	(2,372)
30 June 2022 (unaudited)	425,584	326,752	1,146,537	1,898,873	70	7,692	42,990	50,682	5,282	420	2,598	1,957,925
Total				1,898,873	70			50,682	5,282	420	2,598	1,957,925

*“Other changes” are attributable to changes in parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages.

** “Transfer of new originations” reflects the transfers of ECL on new loans originated during the reporting period from Stage 1 to other stages. The information on transfers above reflects the migration of loans from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the loans could be assigned to throughout the reporting period.

The following table illustrates the movement in provisions for expected credit losses on loans and advances to customers and for other financial assets and contingencies for the six months ended 30 June 2021:

	Loans and advances to customers (Note 9)				Cash and cash equivalents (Note 7)	Due from other banks (Note 8)			Guarantees (Note 17, 26)	Other financial assets (Note 12)	Debt securities at amortized cost (Note 10)	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 1	Stage 3	Total	Stage 1	Stage 3	Stage 1	Total
1 January 2021	354,548	323,866	525,565	1,203,979	140	10,026	-		5,085	1,468	3,058	1,223,756
Transfer to stage 1	235,467	(151,008)	(84,459)	-	-	-	-	-	-	-	-	-
Transfer to stage 2	(32,228)	127,669	(95,441)	-	-	-	-	-	-	-	-	-
Transfer to stage 3	(10,829)	(45,446)	56,275	-	-	(12)	12	-	-	-	-	-
New originations	112,279	-	-	112,279	18	1,224	-	1,224	-	2,764	-	116,285
Transfer of new originations**	(39,210)	13,613	25,597	-	-	-	-	-	-	-	-	-
Derecognition of financial assets	(16,585)	(11,056)	(23,010)	(50,651)	-	(601)	-	(601)	-	-	(1,336)	(52,588)
Other changes*	(257,780)	79,750	332,257	154,227	(55)	5,221	21,199	26,420	62	-	-	180,654
Bad debt written off	-	-	(32,256)	(32,256)	-	-	-	-	-	-	-	(32,256)
Unwinding of discount on present value of ECL	-	-	117,761	117,761	-	-	-	-	-	-	-	117,761
Currency translation difference	845	45	764	1,654	-	181	-	181	-	-	-	1,835
30 June 2021 (unaudited)	346,507	337,433	823,053	1,506,993	103	16,039	21,211	37,250	5,147	4,232	1,722	1,555,447
Total				1,506,993	103			37,250	5,147	4,232	1,722	1,555,447

*"Other changes" are attributable to changes in parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages.

** "Transfer of new originations" reflects the transfers of ECL on new loans originated during the reporting period from Stage 1 to other stages. The information on transfers above reflects the migration of loans from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the loans could be assigned to throughout the reporting period.

7. Cash and Cash Equivalents

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Cash on hand	675,268	673,305
Cash balances with the CBU (other than mandatory reserve deposits)	1,208,806	3,184,481
Correspondent accounts and overnight placements with other banks	1,519,370	3,370,973
Placements with other banks with original maturities of less than three months	-	1,141
Less – Allowance for expected credit losses (Note 6)	(70)	(226)
Total cash and cash equivalents	3,403,374	7,229,674

As at 30 June 2022 and 31 December 2021, cash and cash equivalents include deposits placed with State owned banks in the amount of UZS 624,462 million and UZS 25,117 million, respectively.

As at 30 June 2022, the Group had 2 counterparties (excluding the CBU), whose balances individually exceeded 10% of total cash and cash equivalents (31 December 2021: 3 counterparties). The gross value of these balances as at 30 June 2022 was UZS 1,180,571 million (31 December 2021: UZS 2,737,378 million).

The credit quality of cash and cash equivalents, excluding cash on hand, as at 30 June 2022 (unaudited) and 31 December 2021 is summarized below:

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
<i>Neither past due nor impaired</i>		
- Central Bank of Uzbekistan	1,208,805	3,184,482
from Aa2 to Aa3	658,106	971,575
from A1 to A3	93,671	1,197,641
from Baa1 to Baa3	28,235	1,167,655
from Ba1 to Ba3	606,321	34,635
from B to B3	133,038	607
Less – Allowance for expected credit losses (Note 6)	(70)	(226)
Total cash and cash equivalents, excluding cash on hand	2,728,106	6,556,369

8. Due from Other Banks

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Long term placements with other banks	1,066,401	1,844,482
Short term placements with other banks with original maturities of more than three months	645,490	102,364
Mandatory reserve deposit held with the CBU	146,853	116,700
Less – Allowance for expected credit losses (Note 6)	(50,682)	(32,032)
Total due from other banks	1,808,062	2,031,514

As at 30 June 2022, long term placements with other banks include long term loans provided to other local banks in the amount of UZS 42,526 million (31 December 2021: UZS 97,185 million;) which were funded from UFRD according to the PD# 4231 dated 7 March 2019 (Purpose: Development of family entrepreneurship in regions). These loans were provided at 5% interest rate until March 2026.

As at 30 June 2022 and 31 December 2021, due from other banks include deposits placed with State owned banks in the amount of UZS 870,260 million and UZS 902,531 million, respectively.

Credit ratings are based on the ratings from Fitch, Moody's and S&P.

As at 30 June 2022 the gross amount of Stage 1 due from other banks was UZS 1,815,729 million (31 December 2021: UZS 2,041,590 million) and Stage 3 was UZS 21,720 million that represented one bank for which 100% ECL was created (31 December 2021: UZS 21,956 million). In addition, as at 30 June 2022, full provision of UZS 21,270 million was created in Stage 3 for deposits held at Russian banks. As of 30 June 2022, the rating organizations Fitch, Moody's and S&P had stopped rating Russian banks.

As at 30 June 2022, the Group had 2 counterparties (excluding the CBU), whose balances individually exceeded 10% of total due from other banks (31 December 2021: 2 counterparties). The gross values of these balances as at 30 June 2022 were UZS 1,074,974 million (31 December 2021: UZS 1,191,706 million).

Amounts due from other banks are not collateralised. The analysis by credit quality of amounts due from other is as follows:

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
<i>Neither past due nor impaired</i>		
CBU	146,853	116,700
from A1 to A3	642,157	795,114
from Ba1 to Ba3	799,200	757,160
from B to B3	223,294	360,326
- Unrated	3,944	12,290
<i>Past due and impaired</i>		
- Unrated	43,296	21,956
Less – Allowance for expected credit losses (Note 6)	(50,682)	(32,032)
Total due from other banks	1,808,062	2,031,514

Geographical analyses of due from other banks are disclosed in Note 24.

9. Loans and Advances to Customers

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Residential mortgage loans	11,880,784	11,101,048
Small business loans	8,915,798	8,838,756
Corporate loans	8,129,040	8,027,469
Consumer loans	2,731,058	3,023,464
Total loans and advances to customers before allowance for expected credit losses	31,656,680	30,990,737
Less – Allowance for expected credit losses (Note 6)	(1,898,873)	(1,727,511)
Total loans and advances to customers	29,757,807	29,263,226

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)			
Stages	1	2	3	Total
Residential mortgage loans	10,552,995	1,045,100	282,689	11,880,784
Small business loans	5,643,901	1,446,351	1,825,546	8,915,798
Corporate loans	6,965,155	842,406	321,479	8,129,040
Consumer loans	2,561,902	53,734	115,422	2,731,058
Total loans and advances to customers, gross	25,723,953	3,387,591	2,545,136	31,656,680
Less – Allowance for expected credit losses (Note 6)	(425,584)	(326,752)	(1,146,537)	(1,898,873)
Total loans and advances to customers	25,298,369	3,060,839	1,398,599	29,757,807

<i>In millions of Uzbekistan Soums</i>	31 December 2021			
Stages	1	2	3	Total
Residential mortgage loans	9,794,997	987,897	318,154	11,101,048
Small business loans	5,810,496	1,406,983	1,621,276	8,838,755
Corporate loans	7,421,474	459,300	146,696	8,027,470
Consumer loans	2,814,654	68,903	139,907	3,023,464
Total loans and advances to customers, gross	25,841,621	2,923,083	2,226,033	30,990,737
Less: Allowance for expected credit losses (Note 6)	(434,219)	(309,132)	(984,160)	(1,727,511)
Total loans and advances to customers	25,407,402	2,613,951	1,241,873	29,263,226

As at 30 June 2022 and 31 December 2021, loans and advances to customers include loans provided to State owned enterprises in the amount of UZS 3,138,460 million and UZS 3,421,610 million, respectively.

The tables below show breakdown of loans and advances to customers by stages:

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Stage 1	25,723,953	25,841,621
Stage 2	3,387,591	2,923,083
Stage 3	2,545,136	2,226,033
Total loans and advances to customers before allowance for expected credit losses	31,656,680	30,990,737
Less – Allowance for expected credit losses (Note 6)	(1,898,873)	(1,727,511)
Total loans and advances to customers	29,757,807	29,263,226

The tables below analyse information about the significant changes in the gross carrying amount of loans and advances to customers during the year:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	25,841,621	2,923,083	2,226,033	30,990,737
Transfer to stage 1	1,226,361	(1,000,374)	(225,987)	-
Transfer to stage 2	(1,828,442)	2,133,283	(304,841)	-
Transfer to stage 3	(527,512)	(787,656)	1,315,168	-
New financial assets originated or purchased	5,237,765	-	-	5,237,765
Transfer of new originations*	(581,031)	510,003	71,028	-
Derecognition of financial assets	(1,893,459)	(268,220)	(195,097)	(2,356,776)
Unwinding of discount on present value of ECL	-	-	57,529	57,529
Changes in EAD**	(1,653,585)	(91,070)	(309,995)	(2,054,650)
Write off of bad debt	-	-	(89,963)	(89,963)
Currency translation difference	(97,765)	(31,458)	1,261	(127,962)
Gross carrying amount as at 30 June 2022 (unaudited)	25,723,953	3,387,591	2,545,136	31,656,680

Loans and advances to customers

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	19,927,497	4,116,393	1,505,310	25,549,200
Transfer to stage 1	2,505,165	(2,288,089)	(217,076)	-
Transfer to stage 2	(1,632,282)	1,893,988	(261,706)	-
Transfer to stage 3	(643,509)	(566,632)	1,210,141	-
New financial assets originated or purchased	4,991,256	-	-	4,991,256
Transfer of new originations*	(332,574)	259,505	73,069	-
Derecognition of financial assets	(1,018,073)	(187,884)	(54,099)	(1,260,056)
Unwinding of discount on present value of ECL	-	-	187,803	187,803
Changes in EAD***	(1,889,732)	(307,594)	(295,801)	(2,493,127)
Bad debt written off	-	-	(32,256)	(32,256)
Currency translation difference	539,169	156,815	34,007	729,991
Gross carrying amount as at 30 June 2021 (unaudited)	22,446,917	3,076,502	2,149,392	27,672,811

* "Transfer of new originations" reflects the transfers of new loans originated during the reporting period from Stage 1 to other stages.

*** Changes in EAD shows partial repayments of loans and advances to customers.

The information on transfers above reflects the migration of loans from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the loans could be assigned to throughout the reporting period.

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

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)		31 December 2021	
	amount	%	amount	%
Manufacturing	10,108,828	31.93	9,467,937	30.55
Individuals	14,611,842	46.16	14,124,512	45.58
Construction	1,869,216	5.90	2,061,326	6.65
Trade and services	2,680,151	8.47	2,665,499	8.60
Agriculture	1,857,205	5.87	1,961,390	6.33
Municipal services	155,831	0.49	330,767	1.07
Transport and communication	321,597	1.02	321,124	1.04
Oil & Gas	25,712	0.08	26,047	0.08
Other	26,298	0.08	32,135	0.10
Total loans and advances to customers before provision for expected credit losses	31,656,680	100	30,990,737	100

As at 30 June 2022 (unaudited), the Group had top 10 borrowers (31 December 2021: top 10 borrowers) with the aggregate loan balance of UZS 5,812,578 million (31 December 2021: UZS 5,165,304 million) or 19% (31 December 2021: 17%) of total loans and advances to customers. Of these amounts State owned enterprises constituted UZS 2,858,608 million as at 30 June 2022 and UZS 3,013,293 million as at 31 December 2021.

Information about collateral at 30 June 2022 (unaudited) was as follows:

<i>In millions of Uzbekistan Soums</i>	Corporate loans	Residential mortgage loans	Small business loans	Consumer loans	Total
Loans collateralized by:					
-real estate	3,307,093	11,854,508	6,497,419	1,007	21,660,027
-insurance	738,159	24,070	392,703	1,153,041	2,307,973
-letters of surety	658,036	1,840	742,875	755,245	2,157,996
-vehicles	249,876	280	566,339	806,407	1,622,902
-cash deposit	1,434,725	-	341	15,355	1,450,421
-state guarantee	1,138,759	-	-	-	1,138,759
-equipment and inventory	395,770	86	662,305	-	1,058,161
-other assets	204,329	-	41,364	3	245,696
-future cash flow	2,293	-	12,452	-	14,745
Total loans and advances to customers before provision for expected credit losses	8,129,040	11,880,784	8,915,798	2,731,058	31,656,680

Information about collateral at 31 December 2021 was as follows:

<i>In millions of Uzbekistan Soums</i>	Corporate loans	Residential mortgage loans	Small business loans	Consumer loans	Total
Unsecured loans	-	-	-	55	55
Loans collateralized by:					
-real estate	3,174,180	11,093,942	6,210,173	501	20,478,796
-letters of surety	694,455	1,489	704,509	1,016,381	2,416,834
-insurance	378,113	5,386	472,596	1,316,654	2,172,749
-vehicles	175,347	142	631,195	672,591	1,479,275
-cash deposit	1,402,703	-	2,523	17,164	1,422,390
-state guarantee	1,395,949	-	-	-	1,395,949
-equipment and inventory	530,614	89	765,909	114	1,296,726
-other assets	216,623	-	40,220	4	256,847
-future cash flow	59,485	-	11,631	-	71,116
Total loans and advances to customers before provision for expected credit losses	8,027,469	11,101,048	8,838,756	3,023,464	30,990,737

The amounts disclosed in the tables above represent the outstanding balances of loans and not the fair value of the collateral held against such loans.

As at 30 June 2022 (unaudited) and 31 December 2021, guarantees and sureties were obtained only from companies and organizations operating in Uzbekistan.

Information about collateral breakdown for only stage 3 loans at net book value at 30 June 2022 (unaudited) and 31 December 2021 were as follows:

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
	amount	amount
Unsecured loans	-	55
Loans collateralised by:		
-real estate	1,058,409	863,590
-vehicles	123,512	94,306
-letters of surety	106,972	139,836
-equipment and inventory	43,886	77,692
-insurance	32,289	49,157
-cash deposit	26,174	5,918
-future cashflow	6,957	11,319
-other assets	403	-
Total loans collateralised	1,398,602	1,241,873

Amounts shown in the table above represent fair value of collateral except for letters of surety, for which no fair value can be estimated.

Analysis by credit quality of loans outstanding at 30 June 2022 (unaudited) is as follows:

<i>In millions of Uzbekistan Soums</i>	Corporate loans	Residential mortgage loans	Small business loans	Consumer loans	Total
Not past due loans	7,596,398	11,089,487	6,459,972	2,590,986	27,736,843
- Loans and advances - Standard*	6,749,205	11,080,470	6,196,232	2,588,129	26,614,036
- Loans and advances - Sub-standard*	847,193	9,017	263,740	2,857	1,122,807
Total not past due loans	7,596,398	11,089,487	6,459,972	2,590,986	27,736,843
<i>Past due loans</i>					
- less than 30 days overdue	131,766	240,822	686,056	4,146	1,062,790
- 31 to 90 days overdue	135,509	335,704	661,984	35,846	1,169,043
- 91 to 180 days overdue	28,804	99,614	273,218	69,298	470,934
- 181 to 360 days overdue	1,309	65,931	529,371	27,730	624,341
- more than 360 days overdue	-	49,226	241,197	3,052	293,475
Total past due loans	297,388	791,297	2,391,826	140,072	3,620,583
<i>Loans individually determined to be impaired (gross)</i>					
- less than 30 days overdue	235,254	-	-	-	235,254
- 91 to 180 days overdue	-	-	64,000	-	64,000
Total individually impaired loans (gross)	235,254	-	64,000	-	299,254
- Impairment provisions for individually impaired loans	(59,741)	-	(28,718)	-	(88,459)
- Impairment provisions assessed on portfolio basis	(133,522)	(589,359)	(964,693)	(122,840)	(1,810,414)
Less allowance for expected credit losses	(193,263)	(589,359)	(993,411)	(122,840)	(1,898,873)
Total loans and advances to customers	7,935,777	11,291,425	7,922,387	2,608,218	29,757,807

*Note: Standard and sub-standard loans have been shown net of past due loans.

Analysis by credit quality of loans outstanding at 31 December 2021 is as follows:

<i>In millions of Uzbekistan Soums</i>	Corporate loans	Residential mortgage loans	Small business loans	Consumer loans	Total
Not past due loans	7,685,802	10,196,059	6,468,709	2,848,615	27,199,185
- Loans and advances - Standard*	7,672,015	10,160,008	6,330,458	2,846,877	27,009,358
- Loans and advances - Sub-standard*	13,787	36,051	138,251	1,738	189,827
Total not past due loans	7,685,802	10,196,059	6,468,709	2,848,615	27,199,185
<i>Past due loans</i>					
- less than 30 days overdue	3,270	516,413	474,445	72,119	1,066,247
- 31 to 90 days overdue	258,498	214,070	812,201	48,691	1,333,460
- 91 to 180 days overdue	14,891	77,562	435,514	14,850	542,817
- 181 to 360 days overdue	9,488	64,227	381,684	14,440	469,839
- more than 360 days overdue	9,252	32,717	266,203	24,749	332,921
Total past due loans	295,399	904,989	2,370,047	174,849	3,745,284
<i>Loans individually determined to be impaired (gross)</i>					
- less than 30 days overdue	38,971	-	-	-	38,971
- 91 to 180 days overdue	7,297	-	-	-	7,297
Total individually impaired loans (gross)	46,268	-	-	-	46,268
- Impairment provisions for individually impaired loans	(17,024)	-	-	-	(17,024)
- Impairment provisions assessed on portfolio basis	(124,352)	(596,870)	(844,908)	(144,357)	(1,710,487)
Less allowance for expected credit losses	(141,376)	(596,870)	(844,908)	(144,357)	(1,727,511)
Total loans and advances to customers	7,886,093	10,504,178	7,993,848	2,879,107	29,263,226

*Note: Standard and sub-standard loans have been shown net of past due loans.

10. Debt Securities at Amortized Cost

<i>In millions of Uzbekistan Soums</i>	%	Maturity	30 June 2022 (unaudited)	31 December 2021
Government bonds of the Ministry of Finance of the Republic of Uzbekistan	10-19%	June, 2023	130,617	157,361
Bonds of the Central bank of Uzbekistan	19%	September, 2022	3,355,733	940,495
Less - Provision for expected credit losses (Note 6)			(2,598)	(2,775)
Total debt securities at amortized cost			3,483,752	1,095,081

11. Premises, equipment, and intangible assets

As at 30 June 2022, premises, equipment, and intangible assets amounted to UZS 312,767 million UZS (31 December 2021: UZS 325,586 million) and the book value of premises, equipment, and intangible assets increased mainly due to:

- Purchase of electronic queue management systems amounting to UZS 1,267 million;
- Purchase of the automatic teller machines amounting to UZS 2,797 million;
- Purchase of server equipment amounting to UZS 5,964 million.

12. Other Financial Assets

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Commission and other receivable	28,712	34,784
Less – Allowance for expected credit losses (Note 6)	(420)	(13,399)
Total other financial assets	28,292	21,385

13. Other Non-Financial Assets

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Assets held for sale	169,572	56,133
Prepayments	30,275	25,505
Assets for finance lease	16,903	13,472
Prepayments for equipment for leasing	6,923	-
Inventories	5,723	5,455
Insurance assets	1,303	979
Prepayment for intangible assets	184	6,982
Other	3,673	2,151
Total other non-financial assets	234,556	110,677

Assets held for sale are mainly consist of real estate (buildings and land) in the following regions of the Republic of Uzbekistan: Tashkent, Kokand, Andijan and Samarkand.

14. Customer Accounts

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
State and public organisations		
- Current/settlement accounts	2,658,918	5,242,300
- Term deposits	3,369,104	3,498,271
Other legal entities		
- Current/settlement accounts	1,683,452	1,731,658
- Term deposits	567,601	802,031
Individuals		
- Current/settlement accounts	1,109,746	1,172,643
- Term deposits	1,423,932	1,185,372
Total customer accounts	10,812,754	13,632,275

As at 30 June 2022, the Group had top 10 customers with outstanding balances of UZS 5,228,671 million (31 December 2021: UZS 4,854,814 million) or 48% (31 December 2021: 36%) of total customer accounts. As at 30 June 2022 and 31 December 2021, customer accounts include funds pledged against letters of credit and guarantees in the amount of UZS 738,105 million and UZS 1,070,207 million, respectively.

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)		31 December 2021	
	Amount	%	Amount	%
State and budgetary organisations	6,028,021	55.7%	8,740,571	64.1%
Individuals	2,533,678	23.4%	2,358,015	17.3%
Private enterprises	1,399,572	12.9%	1,557,092	11.4%
Joint ventures	383,354	3.5%	502,229	3.7%
Non-governmental organisations	351,514	3.3%	350,301	2.6%
Other	116,615	1.1%	124,067	0.9%
Total customer accounts	10,812,754	100%	13,632,275	100%

15. Debt Securities in Issue

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Eurobonds	4,067,373	4,056,165
Certificates of deposit	-	1,014
Total debt securities in issue	4,067,373	4,057,179

16. Borrowings from Government, State and International Financial Institutions

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	12,192,922	10,689,736
Borrowings from International Financial Institutions	3,915,738	4,114,542
Borrowings from Domestic Financial Institutions	1,387,429	1,245,615
Borrowings from the Fund for the Reconstruction and Development of the Republic of Uzbekistan	687,788	823,266
Borrowings from the CBU	320	61,811
Debt component of preference shares	13,085	12,078
Borrowings from government, state and international financial institutions	18,197,282	16,947,048

As at 30 June 2022 and 31 December 2021, all funds from Domestic financial institutions are borrowed from state owned financial institutions.

17. Other Liabilities

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Payable to suppliers	1,494	12,385
Dividends payable	862	921
Total other financial liabilities	2,356	13,306
Insurance liabilities	96,279	82,307
Other tax liabilities	28,198	25,232
Payable to Payment systems	25,495	-
Payable to State deposit insurance fund	5,867	5,334
Expected liability for bank guarantees	5,282	5,271
Unearned revenue	880	1,285
Payables to employees	332	28,018
Other	12,163	14,112
Total other non-financial liabilities	174,496	161,559
Total other liabilities	176,852	174,865

18. Interest Income and Expense

<i>In millions of Uzbekistan Soums</i>	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
<i>Interest income calculated using the effective interest rate</i>		
Loans and advances to customers	1,874,535	1,427,399
Debt securities at amortized cost	169,521	59,050
Due from other banks	81,372	103,071
Total interest income calculated using the effective interest rate	2,125,428	1,589,520
<i>Other interest income</i>		
Net investments in finance lease	16,244	28,742
Total interest income	2,141,672	1,618,262
<i>Interest expenses</i>		
Customer accounts	295,446	235,179
Borrowings from government, state and international financial institutions	523,894	359,319
Debt securities in issue	158,384	113,079
Subordinated debt	6,309	6,205
Due to other banks	-	17,344
Total interest expense	984,033	731,126
Net interest income	1,157,639	887,136

Interest income include interest income earned from State owned enterprises in the amount of UZS 313,414 million and UZS 184,626 million for the six months ended 30 June 2022 and the six months ended 30 June 2021, respectively.

Interest expense include interest expense on accounts of State owned enterprises in the amount of UZS 351,181 million and UZS 355,050 million for the six months ended 30 June 2022 and the six months ended 30 June 2021, respectively.

19. Fee Commission Income and Expense

	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
<i>In millions of Uzbekistan Soums</i>		
Fee and commission income:		
Settlement transactions	118,297	112,287
Cash transactions	24,170	16,087
Guarantees and letters of credit	17,956	18,142
Foreign currency conversion operations	1,111	4,016
Other	3,703	2,022
Total fee and commission income	165,237	152,554
Fee and commission expense:		
Settlement transactions	20,089	23,883
Conversion operations	10,284	3,156
Cash transactions	1,371	488
Cash collection services	1,126	625
Other	5,032	6,051
Total fee and commission expense	37,902	34,203
Net fee and commission income	127,335	118,351

20. Other Operating Income

<i>In millions of Uzbekistan Soums</i>	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
Fines received	16,313	25,561
Insurance operations income	28,003	31,224
Other non-interest income	8,370	24,325
Income from services provided	1,131	1,193
Income from rental of POS terminals	214	238
Gain from disposal of premises and equipment	98	177
Total other operating income	54,129	82,718

21. Administrative and Other Operating Expenses

<i>In millions of Uzbekistan Soums</i>	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2022 (unaudited)
Staff costs	308,010	246,482
Depreciation and amortisation	31,685	28,892
Insurance operations expense	24,194	31,098
Security services	21,392	14,631
Charity and sponsorship	12,214	9,900
Stationery and Supplies	8,580	4,326
Membership fees	7,606	5,296
Professional services	6,939	2,036
Repair and maintenance of property and equipment	5,725	6,869
Rent expenses	4,600	3,777
Postage, Telephone and Fax	3,532	4,334
Taxes other than income tax	3,088	2,630
Utilities	2,131	2,279
Business trip and travel expenses	1,824	1,887
Fuel	1,568	1,190
Insurance	650	339
Advertising and Publicity	463	1,233
Representation and entertainment	357	492
Penalties incurred	139	131
Software maintenance	-	3,122
Other operating expenses	7,878	6,782
Total administrative and other operating expenses	452,575	377,726

22. Income Taxes

(a) Components of income tax expense

Income tax expense comprises the following:

<i>In millions of Uzbekistan Soums</i>	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
Current tax charge	175,967	100,276
Deferred tax credit	(16,484)	(3,082)
Income tax expense for the period through Profit or Loss	159,483	97,194
Deferred tax credit through Other Comprehensive Income	(6)	(25)
Income tax expense for the period through Profit or Loss and Other Comprehensive Income	159,477	97,169

In accordance with the Presidential Decree #UP-5468 dated 29 June 2018 “On the concept of improvements of tax policy of the Republic of Uzbekistan”, the corporate income tax for banks was substantially enacted at 20% with effective date from 1 January 2019. Income tax expense is recognized at an amount determined by multiplying the profit before tax for the interim reporting period by management’s best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the condensed consolidated interim financial statements may differ from management’s estimate of the effective tax rate for the annual financial statements.

For 2021 and 2022 statutory income tax rate was 20%.

(c) Deferred tax analysed by type of temporary differences

Differences between IFRS and Uzbekistan statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for their tax bases. The tax effect of the movements on these temporary differences is detailed below (unaudited). For calculation of deferred tax assets and liabilities enacted tax rate of 20 % was used for 2022 (2021: 20 %).

<i>In millions of Uzbekistan Soums</i>	30 June 2022	Credited/ (charged) to profit or loss	Credited/ (charged) to OCI	31 December 2021	Credited/ (charged) to profit or loss	Credited/ (charged) to OCI	31 December 2020
Tax effect of deductible/(taxable) temporary differences							
Cash and cash equivalents	14	(31)	-	45	17	-	28
Due from other banks	5,792	3,721	-	2,071	66	-	2,005
Loans and advances to customers	51,073	9,275	-	41,798	(39,266)	-	81,064
Debt securities at amortized cost	520	(35)	-	555	(57)	-	612
Financial assets at fair value through other comprehensive income	9	-	6	3	-	12	(9)
Debt securities in issue	(3,214)	646	-	(3,860)	(280)	-	(3,580)
Investment in associates	(980)	(399)	-	(581)	(510)	-	(71)
Premises, equipment and intangible assets	1,507	380	-	1,127	(194)	-	1,321
Other financial assets	1,006	593	-	413	1,175	-	(762)
Other non-financial assets	446	2	-	444	1,050	-	(606)
Due to other banks	-	-	-	-	-	-	-
Customer accounts	-	380	-	(380)	(380)	-	-
Borrowings from government, state and international financial institutions	(7,666)	1,683	-	(9,349)	(339)	-	(9,010)
Other financial liabilities	-	115	-	(115)	(65)	-	(50)
Other non-financial liabilities	2,229	108	-	2,121	1,104	-	1,017
Net deferred tax (liability)/asset	50,736	16,438	6	34,292	(37,679)	12	71,959
Recognized deferred tax asset	11,514	(36,619)	-	48,133	(37,914)	-	86,047
Recognized deferred tax liability	39,222	53,057	6	(13,841)	235	12	(14,088)
Net deferred tax (liability)/asset	50,736	16,438	6	34,292	(37,679)	12	71,959

23. Segment Reporting

The Group's operations are a single reportable segment.

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

The chief operating decision-maker ("CODM") has been determined as the Group's Management Board. The Management has determined a single operating segment being banking services based on internal reports.

24. Financial Risk Management

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

Market risk

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 30 June 2022 (unaudited):

<i>In millions of Uzbekistan Soums</i>	UZS	US Dollars	Euros	Other	Total
Monetary financial assets					
Cash and cash equivalents	934,419	1,953,078	497,909	17,968	3,403,374
Due from other banks	624,826	1,183,185	51	-	1,808,062
Loans and advances to customers	20,499,312	7,190,019	2,068,476	-	29,757,807
Debt securities at amortized cost	3,483,752	-	-	-	3,483,752
Other financial assets	15,759	11,839	693	-	28,292
Total monetary financial assets	25,558,068	10,338,121	2,567,129	17,968	38,481,287
Monetary financial liabilities					
Customer accounts	7,045,153	3,156,214	597,184	14,203	10,812,754
Debt securities in issue	798,672	3,268,701	-	-	4,067,373
Borrowings from government, state and international financial institutions	12,450,598	3,778,867	1,967,817	-	18,197,282
Subordinated debt	425,905	-	-	-	425,905
Other financial liabilities	2,356	-	-	-	2,356
Total monetary financial liabilities	20,722,684	10,203,782	2,565,001	14,203	33,505,670
Net balance sheet position	4,835,384	134,339	2,128	3,765	

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2021:

<i>In millions of Uzbekistan Soums</i>	UZS	US Dollars	Euros	Other	Total
Monetary financial assets					
Cash and cash equivalents	1,734,341	3,402,345	2,069,723	23,265	7,229,674
Due from other banks	636,789	1,333,879	60,846	-	2,031,514
Loans and advances to customers	20,074,816	7,387,339	1,801,071	-	29,263,226
Debt securities at amortized cost	1,095,081	-	-	-	1,095,081
Other financial assets	11,795	9,236	354	-	21,385
Total monetary financial assets	23,552,822	12,132,799	3,931,994	23,265	39,640,880
Monetary financial liabilities					
Customer accounts	6,859,625	4,899,591	1,865,046	8,013	13,632,275
Debt securities in issue	798,013	3,259,166	-	-	4,057,179
Borrowings from government, state and international financial institutions	11,453,619	3,502,522	1,990,907	-	16,947,048
Subordinated debt	425,905	-	-	-	425,905
Other financial liabilities	13,306	-	-	-	13,306
Total monetary financial liabilities	19,550,468	11,661,279	3,855,953	8,013	35,075,713
Net balance sheet position	4,002,354	471,520	76,041	15,252	

The above analysis includes only monetary assets and liabilities. Financial assets at fair value through other comprehensive income are non-monetary assets and are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to maximum observed changes in exchange rates during the respective periods for respective currencies applied at the reporting date relative to the functional currency of the Group, with all other variables held constant:

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	30 June 2021 (unaudited)
	Impact on profit or loss	Impact on profit or loss
US Dollars strengthening by 7% (2021: 20%)	9,404	1,967
US Dollars weakening by 7% (2021: 20%)	(9,404)	(1,967)
Euro strengthening by 11% (2021: 20%)	234	14,821
Euro weakening by 11% (2021: 20%)	(234)	(14,821)

The exposure calculated only for monetary balances denominated in currencies other than the functional currency of the Group.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty 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 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 Treasury Department of the Bank.

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

The liquidity management of the Group requires considering 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 balance sheet liquidity ratios against regulatory requirements.

The Bank calculates the liquidity ratio monthly in accordance with the requirement of the Central Bank of Uzbekistan.

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 by the Treasury Department and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk management Department.

The Group monitors remaining contractual maturities, which may be summarised as follows at 30 June 2022 (unaudited):

<i>In millions of Uzbekistan Soums</i>	On demand and less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Past due	Total
Assets						
Cash and cash equivalents	3,403,374	-	-	-	-	3,403,374
Due from other banks	512,144	470,544	788,967	36,407	-	1,808,062
Loans and advances to customers	2,563,747	6,491,073	7,156,829	10,828,337	2,717,820	29,757,807
Debt securities at amortized cost	3,384,225	99,527	-	-	-	3,483,752
Financial assets at fair value through other comprehensive income	2,179	-	-	-	-	2,179
Other financial assets	28,292	-	-	-	-	28,292
Total financial assets	9,893,961	7,061,144	7,945,796	10,864,744	2,717,820	38,483,466
Liabilities						
Customer accounts	5,859,449	3,359,272	1,121,023	473,010	-	10,812,754
Debt securities issued	49,437	-	4,017,936	-	-	4,067,373
Borrowings from government, state and international financial institutions	764,768	3,154,015	5,456,653	8,821,846	-	18,197,282
Subordinated debt	1,813	-	194,375	229,717	-	425,905
Other financial liabilities	2,356	-	-	-	-	2,356
Total financial liabilities	6,677,823	6,513,287	10,789,987	9,524,574	-	33,505,670
Net liquidity gap based on contractual maturities	3,216,138	547,857	(2,844,191)	1,340,170	2,717,820	4,977,796
Cumulative liquidity gap at 30 June 2022 (unaudited)	3,216,138	3,763,995	919,804	2,259,974	4,977,794	-

Remaining contractual maturities at 31 December 2021:

<i>In millions of Uzbekistan Soums</i>	On demand and less than 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Past due	Total
Assets						
Cash and cash equivalents	7,229,674	-	-	-	-	7,229,674
Due from other banks	421,603	757,200	783,459	69,252	-	2,031,514
Loans and advances to customers	2,521,137	6,383,190	7,037,881	10,648,368	2,672,649	29,263,226
Debt securities at amortized cost	681,478	413,603	-	-	-	1,095,081
Financial assets at fair value through other comprehensive income	4,308	-	-	-	-	4,308
Other financial assets	21,385	-	-	-	-	21,385
Total financial assets	10,879,585	7,553,993	7,821,340	10,717,620	2,672,649	39,645,188
Liabilities						
Customer accounts	8,446,759	3,500,235	1,218,228	467,053	-	13,632,275
Debt securities issued	54,023	1,000	4,002,156	-	-	4,057,179
Borrowings from government, state and international financial institutions	755,596	2,614,463	5,132,602	8,444,387	-	16,947,048
Subordinated debt	1,813	-	194,375	229,717	-	425,905
Other financial liabilities	13,306	-	-	-	-	13,306
Total financial liabilities	9,271,497	6,115,698	10,547,361	9,141,157	-	35,075,713
Net liquidity gap based on contractual maturities	1,608,088	1,438,295	(2,726,021)	1,576,463	2,672,649	4,569,475
Cumulative liquidity gap at 31 December 2021	1,608,088	3,046,383	320,362	1,896,825	4,569,474	-

25. Management of Capital

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

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

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13% (31 December 2021: 13%). Actual ratio as at 30 June 2022: 14.5% (31 December 2021: 14.4%).
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2021: 10%). Actual ratio as at 30 June 2022: 11.8% (31 December 2021: 11.1%).
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6.0% (31 December 2021: 6.0%). Actual ratio as at 30 June 2022: 10.9% (31 December 2021: 9.2%).

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

	30 June 2022 (unaudited)	31 December 2021 (unaudited)
<i>In millions of Uzbekistan Soums</i>		
Tier 1 capital	4,619,731	3,994,840
Tier 2 capital	1,043,861	1,195,686
Total regulatory capital	5,663,592	5,190,526

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, preference shares, retained earnings excluding current year profit and less intangible assets. The other component of regulatory capital is Tier 2 capital, which includes 6 months profit.

26. Contingencies and Commitments

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

Tax legislation. Uzbekistan tax and customs legislation are subject to varying interpretations. Also, changes to regulation can occur frequently. Management's interpretation of legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Uzbekistan tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as at 30 June 2022 (unaudited), no provision for potential tax liabilities had been recorded (31 December 2021: no provision). The Group estimates that it has no potential obligations from exposure to other than remote tax risks (31 December 2021: no obligations).

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
Letters of credit	1,459,464	1,727,481
Guarantees	696,723	773,693
<i>Non-financial guarantees</i>	262,313	340,187
<i>Financial guarantees</i>	434,410	433,506
Undrawn loan commitments	618,957	621,871
Total gross commitments and contingencies	2,775,145	3,123,045
Less – Cash held as security against letters of credit and guarantees	(763,222)	(1,070,207)
Less – Allowance for expected credit losses	(5,282)	(5,271)
Total net commitments and contingencies	2,006,641	2,047,567

All financial guarantees as at 30 June 2022 (unaudited) are classified as Stage 1 of credit risk (31 December 2021: Stage 1).

All financial guarantees, letters of credit and irrevocable undrawn loans as at 30 June are classified as Standard according to the Group's internal rating scale.

Credit related commitments are denominated in currencies as follows:

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	31 December 2021
US Dollars	1,712,408	2,014,547
UZS	93,547	105,828
Euros	239,601	341,198
Other	729,589	661,471
Total	2,775,145	3,123,045

27. Fair Value of Financial Instruments

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

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

Financial assets and financial liabilities measured at fair value on a recurring basis.

The fair value of the financial assets at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. Management believes that this approach accurately reflects the fair value of these securities. These unquoted equity instruments were measured as Level 3.

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

As at 30 June 2022 and 31 December 2021, the fair value of financial assets and financial liabilities except for those shown below approximate their carrying value.

Fair value			
Financial Assets/Liabilities as at 30 June 2022 (unaudited)	Carrying value	Fair value	Fair value hierarchy
Loans and advances to customers	29,757,807	29,781,268	Level 3
Debt securities at amortized cost	3,483,752	3,539,511	Level 2
Customer accounts	10,812,754	11,110,803	Level 3
Borrowings from government, state and international financial institutions	18,197,282	18,631,815	Level 3
Debt Securities in issue (foreign currency)	3,268,701	2,919,876	Level 1
Debt Securities in issue (national currency)	798,672	788,375	Level 2

Fair value			
Financial Assets/Liabilities as at 31 December 2021	Carrying value	Fair value	Fair value hierarchy
Loans and advances to customers	29,263,226	29,122,679	Level 3
Debt securities at amortized cost	1,095,081	1,121,188	Level 2
Customer accounts	13,632,275	13,856,883	Level 3
Borrowings from government, state and international financial institutions	16,947,048	17,341,490	Level 3
Debt Securities in issue (foreign currency)	3,259,166	3,338,584	Level 1
Debt Securities in issue (national currency)	798,013	799,536	Level 2

28. Related Party Transactions

The income and expense items with related parties for the six months ended 30 June 2022 and 31 December 2021 were as follows:

	30 June 2022 (unaudited)		31 December 2021	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
<i>In millions of Uzbekistan Soums</i>				
ASSETS				
Debt securities at amortized cost	130,617	3,483,752	157,361	1,095,081
- Parent company	130,617		157,361	
Loans and advances to customers	8,959	29,757,807	8,082	29,263,226
- key management personnel	8,959		8,082	
LIABILITIES				
Customer accounts	1,746,386	10,812,754	666,167	13,632,275
- Parent company	1,746,386		666,167	
Borrowings from government, state and international financial institutions	12,880,710	18,197,282	11,513,002	16,947,048
- Parent company	12,880,710		11,513,002	
Subordinated debt	425,905	425,905	425,905	425,905
- Parent company	425,905		425,905	

The income and expense items with related parties for the six months ended 30 June 2022 and 2021 were as follows (only parent company and key management personnel is disclosed):

	30 June 2022 (unaudited)		30 June 2021 (unaudited)	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
<i>In millions of Uzbekistan Soums</i>				
CONTINUING OPERATIONS				
Interest income	170,141	2,309,252	59,460	1,618,262
- Parent company	169,521		59,050	
- key management personnel	620		410	
Interest expense	210,737	966,852	162,059	731,126
- Parent company	210,737		162,059	
Administrative and other operating expenses	4,417	374,425	3,421	377,726
- key management personnel	4,417		3,421	

Key management compensation is presented below:

	1st half 2022 (unaudited)	1st half 2021 (unaudited)
<i>In millions of Uzbekistan Soums</i>		
Short-term benefits:		
- Salaries and other short-term benefits	3,534	2,737
- Social Security costs	883	684
Total key management personnel compensation	4,417	3,421

29. Subsequent Events

On 22 July 2022 the Central Bank of Uzbekistan decreased the refinancing rate from 16% to 15%.

On 7 October 2022 the Central Bank of Uzbekistan revoked the license for the right to carry out banking activities from the private joint-stock commercial bank "Hi-Tech Bank". As at 30 June 2022 full provision of UZS 21,721 million was created for the deposit held at the private joint-stock commercial bank "Hi-Tech Bank".