

**JOINT-STOCK COMPANY
“KDB BANK UZBEKISTAN”**

**International Financial Reporting Standards
Financial Statements and Independent Auditor’s
Report**

31 December 2020

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Independent auditor's report

To the Shareholders and Supervisory Board of the Joint Stock Company "KDB Bank Uzbekistan":

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Joint Stock Company "KDB Bank Uzbekistan" ("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 the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.



Our audit approach

Overview

Materiality	Overall Bank materiality: Uzbek Soums ("UZS") 4,369,000 thousand, which represents 5% of profit before tax.
Key audit matter	Assessment of expected credit losses (ECL) provision for loans and advances to customers in accordance with IFRS 9, <i>Financial Instruments</i> .

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

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

Materiality

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

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

Overall Bank materiality	UZS 4,369,000 thousand
How we determined it	We determined overall materiality as being 5% of the profit before tax.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which, users and stakeholders most commonly measure the performance of the Bank, and it is a generally accepted benchmark. We chose 5% threshold as in our professional experience this is the widely accepted quantitative measure for this benchmark.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of expected credit losses (ECL) provision for loans and advances to customers, including finance lease receivables made by management in accordance with the International Financial Reporting Standard 9, Financial Instruments (IFRS 9).</p> <p>We considered impairment of loans and advances to customers as a key audit matter due to the significance of loans and advances to customer balance and a complex financial reporting standard, which requires significant judgment to determine the ECL provision. In addition, COVID-19 global pandemic impacted estimation uncertainty related to ECL provision for loans and advances to customers.</p> <p>Collective assessment of ECL is based on models, which use internally developed risk metrics assigned to the balances.</p> <p>The calculation of ECL involves estimation techniques that use significant unobservable inputs and factors and expert judgement. These techniques are used to estimate key risk parameters – probability of default, loss given default and exposure at default.</p> <p>Note 3 “Significant accounting policies”, Note 4 “Critical Accounting Estimates, and Judgements in Applying Accounting Policies”, Note 9 “Loans and Advances to Customers, including Finance Lease Receivables” and Note 22 “Financial Risk Management” to the financial statements provide detailed information on the credit loss allowance.</p>	<p>In assessing the ECL provision we have performed, among others, the following audit procedures including consideration of the economic disruption caused by COVID-19:</p> <ul style="list-style-type: none">• We assessed the methodology and models for ECL provision assessment developed by the Bank in order to evaluate its compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining a “significant increase in credit risk”, allocation of the loans to stages, and estimation of key risk parameters;• On a sample basis we performed an individual assessment of the ECL provision levels to determine if they were appropriately considering the risk profile, credit risk and the macroeconomic environment. We considered trends in the economy and industries to which the Bank’s borrowers are exposed.• We tested the assumptions, inputs and formulas used in ECL models for collective provision assessment. This included assessing the appropriateness of model design and formulae used, and recalculating the probability of default, loss given default and exposure at default.• We performed analytical procedures over reasonableness of assumptions used for calculation of ECL rates by comparing ECL rates of the Bank with ECL rates of local commercial banks with similar risks;• On a sample basis we tested segmentation and allocation to stages;• To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e. loan portfolios, loan agreements, collateral agreements;• We checked that estimation of ECL provision is made in accordance with the Bank’s methodology and models and is in line with IFRS 9 requirements;• We assessed the adequacy and appropriateness of disclosures related to ECL provision for compliance with the accounting standards;• We compared the budget for 2020 with actual results and investigated significant variances.



Other information

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

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

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

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

Responsibilities of management and those charged with governance for the 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.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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



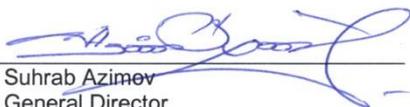
material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. 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.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Suhrab Azimov
General Director

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



Shukurilla Pulatov
Auditor

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

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

Audit Organization "PricewaterhouseCoopers" LLC
Audit Organization "PricewaterhouseCoopers" LLC
6 May 2021
Tashkent, Uzbekistan

JOINT-STOCK COMPANY "KDB BANK UZBEKISTAN"
Statement of Financial Position

<i>In thousands of Uzbekistan Soums</i>	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	7	4,223,799,894	2,052,938,385
Due from other banks	8	1,056,619,431	1,024,489,238
Loans and advances to customers, including finance lease receivables	9	943,731,851	744,583,163
Current income tax prepayment		3,214,106	2,361,999
Deferred income tax asset	20	901,614	678,160
Premises and equipment	10	49,618,436	50,824,069
Intangible assets	10	1,100,248	845,386
Investment property		2,052,705	2,198,842
Right use of assets	11	1,774,083	3,622,748
Other assets	12	4,579,059	4,170,532
TOTAL ASSETS		6,287,391,427	3,886,712,522
LIABILITIES			
Due to other banks	13	3,916,837	2,360,476
Customer accounts	14	5,621,215,926	3,287,996,014
Lease liabilities	11	1,849,482	4,308,067
Other liabilities	15	6,543,233	7,133,509
TOTAL LIABILITIES		5,633,525,478	3,301,798,066
EQUITY			
Share capital	16	101,272,261	101,272,261
Retained earnings		552,593,688	483,642,195
TOTAL EQUITY		653,865,949	584,914,456
TOTAL LIABILITIES AND EQUITY		6,287,391,427	3,886,712,522

Approved for issue and signed on 30 April 2021.


 Jong Seon Kim
 Chairman of the Board




 Abrorjon Juraev
 Chief accountant

JOINT-STOCK COMPANY “KDB BANK UZBEKISTAN”
Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Uzbekistan Soums</i>	Notes	2020	2019
Interest income calculated using the effective interest method	17	138,791,666	163,571,793
Interest expense	17	(487,900)	(21,242,610)
Net margin on interest and similar income		138,303,766	142,329,183
Credit loss allowance	7, 8, 9	(3,151,481)	(427,742)
Net margin on interest and similar income after credit loss allowance		135,152,285	141,901,441
Fee and commission income	18	41,875,014	48,411,723
Fee and commission expense	18	(10,234,466)	(11,427,736)
Gains less losses from trading in foreign currencies		4,541,241	5,920,674
Foreign exchange translation gains less losses		4,545,136	2,127,243
Other operating income		2,174,691	1,537,850
Administrative and other operating expenses	19	(90,666,138)	(76,890,491)
Profit before tax		87,387,763	111,580,704
Income tax expense	20	(18,436,270)	(23,267,823)
PROFIT FOR THE YEAR		68,951,493	88,312,881
Other comprehensive income		-	-
Total comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		68,951,493	88,312,881
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (expressed in UZS per share)		101	130
	21		

JOINT-STOCK COMPANY “KDB BANK UZBEKISTAN”
Statement of Changes in Equity

<i>In thousands of Uzbekistan Soums</i>	Notes	Share capital	Retained earnings	Total equity
Balance at 1 January 2019		102,765,597	393,835,978	496,601,575
Profit for the year		-	88,312,881	88,312,881
Other comprehensive income		-	-	-
Total comprehensive income for 2019		-	88,312,881	88,312,881
Elimination of hyperinflation adjustment		(1,493,336)	1,493,336	
Balance at 31 December 2019		101,272,261	483,642,195	584,914,456
Profit for the year		-	68,951,493	68,951,493
Other comprehensive income		-	-	-
Total comprehensive income for 2020		-	68,951,493	68,951,493
Balance at 31 December 2020		101,272,261	552,593,688	653,865,949

JOINT-STOCK COMPANY “KDB BANK UZBEKISTAN”
Statement of Cash Flows

<i>In thousands of Uzbekistan Soums</i>	Notes	2020	2019
Cash flows from operating activities			
Interest income calculated using the effective interest method received		139,896,111	160,138,892
Interest paid calculated using the effective interest method		-	(20,359,381)
Fee and commission received		42,058,004	47,257,140
Fees and commission paid		(10,234,466)	(11,427,736)
Income received from trading in foreign currencies		6,959,135	5,920,674
Other operating income received		2,174,690	1,537,849
Staff costs paid		(68,521,016)	(56,634,635)
Administrative and other operating expenses paid		(17,293,032)	(17,816,707)
Income tax paid		(19,254,613)	(22,586,584)
Cash flows from operating activities before changes in operating assets and liabilities			
		75,784,813	86,029,512
<i>Net (increase) / decrease in:</i>			
- due from other banks		116,746,563	(172,329,356)
- loans and advances to customers, including finance lease receivables		(146,466,482)	(178,049,175)
- other assets		(866,871)	4,983,351
<i>Net increase / (decrease) in:</i>			
- due to other banks		1,556,361	(64,913,712)
- customer accounts		1,957,592,573	(1,510,574,441)
- other liabilities		(460,111)	944,066
Net cash from / (used in) operating activities		2,003,886,846	(1,833,909,755)
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets		(4,965,033)	(10,146,321)
Net cash used in investing activities		(4,965,033)	(10,146,321)
Cash flows from financing activities			
Dividends paid		-	-
Net cash used in financing activities		-	-
Effect of exchange rate changes on cash and cash equivalents		171,939,697	159,206,104
Net decrease in cash and cash equivalents		2,170,861,510	(1,684,849,972)
Cash and cash equivalents at the beginning of the year	7	2,052,938,384	3,737,788,357
Cash and cash equivalents at the end of the year	7	4,223,799,894	2,052,938,385

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2020 for Joint-Stock Company “KDB Bank Uzbekistan” (the “Bank”).

The Bank was incorporated and is domiciled in the Republic of Uzbekistan.

Principal activity. The Bank’s principal business activity is commercial banking operations within the Republic of Uzbekistan. The Bank has operated under a full banking license # 5 re-issued by the Central Bank of Uzbekistan (the “CBU”) since 21 October 2017. The Bank participates in the deposit insurance scheme which was introduced by Law # 360-II “Deposits of individuals insurance in the Republic of Uzbekistan” dated 5 April 2002 under which the Deposit Insurance Agency guarantees individuals’ deposits in banks 100% repayment of individuals’ deposits in case of withdrawal of a licence of a bank. The Bank conducts its operations from its head office located in Tashkent along with two branches (2019: two branches).

The shareholder structure of the Bank was as follows:

In percentage	31 December 2020	31 December 2019
Korea Development Bank, Republic of Korea (“KDB”)	86.32	86.32
National Bank for Foreign Economic Activity, Republic of Uzbekistan (“NBU”)	10.31	10.31
Joint-Stock Commercial Bank Turon Bank, Republic of Uzbekistan (“Turon Bank”)	3.37	3.37
Total	100.00	100.00

Korea Development Bank is the ultimate parent of the Bank.

Registered address and place of business. The Bank’s registered address is: 3, Bukhoro Street, 100047, Tashkent, Republic of Uzbekistan.

Presentation currency. These financial statements are presented in Uzbekistan Soums (“UZS”), unless otherwise stated.

2 Operating Environment of the Bank

Republic of Uzbekistan. The Uzbekistan economy displays characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the banking sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments. The largest Uzbek banks are state-controlled and act as an arm of 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 is unable to predict all developments which could have an impact on the banking sector generally and on the financial position of the Bank in particular.

- Inflation: 11.1%¹ (2019: 15.2%)
- Official exchange rates: 31 December 2020: USD 1 = UZS 10,476.92² (31 December 2019: USD 1 = UZS 9,507.56).
- GDP growth 1.6%¹ (2019: 5.6%).
- Central Bank refinancing rate – 14%² (2019: 16%).

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Uzbekistan authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. The above measures were gradually relaxed during 2020 and 2021.

¹ Source: The State Committee of the Republic of Uzbekistan on Statistics (www.stat.uz)

² Source: Central Bank of Uzbekistan (www.cbu.uz)

2 Operating Environment of the Bank (Continued)

These measures have, among other things, severely restricted economic activity in Uzbekistan and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Bank, as well as the Uzbekistan and global economy for an unknown period of time.

Management is taking necessary measures to ensure sustainability of the Bank’s operations and support its customers and employees.

The future effects of the current economic situation and the above measures are difficult to predict and management’s current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses (“ECL”) the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

In March 2020, the International Accounting Standards Board (the IASB) emphasised in its educational materials that an appropriate judgment has to be applied when determining the effects of COVID-19 on expected credit losses under IFRS 9, given the significant uncertainty that exists, in particular when assessing future macroeconomic conditions. Deteriorating economic forecasts have caused and are likely to continue to cause an increase in expected credit losses and hence greater volatility of profit or loss.

The Bank implemented relief measures stipulated in the Presidential Decree #5978 passed on 3 April 2020 in response to the spread of COVID-19. Customers that are negatively affected by the virus can apply for payment holidays for up to six months, which have to be granted by the Bank.

3 Summary of 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 based on fair value. The principal accounting policies applied in the preparation of these financial statements are set out below.

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.

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 25.

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.

3 Summary of Significant Accounting Policies (Continued)

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, 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. 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 group 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 change. 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 Bank did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The 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.

3 Summary of Significant Accounting Policies (Continued)

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 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 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”). Refer to Note 22 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 22. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 22 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.

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 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: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

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. 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 deposits with the Central Bank of Uzbekistan (the "CBU") all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, 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 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.

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. 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.

3 Summary of Significant Accounting Policies (Continued)

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 22 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.

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

Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the cost of acquisition. Accounting policy for associates is applied to repossessed shares where the Bank obtains significant influence, but not control. The cost of the associate is the fair value of the loan settled by repossessing the pledged shares.

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

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

Investment property. Investment property is property held by the Bank to earn rental income or for capital appreciation, or both and which is not occupied by the Bank. Investment property includes assets under construction for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Bank estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Earned rental income is recorded in profit or loss for the year within other operating income.

3 Summary of Significant Accounting Policies (Continued)

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Bank, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment.

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

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

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

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

Depreciation. Construction in progress is not depreciated. Depreciation of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Building and leasehold improvements	33
Furniture and fixtures	6-7
Office and computer equipment	5-13
Right-of-use assets	2-5

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 residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

Intangible assets. The Bank's intangible assets have definite useful lives and primarily comprise capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use 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. Capitalised computer software is amortised on a straight-line basis over expected useful lives of 5 to 6 years.

Accounting for leases. The Bank leases its office premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the 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.

3 Summary of Significant Accounting Policies (Continued)

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

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

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

As an exception to the above, the 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).

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

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

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

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at AC.

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

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

The Bank also enters into offsetting loans with its counterparty banks to exchange currencies. Such loans, while legally separate, are aggregated and accounted for as a single derivative financial instrument (currency swap) on a net basis where (i) the loans are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

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

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

3 Summary of Significant Accounting Policies (Continued)

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

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if 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 temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at every reporting date. 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 balance sheet date 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 payable and other liabilities. Trade payables and other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at AC.

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

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. The Bank distributes dividends based on audited financial statements, prepared in accordance with IFRS, taking into account requirements of the existing legislation of the Republic of Uzbekistan.

3 Summary of Significant Accounting Policies (Continued)

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments, 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.

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.

Fee and commission income. Fee and commission income are 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. 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. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

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.

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

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

3 Summary of Significant Accounting Policies (Continued)

Foreign currency translation. The functional currency of the Bank, which is the currency of the primary economic environment in which the Bank operates, and the Bank's presentation currency is the national currency of the Republic of Uzbekistan, Uzbek Soum ("UZS").

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

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

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The results and financial position of each group entity are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- components of equity are translated at the historic rate; and
- all resulting exchange differences are recognised in other comprehensive income.

At 31 December 2020, the principle rate of exchange used for translating foreign currency balances was USD 1 = UZS 10,476.92 (2019: UZS 9,507.56) and EUR 1 = UZS 12,786.03 (2019: UZS 10,624.7). The principal average rate of exchange used for translating income and expenses was USD 1 = UZS 10,058.08 (2019: USD 1 = 8,839.03) and EUR 1 = UZS 11,470.98 (2019: UZS 9,892.67).

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 22 for analysis of financial instruments by expected 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 22.

3 Summary of Significant Accounting Policies (Continued)

	31 December 2020			31 December 2019		
	Amounts expected to be recovered or settled		Total	Amounts expected to be recovered or settled		Total
	within 12 months after the reporting period	beyond 12 months after the reporting period		within 12 months after the reporting period	beyond 12 months after the reporting period	
<i>In thousands of Uzbekistan Soums</i>						
ASSETS						
Current income tax prepayment	3,214,106	-	3,214,106	2,361,999	-	2,361,999
Deferred income tax asset	-	901,614	901,614	-	678,160	678,160
Premises and equipment	-	49,618,436	49,618,436	-	50,824,069	50,824,069
Intangible assets	-	1,100,248	1,100,248	-	845,386	845,386
Investment property	-	2,052,705	2,052,705	-	2,198,842	2,198,842
Right of use assets	-	1,774,083	1,774,083	-	3,622,748	3,622,748
Other non-financial assets	3,575,852	-	3,575,852	2,877,229	-	2,877,229
TOTAL ASSETS	6,789,958	55,447,086	62,237,044	5,239,228	58,169,205	63,408,433
LIABILITIES						
Other non-financial liabilities	5,292,714	-	5,292,714	5,353,810	-	5,353,810
TOTAL LIABILITIES	5,292,714	-	5,292,714	5,353,810	-	5,353,810

Amendments of the financial statements after issue. The Bank's shareholders and management have the power to amend the financial statements after issue.

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:

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 22. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"). The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The Bank used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Taking into account that currently the Bank does not have history of defaults, the Bank has no ability to develop models for the purpose of statistical determination of correlation between macroeconomic factors and default rate for loan portfolio. Till the time when respective statistical data becomes available estimation of impact of macroeconomic factors on PD rates for corporate portfolio and LR for retail portfolio is to be made using the Bank's professional judgement.

Since the Bank applies its professional judgement, one set of adjusting factors is estimated by the Bank. These adjusting coefficients are determined by the Bank as a result of analysis of forward-looking information from different sources. When the Bank has appropriate statistical information to develop models of credit portfolio quality sensitivity to macroeconomic factors several scenarios are to be analysed and several sets of adjusting factors are to be applied for the purpose of ECL calculations.

In the case when several scenarios of macroeconomic forecast are available the Bank may calculate adjusting factors using these different scenarios by giving respective probability to each of them (total probability should be 100%). At the current moment such information is not available, forecasts which are used for calculation of adjusting factors are considered to be the most realistic.

The adjusting factors are subject to recalculation on a quarterly basis using the updated actual default rate observations for the portfolio and the updated macro indicator observations and outlooks from official sources.

A 10% increase or decrease in PD and LGD estimates at 31 December 2020 would result in an increase or decrease in total expected credit loss allowances of UZS 599,846 thousand (2019: UZS 43,085 thousand).

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Bank identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 22.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate.

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

The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Bank applied a threshold of 5% to determine whether differences against a benchmark instruments are significantly different. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Bank considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply (such as bail in legislation in certain countries), are not relevant for assessing whether cash flows are SPPI.

The Bank's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

The instruments that failed the SPPI test are measured at FVTPL.

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

Modification of financial assets. When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

Write-off policy. 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. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. Management considered the following indicators that there is no reasonable expectation of recovery: loans being past due over 60 and 90 days for short-term and long-term loans respectively, liquidation or bankruptcy proceedings, fair value of collateral is less than the costs to repossess it or enforcement activities were completed. Management also considers, based on past practices, that contractual default interest is not collectible for loans overdue over 60 days. Therefore, the default interest was written-off from the gross carrying amounts of the respective loans.

Fair value of derivatives and certain other instruments. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 25.

Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

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.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 24.

Determining lease term. The Bank leases office buildings from third parties under contracts which do not have contractual maturity dates and are automatically renewed unless either party submits a termination notice of 3 months. The Bank determines non-cancellable lease period for such leases, taking into consideration penalties that would be incurred upon termination, including economic disincentives such as leasehold improvements, cost of relocating or the importance of the premises to the Bank's operations.

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.

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7 Cash and Cash Equivalents

<i>In thousands of Uzbekistan Soums</i>	31 December 2020	31 December 2019
Correspondent accounts with other banks	1,847,122,098	824,876,565
Placements with other banks with original maturities of less than three months	1,448,872,608	916,447,081
Cash balances with the CBU (other than mandatory reserve deposits)	801,457,420	212,240,985
Cash on hand	127,510,180	99,817,427
Less credit loss allowance	(1,162,412)	(443,673)
Total cash and cash equivalents	4,223,799,894	2,052,938,385

At 31 December 2020 and 2019, the Bank's largest five balances with counterparty banks, other than CBU, comprised a total cash and cash equivalent amount of UZS 2,138,455,178 thousand and UZS 1,241,982,026 thousand, respectively.

The credit quality of cash and cash equivalents balances is summarised as follows at 31 December 2020:

<i>In thousands of Uzbekistan Soums</i>	Correspondent accounts with other banks	Placements with other banks with original maturities of less than three months	Cash balances with the CBU (other than mandatory reserve deposits)	Total
<i>Neither past due nor impaired</i>				
- Central Bank of Uzbekistan	-	-	801,457,420	801,457,420
- Fitch Ratings "AA" rated	39,374,497	-	-	39,374,497
- Fitch Ratings "AA-" rated	-	209,541,718	-	209,541,718
- S&P ratings "A+" rated	1,285,943,903	-	-	1,285,943,903
- Fitch Ratings "A" rated	41,368	178,148,436	-	178,189,804
- Fitch Ratings "A-" rated	32,633,714	377,171,914	-	409,805,628
- Moody's "Aa1" rated	406,925	-	-	406,925
- Moody's "Aa2" rated	-	73,345,020	-	73,345,020
- Moody's "A2" rated	-	136,214,110	-	136,214,110
- Moody's "A3" rated	271,305	83,882,412	-	84,153,717
- Fitch Ratings "BBB" rated	14,228,747	-	-	14,228,747
- Fitch Ratings "BB-" rated	-	104,163,900	-	104,163,900
- Moody's "Baa3" rated	1,738,368	-	-	1,738,368
- Moody's "Ba2" rated	41,468	-	-	41,468
- Moody's "B1" rated	327,244,220	83,995,795	-	411,240,015
- Moody's "B2" rated	145,060,690	170,760,274	-	315,820,964
- S&P ratings "B" rated	-	31,649,029	-	31,649,029
Non-rated	136,893	-	-	136,893
Less credit loss allowance	(930,624)	(231,788)	-	(1,162,412)
Total cash and cash equivalents, excluding cash on hand	1,846,191,474	1,448,640,820	801,457,420	4,096,289,714

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. Refer to Note 22 for the ECL measurement approach.

7 Cash and Cash Equivalents (Continued)

The credit quality of cash and cash equivalents balances is summarised as follows at 31 December 2019:

<i>In thousands of Uzbekistan Soums</i>	Placements with other banks with original maturities of less than three months	Correspondent accounts with other banks	Cash balances with the CBU (other than mandatory reserve deposits)	Total
<i>Neither past due nor impaired</i>				
- Central Bank of Uzbekistan	-	-	212,240,985	212,240,985
- Fitch Ratings "AAA" rated	-	595,500,185	-	595,500,185
- Fitch Ratings "AAA-" rated	-	-	-	-
- Fitch Ratings "AA-" rated	152,376,373	17,682,555	-	170,058,928
- Fitch Ratings "A" rated	-	72,968	-	72,968
- Fitch Ratings "A-" rated	-	43,880,275	-	43,880,275
- Fitch Ratings "BBB+" rated	-	10,411,180	-	10,411,180
- Fitch Ratings "BBB" rated	-	1,902,932	-	1,902,932
- Fitch Ratings "BBB-" rated	152,509,082	-	-	152,509,082
- Fitch Ratings "BB-" rated	66,636,035	-	-	66,636,035
- Moody's "Aa3" rated	152,149,035	-	-	152,149,035
- Moody's "A1" rated	266,517,542	-	-	266,517,542
- Moody's "Baa3" rated	-	131,907	-	131,907
- Moody's "Ba3" rated	-	38,117	-	38,117
- Moody's "B1" rated	76,211,934	2,581	-	76,214,515
- Moody's "B2" rated	50,047,080	154,801,754	-	204,848,834
- Moody's "B3" rated	-	452,111	-	452,111
Less credit loss allowance	(231,789)	(211,884)	-	(443,673)
Total cash and cash equivalents, excluding cash on hand	916,215,292	824,664,681	212,240,985	1,953,120,958

Interest rate analysis of cash and cash equivalents is disclosed in Note 22. Information on related party balances is disclosed in Note 27.

8 Due from Other Banks

<i>In thousands of Uzbekistan Soums</i>	31 December 2020	31 December 2019
Placements with other banks with original maturities of more than three months	566,941,063	671,745,905
Long-term loans to other banks	52,761,828	-
Mandatory reserve with the CBU	149,379,201	339,782,378
Restricted cash	282,888,728	8,647,985
Certificates of deposits of banks	5,018,630	4,533,287
Less credit loss allowance	(370,019)	(220,317)
Total due from other banks	1,056,619,431	1,024,489,238

At 31 December 2020 and 2019, the Bank's largest five balances with counterparty banks other than CBU comprised a total amount of UZS 675,851,339 thousand and UZS 572,751,609 thousand or 64% and 56% of the total amount due from other banks respectively.

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8 Due from Other Banks (Continued)

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2020 is as follows:

<i>In thousands of Uzbekistan Soms</i>	Placements with other banks with original maturities of more than three months	Long-term loans to other banks	Mandatory reserve with the CBU	Restricted cash	Certificates of deposits of banks	Total
<i>Neither past due nor impaired</i>						
- Central Bank of Uzbekistan	-	-	149,379,201	-	-	149,379,201
- Fitch "AA-" rated	-	-	-	5,655,488	-	5,655,488
- Fitch "A" rated	73,379,510	-	-	-	-	73,379,510
- Fitch "A-" rated	251,678,607	-	-	-	-	251,678,607
- Fitch "BBB+" rated	83,859,037	-	-	1,867,444	-	85,726,481
- Fitch "BBB" rated	-	-	-	8,381,536	-	8,381,536
- Fitch "BB-" rated	31,596,645	52,761,828	-	75	-	84,358,548
- Moody's "A3" rated	20,978,519	-	-	266,934,185	-	287,912,704
- Moody's "B2" rated	52,940,459	-	-	50,000	5,018,630	58,009,089
-S&P Ratings "B" rated	52,508,286	-	-	-	-	52,508,286
Less credit loss allowance	(207,565)	(44,031)	-	(111,089)	(7,334)	(370,019)
Total due from other banks	566,733,498	52,717,797	149,379,201	282,777,639	5,011,296	1,056,619,431

For the purpose of ECL measurement due from other banks balances are included in Stage 1. Refer to Note 22 for the ECL measurement approach.

Analysis by credit quality of amounts due from other banks outstanding at 31 December 2019 is as follows:

<i>In thousands of Uzbekistan Soms</i>	Placements with other banks with original maturities of more than three months	Mandatory reserve with the CBU	Restricted cash	Certificates of deposits of banks	Total
<i>Neither past due nor impaired</i>					
- Central Bank of Uzbekistan	-	339,782,378	-	-	339,782,378
- Fitch "A-" rated	76,413,519	-	1,693,593	-	78,107,112
- Fitch "BB-" rated	156,488,476	-	75	-	156,488,551
- Moody's "Aa1" rated	-	-	5,107,581	-	5,107,581
- Moody's "Aa2" rated	229,226,396	-	-	-	229,226,396
- Moody's "Aa3" rated	76,149,136	-	-	-	76,149,136
- Moody's "A1" rated	-	-	1,846,736	-	1,846,736
- Moody's "B2" rated	133,468,378	-	-	4,533,287	138,001,665
Less credit loss allowance	(214,234)	-	-	(6,083)	(220,317)
Total due from other banks	671,531,671	339,782,378	8,647,985	4,527,204	1,024,489,238

Refer to Note 25 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 22. Information on related party balances is disclosed in Note 27.

9 Loans and Advances to Customers, including Finance Lease Receivables

<i>In thousands of Uzbekistan Soums</i>	31 December 2020	31 December 2019
Loans to legal entities	933,637,596	732,549,719
Loans to individuals	12,939,366	12,595,479
Gross loans and advances to customers, including finance lease receivables at AC	946,576,962	745,145,198
Less credit loss allowance	(2,845,111)	(562,035)
Total loans and advances to customers, including finance lease receivables	943,731,851	744,583,163

As of 31 December 2020 loans to individuals include mortgage loans for UZS 12,678,872 thousand (31 December 2019: UZS 12,359,972 thousand).

Gross carrying amount and credit loss allowance amount for loans and advances to customers, including finance lease receivables at 31 December 2020 and 31 December 2019 are disclosed in the table below:

<i>In thousands of Uzbekistan Soums</i>	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to legal entities	933,637,596	(2,744,895)	930,892,701
Loans to individuals	12,939,366	(100,216)	12,839,150
Total loans and advances to customers, including finance lease receivables	946,576,962	(2,845,111)	943,731,851

<i>In thousands of Uzbekistan Soums</i>	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to legal entities	732,549,719	(434,416)	732,115,303
Loans to individuals	12,595,479	(127,619)	12,467,860
Total loans and advances to customers, including finance lease receivables	745,145,198	(562,035)	744,583,163

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Notes to the Financial Statements – 31 December 2020

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

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to customers, including finance lease receivables carried at amortised cost between the beginning and the end of the reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
<i>In thousands of Uzbekistan Soums</i>								
Loans to legal entities								
At 1 January 2020	434,416	-	-	434,416	732,549,719	-	-	732,549,719
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	3,179,311	-	-	3,179,311	478,291,118	-	-	478,291,118
Derecognised during the period	(868,832)	-	-	(868,832)	(277,203,241)	-	-	(277,203,241)
Total movements with impact on credit loss allowance charge for the period	2,310,479	-	-	2,310,479	201,087,877	-	-	201,087,877
At 31 December 2020	2,744,895	-	-	2,744,895	933,637,596	-	-	933,637,596
Individuals								
At 1 January 2020	127,619	-	-	127,619	12,595,479	-	-	12,595,479
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	28,592	-	-	28,592	2,859,238	-	-	2,859,238
Derecognised during the period	(55,995)	-	-	(55,995)	(2,515,351)	-	-	(2,515,351)
Total movements with impact on credit loss allowance charge for the period	(27,403)	-	-	(27,403)	343,887	-	-	343,887
At 31 December 2020	100,216	-	-	100,216	12,939,366	-	-	12,939,366

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

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to customers, including finance lease receivables carried at amortised cost between the beginning and the end of the reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
<i>In thousands of Uzbekistan Soums</i>								
Loans to legal entities								
At 1 January 2019	378,110	-	-	378,110	503,812,512	-	-	503,812,512
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	309,089	-	-	309,089	500,649,752	-	-	500,649,752
Derecognised during the period	(252,783)	-	-	(252,783)	(271,912,545)	-	-	(271,912,545)
Total movements with impact on credit loss allowance charge for the period	56,306	-	-	56,306	228,737,207	-	-	228,737,207
At 31 December 2019	434,416	-	-	434,416	732,549,719	-	-	732,549,719
Individuals								
At 1 January 2019	77,397	-	-	77,397	7,728,245	-	-	7,728,245
<i>Movements with impact on credit loss allowance charge for the period:</i>								
New originated or purchased	63,471	-	-	63,471	6,180,672	-	-	6,180,672
Derecognised during the period	(13,249)	-	-	(13,249)	(1,313,438)	-	-	(1,313,438)
Total movements with impact on credit loss allowance charge for the period	50,222	-	-	50,222	4,867,234	-	-	4,867,234
At 31 December 2019	127,619	-	-	127,619	12,595,479	-	-	12,595,479

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

The credit loss allowance for loans and advances to customers, including finance lease receivables recognised in the period is impacted by additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period.

The credit quality of loans and advances to customers, including finance lease receivables is as follows at 31 December 2020:

<i>In thousands of Uzbekistan Soums</i>	Loans to legal entities	Loans to individuals	Total
Neither past due nor impaired	933,637,596	12,939,366	946,576,962
Credit loss allowance	(2,744,895)	(100,216)	(2,845,111)
Total loans and advances to customers, including finance lease receivables	930,892,701	12,839,150	943,731,851

For the purpose of ECL measurement for loans and advances to customers, including finance lease receivables balances are included in Stage 1. Refer to Note 22 for the ECL measurement approach.

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

<i>In thousands of Uzbekistan Soums</i>	Loans to legal entities	Loans to individuals	Total
Neither past due nor impaired	732,549,719	12,595,479	745,145,198
Credit loss allowance	(434,416)	(127,619)	(562,035)
Total loans and advances to customers, including finance lease receivables	732,115,303	12,467,860	744,583,163

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

<i>In thousands of Uzbekistan Soums</i>	31 December 2020		31 December 2019	
	amount	%	amount	%
Production	605,174,172	64%	598,955,540	80%
Trade and services	198,535,283	21%	129,896,000	17%
Mining	103,306,913	11%	-	-
Agriculture	26,621,228	3%	3,698,179	1%
Individuals	12,939,366	1%	12,595,479	2%
Gross loans and advances to customers, including finance lease receivables	946,576,962		745,145,198	

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

At 31 December 2020, the Bank’s largest five borrowers comprised a total amount of UZS 402,010,427 thousand (2019: UZS 306,245,562 thousand) or 42% of the gross loan portfolio (2019: 41%).

The Bank’s policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Information about collateral at 31 December 2020 is as follows:

<i>In thousands of Uzbekistan Soums</i>	Loans to legal entities	Loans to individuals	Total
Loans guaranteed by other parties	61,597,883	370,220	61,968,103
Loans collateralised by:	-	-	-
- real estate	608,766,186	12,308,653	621,074,839
- equipment and goods in inventory	193,772,674	-	193,772,674
- motor vehicle	35,800,951	-	35,800,951
- cash deposit	742,676	-	742,676
- insurance	32,957,226	260,493	33,217,719
Gross loans and advances to customers, including finance lease receivables	933,637,596	12,939,366	946,576,962

Information about collateral at 31 December 2019 is as follows:

<i>In thousands of Uzbekistan Soums</i>	Loans to legal entities	Loans to individuals	Total
Loans guaranteed by other parties	36,400,929	401,500	36,802,429
Loans collateralised by:	-	-	-
- real estate	575,277,332	11,958,472	587,235,804
- equipment and goods in inventory	83,332,381	-	83,332,381
- motor vehicle	21,173,140	-	21,173,140
- insurance	9,307,790	235,507	9,543,297
- cash deposit	7,058,147	-	7,058,147
Gross loans and advances to customers, including finance lease receivables	732,549,719	12,595,479	745,145,198

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralised assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralised assets”). The effect of collateral on credit impaired assets at 31 December 2020 is as follows:

	Over-collateralised assets		Under-collateralised assets	
	Carrying value of assets	Fair value of collateral accepted by the Bank	Carrying value of assets	Fair value of collateral accepted by the Bank
<i>In thousands of Uzbekistan Soums</i>				
Loans to legal entities	933,637,596	2,206,406,189	-	-
Loans to individuals	12,939,366	20,961,214	-	-
Gross loans and advances to customers, including finance lease receivables	946,576,962	2,227,367,403	-	-

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

The effect of collateral at 31 December 2019:

	Over-collateralised assets		Under-collateralised assets	
	Carrying value of assets	Fair value of collateral accepted by the Bank	Carrying value of assets	Fair value of collateral accepted by the Bank
<i>In thousands of Uzbekistan Soums</i>				
Loans to legal entities	732,549,719	1,488,627,728	-	-
Loans to individuals	12,595,479	19,150,775	-	-
Gross loans and advances to customers, including finance lease receivables	745,145,198	1,507,778,503	-	-

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

Refer to Note 25 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 22. Information on related party balances is disclosed in Note 27.

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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					
1 January 2019	40,078,212	22,988,409	63,066,621	14,876,640	77,943,261
Additions	9,846	9,850,778	9,860,624	285,697	10,146,321
Disposals	-	(924,417)	(924,417)	(38,998)	(963,415)
31 December 2019	40,088,058	31,914,770	72,002,828	15,123,339	87,126,167
Accumulated depreciation					
1 January 2019	4,634,930	14,138,379	18,773,309	13,745,441	32,518,750
Depreciation / amortisation charge	1,191,793	2,066,709	3,258,502	571,511	3,830,013
Disposals	-	(853,052)	(853,052)	(38,999)	(892,051)
31 December 2019	5,826,723	15,352,036	21,178,759	14,277,953	35,456,712
Net book value					
31 December 2018	35,443,282	8,850,030	44,293,312	1,131,199	45,424,511
31 December 2019	34,261,335	16,562,734	50,824,069	845,386	51,669,455
Cost					
1 January 2020	40,088,058	31,914,770	72,002,828	15,123,339	87,126,167
Additions	-	4,396,663	4,396,663	568,370	4,965,033
Disposals	-	(2,039,419)	(2,039,419)	(43,231)	(2,082,650)
31 December 2020	40,088,058	34,272,014	74,360,072	15,648,478	90,008,550
Accumulated depreciation					
1 January 2020	5,826,723	15,352,036	21,178,759	14,277,953	35,456,712
Depreciation / amortisation charge	1,206,523	4,391,316	5,597,839	313,508	5,911,347
Disposals	-	(2,034,962)	(2,034,962)	(43,231)	(2,078,193)
31 December 2019	7,033,246	17,708,390	24,741,636	14,548,230	39,289,866
Net book value					
31 December 2019	34,261,335	16,562,734	50,824,069	845,386	51,669,455
31 December 2020	33,054,812	16,563,624	49,618,436	1,100,248	50,718,684

11 Right of Use Assets and Lease Liabilities

The Bank leases 2 branches. Rental contracts are typically made for fixed periods.

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 1 January 2019	-	-
Addition	4,981,278	4,981,278
Depreciation	(1,358,530)	(1,358,530)
Carrying amount at 31 December 2019	3,622,748	3,622,748
Depreciation	(1,746,115)	(1,746,115)
Other	(102,550)	(102,550)
Carrying amount at 31 December 2020	1,774,083	1,774,083

Interest expense on lease liabilities was UZS 487,900 thousand (2019: UZS 873,081 thousand) and cash outflow for rent payments was UZS 2,350,975 thousand (2019: UZS 2,044,326 thousand).

12 Other Assets

<i>In thousands of Uzbekistan Soums</i>	31 December 2020	31 December 2019
Other financial assets		
Clearing account for card operations and other settlements	999,838	1,088,843
Commission income receivable	3,843	204,970
Less credit loss allowance	(474)	(510)
Total other financial assets	1,003,207	1,293,303
Other non-financial assets		
Prepayments to suppliers	2,925,694	2,452,699
Other	650,158	424,530
Total other non-financial assets	3,575,852	2,877,229
Total other assets	4,579,059	4,170,532

For the purpose of ECL measurement other financial asset balances are included in Stage 1. Refer to Note 22 for the ECL measurement approach.

Refer to Note 25 for the disclosure of the fair value of each class of other financial assets. Interest rate analysis of other financial assets is disclosed in Note 22.

13 Due to Other Banks

<i>In thousands of Uzbekistan Soums</i>	31 December 2020	31 December 2019
Correspondent accounts	2,953,992	2,035,817
Short term placements of other banks	962,845	324,659
Total due to other banks	3,916,837	2,360,476

13 Due to Other Banks (Continued)

At 31 December 2020 and 2019, the Bank’s largest three balances with counterparty banks amounted to UZS 3,916,837 thousand and UZS 2,360,476 thousand, respectively.

Refer to Note 25 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 22. Information on related party balances is disclosed in Note 27.

14 Customer Accounts

<i>In thousands of Uzbekistan Soums</i>	31 December 2020	31 December 2019
Private and legal entities:		
- Current/settlement accounts	4,912,190,409	3,021,144,747
- Term deposits	16,955,673	23,323,999
State and public organizations		
- Current/settlement accounts	491,445,238	87,396,079
Individuals		
- Current/settlement accounts	200,624,606	156,131,189
Total customer accounts	5,621,215,926	3,287,996,014

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Uzbekistan Soums</i>	31 December 2020		31 December 2019	
	Amount	%	Amount	%
Oil & gas	3,696,121,695	66	2,179,023,975	66
Services	522,881,938	9	293,335,300	9
Trade	475,220,395	8	358,678,425	11
Mining	396,297,913	7	-	
Production	223,942,289	4	138,393,520	4
Individuals	200,624,606	4	156,131,189	5
Telecommunication	79,632,331	1	123,999,129	4
Other	26,494,759	0.5	38,434,476	1
Total customer accounts	5,621,215,926	100	3,287,996,014	100

At 31 December 2020, the Bank’s largest three customer balances represented an aggregate amount of UZS 3,700,901,476 thousand (31 December 2019: UZS 2,364,603,056 thousand) or 66% (2019: 72%) of total customer accounts.

At 31 December 2020 included in customer accounts are deposits of UZS 451,528,573 thousand (31 December 2019: UZS 222,667,869 thousand) held as collateral against issued guarantees, letters of credit and loans. Refer to Note 24.

Refer to Note 25 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 22. Information on related party balances is disclosed in Note 27.

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15 Other Liabilities

<i>In thousands of Uzbekistan Soums</i>	31 December 2020	31 December 2019
Other financial liabilities		
Payable to suppliers	1,250,519	1,694,460
Other	-	85,239
Total other financial liabilities	1,250,519	1,779,699
Other non-financial liabilities		
Accrued salaries	3,406,659	3,476,162
Taxes other than on income tax payable	1,091,257	1,133,782
Deferred income	649,822	667,959
Other	144,976	75,907
Total other non-financial liabilities	5,292,714	5,353,810
Total other liabilities	6,543,233	7,133,509

Taxes payable other than income tax mainly represent withholding tax payable, personal income tax and other payroll related taxes payable. Refer to Note 25 for disclosure of the fair value of each class of other financial liabilities.

16 Share Capital

<i>In thousands of Uzbekistan Soums except for number of shares</i>	Number of outstanding shares	Nominal value	Nominal registered amount	Inflated amount
At 31 December 2019	681,371,600	148.63	101,272,261	101,272,261
At 31 December 2020	681,371,600	148.63	101,272,261	101,272,261

All issued ordinary shares are fully paid. Each ordinary share carries one vote with a par value of UZS 148.63 per share (2019: UZS 148.63 per share). The charter capital of the Bank is stated at nominal registered amount in these financial statements.

17 Interest Income and Interest Expenses

<i>In thousands of Uzbekistan Soums</i>	2020	2019
Interest income calculated using the effective interest method		
Loans and advances to customers, including finance lease receivables at AC	80,672,855	77,555,298
Due from other banks at AC	58,118,811	86,016,495
Total interest income calculated using the effective interest method	138,791,666	163,571,793
Interest and other similar expense		
Lease liabilities	(487,900)	(873,081)
Term deposits of legal entities	-	(11,985,967)
Term placements of other banks	-	(8,383,562)
Total interest and other similar expense	(487,900)	(21,242,610)
Net margin on interest and similar income	138,303,766	142,329,183

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18 Fee and Commission Income and Expense

<i>In thousands of Uzbekistan Soums</i>	2020	2019
Fee and commission income		
Settlement transactions	18,437,795	20,787,568
Commission on foreign currency operations	12,655,001	12,554,145
Commission on plastic cards	5,126,534	7,629,638
Cash commission	2,580,487	3,112,612
Commission on guarantees and letters of credit	2,596,983	2,718,924
Other	478,214	1,608,836
Total fee and commission income	41,875,014	48,411,723
Fee and commission expense		
Commission on plastic cards	5,615,337	6,569,469
Settlement transactions	4,417,956	4,401,071
Cash collection	201,173	457,196
Total fee and commission expense	10,234,466	11,427,736
Net fee and commission income	31,640,548	36,983,987

19 Administrative and Other Operating Expenses

<i>In thousands of Uzbekistan Soums</i>	2020	2019
Staff costs	68,451,513	57,478,066
Depreciation and amortization	7,803,599	5,334,680
Repair and maintenance	2,183,141	2,128,059
Postage, telephone and fax expenses	2,346,109	1,902,608
Security expenses	2,046,059	1,970,642
Professional services	1,523,842	1,400,454
Stationery and office supplies	1,414,646	669,668
Taxes other than income taxes	818,806	815,161
Membership fees	749,041	1,440,483
Rent expenses	837,943	971,486
Utilities	672,274	586,110
Representation and entertainment	635,623	1,229,890
Other	1,183,542	963,184
Administrative and other operating expenses	90,666,138	76,890,491

Included in staff costs are statutory pension contributions of UZS 6,176,306 thousand (2019: UZS 4,015,639 thousand).

20 Income Tax

a) Components of income tax expense

Income tax expense comprises the following:

<i>In thousands of Uzbekistan Soums</i>	2020	2019
Current tax	18,659,724	22,948,766
Deferred tax (credit) / charge	(223,454)	319,057
Income tax expense for the year	18,436,270	23,267,823

20 Income Tax (Continued)

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

Starting from 1 January 2019 effective interest rate for corporate income tax is to be 20%. Reconciliation between the expected and the actual taxation charge is provided below.

<i>In thousands of Uzbekistan Soums</i>	2020	2019
Profit before tax	87,387,763	111,580,704
Theoretical tax charge at the applicable statutory rate - 20% (2019: 20%)	17,477,553	22,316,141
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	1,001,597	956,506
- Tax exempt income	(42,880)	(4,824)
Income tax expense for the year	18,436,270	23,267,823

c) Deferred taxes analysed by type of temporary difference

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

<i>In thousands of Uzbekistan Soums</i>	2020 (Charged)/ credited to profit or loss	2019	(Charged)/ credited to profit or loss	2018
Tax effect of deductible/(taxable) temporary differences				
Accruals	490,532	77,479	413,053	(88,782)
Credit loss allowance of loans	342,135	96,828	245,307	15,428
Deferred income	-	(61,932)	61,932	(316,087)
Premises, equipment and intangible assets	68,947	111,079	(42,132)	70,384
Net deferred tax asset	901,614	223,454	678,160	(319,057)
Recognised deferred tax asset	901,614	223,454	720,292	(389,441)
Recognised deferred tax liability	-	-	(42,132)	70,384
Net deferred tax asset	901,614	223,454	678,160	(319,057)

21 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

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

	2020	2019
Profit for the year attributable to ordinary shareholders	68,951,493	88,312,881
Weighted average number of ordinary shares in issue (thousand)	681,371,600	681,371,600
Basic and diluted earnings per ordinary share (expressed in UZS per share)	101	130

22 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial 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 then 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, in order to minimise operational and legal risks.

Credit risk. The Bank takes on exposure 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 discharge 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.

The Bank’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For guarantees and commitments to extend 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 Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of the Bank’s internal credit rating system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action. Clients of the Bank are segmented into five rating classes. The Bank’s rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Bank applies two approaches – an Internal Risk-Based (IRB) rating system or risk grades estimated by external international rating agencies (Standard & Poor’s - “S&P”, Fitch, Moody’s). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corresponding ratings	Corresponding PD interval of international rating agencies	Corresponding internal PD ratings
Excellent	AAA to BB+	0,01% - 0,5%	0,75% - 1,5%
Good	BB to B+	0,51% - 3%	7,5%
Satisfactory	B, B-	3% - 10%	22%
Special monitoring	CCC+ to CC-	10% - 99,9%	45%
Default	C, D-I, D-II	100%	100%

22 Financial Risk Management (Continued)

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

The IRB system is designed internally, and ratings are estimated by management. Various credit-risk estimation techniques are used by the Group depending on the class of the asset. There are three commonly used types of such systems:

- *Model-based* – In this system, credit risk ratings are assigned by internally developed statistical models with the limited involvement of credit officers. Statistical models include qualitative and quantitative information that shows the best predictive power based on historical data on defaults.
- *Expert judgement-based* – In this system, credit risk ratings are assigned subjectively by experienced credit officers based on internally developed methodology and different qualitative and quantitative factors. This approach is based on expert methodology and judgements rather than on sophisticated statistical models.

The Bank applies IRB systems for measuring credit risk for the following financial assets: corporate loans, and finance lease receivables – internal PD ratings, cash and cash equivalents and due from other assets - external rating agencies PD rates.

The rating models are regularly reviewed by the Credit Risk Department, once historical default data is available rating models will be updated accordingly. Despite the method used, the Bank regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

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

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.

22 Financial Risk Management (Continued)

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

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

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

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

For corporate Debtors and individual entrepreneurs, other than banks:

- the Debtor's exposure to the Bank is more than 30 days past due
- Restructuring caused by financial difficulty of the debtor on the following conditions:
 - Grace period on interest for over 90 days; and/or
 - Changes in the principal repayment schedule when cumulative instalments over the next 12 months are reduced by more than 50% from the original repayment schedule; and/or
 - Extension of maturity of the loan by more than 12 months compared to the original maturity; and/orRevision of the principal or interest repayment schedule and/or the interest rate if the resulting present value of contractual cash flows under the modified contract is more than 10% lower than the present value of the original contractual cash flows
- Bankruptcy proceedings initiated or the debtor declared bankrupt;
- The exposure to the Debtor classified as ‘bad debt’ in accordance with the CBU classification
- Occurrence of an event of impairment (default) on the reporting date that affected classification of other financial instruments of the debtor to Stage 3

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, 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 predefined criterion. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Bank’s Risk Management Department. There is a presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 15 days past due, has not been rebutted.

No assessment of SICR events is performed for financial instruments designated to low credit risk instruments.

22 Financial Risk Management (Continued)

The Bank defines financial instruments as low credit risk instruments based on the instrument default risk rather than on the ECL level. Therefore, financial assets may not be designated to the risk instruments only on the basis of the high level of collateralisation.

The Bank defines the following financial instruments as low credit risk assets and classifies them to Stage 1 (if no default/impairment indications exist):

- placements on the correspondent account with the Central Bank of the Republic of Uzbekistan;
- placements on correspondent accounts with non-resident banks with the investment grade assigned by international rating agencies as at the reporting date;
- securities issued by the Central Bank of the Republic of Uzbekistan;
- securities issued by central executive authorities of the Republic of Uzbekistan (i.e. government treasury bonds of the Republic of Uzbekistan).

Where any asset designated to low credit risk instruments experiences the event of impairment (default), this asset shall not be classified to low credit risk instruments. Where the events of impairment (default) exist for an individual issuer of financial instruments designated to low credit risk instruments, all instruments of this issuer should be removed from the list of low credit risk instruments and reclassified appropriately.

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.

For loans issued to legal entities:

- The Debtor's credit quality downgraded from the grade as of the comparison date by 2 or more notches;
- Contractual payments for the financial instrument are more than 10 days past due;
- Restructuring caused by financial difficulty of the debtor on the following conditions:
 - Grace period on interest for up to 90 days; and/or
 - Changes in the principal repayment schedule when cumulative instalments over the next 12 months are reduced by no more than 50% from the original repayment schedule; and/or
 - Extension of maturity of the loan by no more than 12 months compared to the original maturity
 - Reduction of the interest rate on the loan to the below-market level, however not lower than the Bank's cost of funding;
- Property disputes between the Debtor's beneficiaries in the amount in excess of 30% of the exposure, corporate conflict between beneficiaries;
- Criminal charges brought against management or owner of the Debtor;
- Assess of the Debtor's accounts that could result in liquidity issues;
- The Debtor is not available at registered address;
- Information is available that the Debtor has stopped operations;
- The collateral provider's title to collateral is challenged in court for one or more assets pledged as collateral to the Bank;
- Debtor and/or surety/guarantee provider challenges agreements with the Bank;
- Classification of the debtor's other financial instruments with the Bank to Stage 2 (due to a SICR event) provided that the date of classification to Stage 2 for those instruments is later than the initial recognition date of the financial instrument assessed;
- The early warning flags were triggered for the Debtor

22 Financial Risk Management (Continued)

For loans to Individuals:

- Contractual payments are more than 15 days past due;
- Restructuring caused by financial difficulty of the debtor on the following conditions:
 - Grace period on interest for up to 90 days; and/or
 - Changes in the principal repayment schedule when cumulative instalments over the next 12 months are reduced by no more than 50% from the original repayment schedule; and/or
 - Extension of maturity of the loan by no more than 12 months compared to the original maturity
 - Reduction of the contractual interest rate to the below-market level, however not lower than the Bank's cost of funding.
- inclusion of loan into a watch list according to the internal credit risk monitoring process.

For other banks :

- Contractual payments are more than 1 day past due;
- For resident banks - the debtor bank's credit quality downgraded from the comparison/recognition date by 2 or more notches;
- For non-resident banks - the rating assigned by an international credit rating agency downgraded by 2 or more notches from the comparison date or withdrawn by the international credit rating agency;
- Classification of the debtor's other financial instruments with the Bank to Stage 2 (due to a SICR event) provided that the date of classification to Stage 2 for those instruments is later than the recognition date of the financial instrument analysed.

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 four 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 (iv) Bank currently uses simplified formula for calculation of provision for ECL for retail loans without separate determination of PD and LGD, but using LR (expected loss rate) instead. The Bank performs an assessment on a portfolio basis for loans issued to corporate customers (standard lending, specialised lending, loans to leasing companies, etc.), interbank loans.

22 Financial Risk Management (Continued)

The Bank performs assessments based on external ratings for interbank loans, debt securities issued by the banks.

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 Department and Risk 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 group have homogeneous or similar risks. The key shared credit characteristics considered are: product type, credit risk rating, term to maturity, the quality of collateral. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings 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 year 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 expert judgment 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). At the date of preparation of this financial statements Bank has no sufficient data for development of statistical models for ECL assessment. Therefore, Bank currently uses simplified formula for calculation of provision for ECL for retail loans without separate determination of PD and LGD but using LR (expected loss rate) instead.

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.

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.

22 Financial Risk Management (Continued)

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 interbank loans, deposits and balances on correspondent accounts, as well as debt securities issued by other banks .

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Bank identified certain key economic variables that correlate with developments in credit risk and ECLs. Taking into account that currently the Bank does not have history of defaults, the Bank has no ability to develop models for the purpose of statistical determination of correlation between macroeconomic factors and default rate for loan portfolio. Till the time when respective statistical data becomes available estimation of impact of macroeconomic factors on PD rates for corporate portfolio and LR for retail portfolio is to be made using the Bank's professional judgement. When the Bank has appropriate statistical information to develop models of credit portfolio quality sensitivity to macroeconomic factors several scenarios are to be analysed and several sets of adjusting factors are to be applied for the purpose of ECL calculations.

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. Based on the analysis of SICR events date (Note 22) and events of impairment (default), the Bank classifies its financial instruments. 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 back testing 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.

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.

22 Financial Risk Management (Continued)

The table below summarises the Bank’s exposure to foreign currency exchange rate risk at the balance sheet date:

<i>In thousands of Uzbekistan Soums</i>	At 31 December 2020			At 31 December 2019		
	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
UZS	1,142,311,047	(658,786,883)	483,524,164	878,037,387	(373,300,115)	504,737,272
US Dollars	4,816,181,043	(4,709,982,665)	106,198,378	2,770,833,467	(2,746,841,117)	23,992,350
Euros	216,452,597	(216,427,765)	24,832	156,974,142	(160,513,980)	(3,539,838)
Other	50,209,696	(41,185,969)	9,023,727	17,459,093	(15,789,044)	1,670,049
Total	6,225,154,383	(5,626,383,282)	598,771,101	3,823,304,089	(3,296,444,256)	526,859,833

The Bank takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Supervisory Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank’s Treasury Department measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses effect of actual annual appreciation/depreciation of that currency against Uzbekistan Soums to the profit and loss of the Bank.

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

<i>In thousands of Uzbekistan Soums</i>	At 31 December 2020	At 31 December 2019
	Impact on profit or loss	Impact on profit or loss
US Dollars strengthening by 11% (2019: 21%)	11,681,822	5,038,394
US Dollars weakening by 11% (2019: 21%)	(11,681,822)	(5,038,394)
EUR strengthening by 11% (2019: 21%)	2,732	(743,366)
EUR weakening by 11% (2019: 21%)	(2,732)	743,366

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 re-pricing that may be undertaken.

22 Financial Risk Management (Continued)

The table below summarises the Bank's exposure to interest rate risks. The table represents 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	4,529,891,208	575,186,556	218,018,107	902,058,512	6,225,154,383
Total financial liabilities	(5,609,713,247)	(15,556,037)	-	(1,113,998)	(5,626,383,282)
Net interest sensitivity gap at 31 December 2020	(1,079,822,039)	559,630,519	218,018,107	900,944,514	598,771,101
31 December 2019					
Total financial assets	1,815,024,548	1,185,201,600	182,602,502	640,475,439	3,823,304,089
Total financial liabilities	(3,273,352,018)	(13,046,527)	(956,778)	(9,088,933)	(3,296,444,256)
Net interest sensitivity gap at 31 December 2019	(1,458,327,470)	1,172,155,073	181,645,724	631,386,506	526,859,833

The Bank has no significant exposure to interest rate risk, since all financial assets and liabilities are at fixed interest rates.

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

	2020			2019		
	UZS	USD	EUR	UZS	USD	EUR
Assets						
Cash and cash equivalents	0 - 16%	-	-	0 - 16%	-	-
Due from other banks	13%-16%	2.8% - 4%	-	13%-16%	2.8% - 4%	-
Loans and advances to customers, including finance lease receivables	9% - 26%	6% - 12%	-	9% - 26%	6% - 12%	-
Other financial assets	-	-	-	-	-	-
Liabilities						
Due to other banks	14%-16%	-	-	14%-16%	-	-
Customer accounts	0 - 13%	1%-1.45%	-	0 - 13%	1%-1.45%	-
Lease liabilities	0 - 20%	-	-	0 - 20%	-	-

22 Financial Risk Management (Continued)

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

<i>In thousands of Uzbekistan Soums</i>	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,626,279,268	1,873,748,515	723,772,111	4,223,799,894
Due from other banks	343,885,104	455,487,030	257,247,297	1,056,619,431
Loans and advances to customers, including lease receivables	943,731,851	-	-	943,731,851
Other financial assets	1,003,207	-	-	1,003,207
Total financial assets	2,914,899,430	2,329,235,545	981,019,408	6,225,154,383
Liabilities				
Due to other banks	3,916,837	-	-	3,916,837
Customer accounts	5,621,215,926	-	-	5,621,215,926
Other financial liabilities	1,250,519	-	-	1,250,519
Total financial liabilities	5,626,383,282	-	-	5,626,383,282
Net balance sheet position as 31 December 2020	(2,711,483,852)	2,329,235,545	981,019,408	598,771,101
Credit related commitments (Note 24)	212,924,365	-	-	212,924,365
as 31 December 2019				
<i>In thousands of Uzbekistan Soums</i>	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	585,512,963	1,011,959,520	455,465,902	2,052,938,385
Due from other banks	634,052,277	3,540,329	386,896,632	1,024,489,238
Loans and advances to customers, including lease receivables	744,583,163	-	-	744,583,163
Other financial assets	1,293,303	-	-	1,293,303
Total financial assets	1,965,441,706	1,015,499,849	842,362,534	3,823,304,089
Liabilities				
Due to other banks	2,360,476	-	-	2,360,476
Customer accounts	3,287,996,014	-	-	3,287,996,014
Lease liabilities	4,308,067	-	-	4,308,067
Other financial liabilities	1,330,705	448,994	-	1,779,699
Total financial liabilities	3,295,995,262	448,994	-	3,296,444,256
Net balance sheet position as 31 December 2019	(1,330,553,556)	1,015,050,855	842,362,534	526,859,833
Credit related commitments (Note 24)	98,770,162	-	-	98,770,162

Cash and cash equivalents, due from other banks and due to other banks in OECD countries include accounts in German and Austrian banks.

Cash and cash equivalents, due from other banks and due to other banks in Non-OECD countries include accounts in banks of Kazakhstan and Russia.

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand, due from other banks have been allocated based on the country in which they are physically held.

22 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as 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 Liquidity Management Committee 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 inter-bank placements of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank 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 liquidity ratios on a monthly basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratios are (ratios are calculated using unaudited figures based on National Accounting Standards):

- Liquidity coverage ratio (not to be less than 1.0), which is calculated as the ratio of high liquid assets to net cash outflow in following 30 days; the ratio was 7.338 at 31 December 2019 (31 December 2019: 2.654).

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 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.

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 reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

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 below maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

22 Financial Risk Management (Continued)

The undiscounted maturity analysis of financial liabilities 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
Due to other banks	3,916,837	-	-	-	3,916,837
Customer accounts	5,604,545,891	15,556,037	-	1,113,998	5,621,215,926
Other financial liabilities	1,250,519	-	-	-	1,250,519
Import letter of credit	16,621,856	402,978,705	75,802,680	-	495,403,241
Undrawn credit lines	5,994,191	848,263	27,990,670	117,252,714	152,085,838
Guarantees issued	272,611	11,711,500	2,029,642	2,979,033	16,992,786
Total potential future payments for financial obligations	5,632,601,905	431,094,505	105,822,992	121,345,744	6,290,865,146

The undiscounted maturity analysis of financial liabilities at 31 December 2019 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
Due to other banks	2,360,476	-	-	-	2,360,476
Customer accounts	3,269,112,199	12,396,427	-	6,487,388	3,287,996,014
Lease liabilities	99,644	650,100	956,778	2,601,545	4,308,067
Other financial liabilities	1,779,699	-	-	-	1,779,699
Import letter of credit	-	53,613,994	155,903,149	-	209,517,143
Undrawn credit lines	1,001	10,265,850	14,421,804	42,698,644	67,387,299
Guarantees issued	475,378	26,569,373	17,494,000	-	44,538,751
Total potential future payments for financial obligations	3,273,828,397	103,495,744	188,775,731	51,787,577	3,617,887,449

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

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22 Financial Risk Management (Continued)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected maturities which may be summarized as follows at 31 December 2020:

<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	4,021,621,367	202,178,527	-	-	4,223,799,894
Due from other banks	462,062,791	113,028,255	8,842,472	472,685,913	1,056,619,431
Loans and advances to customers, including finance lease receivables	45,203,843	259,979,774	209,175,635	429,372,599	943,731,851
Other financial assets	1,003,207	-	-	-	1,003,207
Total financial assets	4,529,891,208	575,186,556	218,018,107	902,058,512	6,225,154,383
Liabilities					
Due to other Banks	3,916,837	-	-	-	3,916,837
Customer accounts	5,604,545,891	15,556,037	-	1,113,998	5,621,215,926
Other financial liabilities	1,250,519	-	-	-	1,250,519
Total financial liabilities	5,609,713,247	15,556,037	-	1,113,998	5,626,383,282
Net liquidity gap	(1,079,822,039)	559,630,519	218,018,107	900,944,514	598,771,101
Cumulative liquidity gap at 31 December 2020	(1,079,822,039)	(520,191,520)	(302,173,413)	598,771,101	

The analysis by remaining contractual maturities may be summarized as follows at 31 December 2019:

<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	1,756,973,693	295,964,692	-	-	2,052,938,385
Due from other banks	3,053,917	673,008,883	-	348,426,438	1,024,489,238
Loans and advances to customers, including finance lease receivables	53,703,635	216,228,025	182,602,502	292,049,001	744,583,163
Other financial assets	1,293,303	-	-	-	1,293,303
Total financial assets	1,815,024,548	1,185,201,600	182,602,502	640,475,439	3,823,304,089
Liabilities					
Due to other Banks	2,360,476	-	-	-	2,360,476
Customer accounts	3,269,112,199	12,396,427	-	6,487,388	3,287,996,014
Lease liabilities	99,644	650,100	956,778	2,601,545	4,308,067
Other financial liabilities	1,779,699	-	-	-	1,779,699
Total financial liabilities	3,273,352,018	13,046,527	956,778	9,088,933	3,296,444,256
Net liquidity gap	(1,458,327,470)	1,172,155,073	181,645,724	631,386,506	526,859,833
Cumulative liquidity gap at 31 December 2019	(1,458,327,470)	(286,172,396)	(104,526,673)	526,859,833	

22 Financial Risk Management (Continued)

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.

A substantial portion of customer accounts are repayable on demand. A significant portion of these deposits are restricted of use by customers with no interest attached and there is diversification of these deposits by number and type of depositors. Bank management therefore believe that these customer accounts provide a long-term and stable source of funding for the Bank.

23 Management of Capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the CBU and (ii) 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 Bank's Chairman and Chief Accountant.

Under the current capital requirements set by the CBU, banks have to maintain ratios of:

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13 % (31 December 2019: 13%);
- Ratio of Bank's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2019: 10%); and
- Ratio of Bank's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2019: 6%).

The Bank complied with the above ratios at 31 December 2020.

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

	31 December 2020	31 December 2019
<i>In thousands of Uzbekistan Soums</i>	(unaudited)	(unaudited)
Tier 1 capital	565,998,699	478,953,320
Tier 2 capital	92,112,198	109,618,658
Total regulatory capital	658,110,897	588,571,978
Risk - weighted assets (unaudited)	2,496,716,631	1,746,386,364

Regulatory capital consists of Tier 1 capital, which comprises share capital, additional paid in capital, retained earnings, excluding current year profit, less intangible assets. The other component of regulatory capital is Tier 2 capital, which includes current year profit.

24 Contingencies and Commitments

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

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

Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2020 and 31 December 2019 no provision for potential tax liabilities had been recorded. The Bank estimates that it has no potential obligations from exposure to other than remote tax risks.

Capital commitments – The Bank had no material capital commitments outstanding at 31 December 2020 and 31 December 2019.

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 Bank 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 Bank on behalf of a customer authorising a third party to draw drafts on the Bank 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 Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank 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.

24 Contingencies and Commitments (Continued)

Outstanding credit related commitments are as follows:

<i>In thousands of Uzbekistan Soums</i>	31 December 2020	31 December 2019
Import Letter of credits	495,403,241	209,517,143
Undrawn credit lines	152,085,838	67,387,299
Total credit related commitments	647,489,079	276,904,442
Financial guarantees issued	16,992,786	44,538,751
Less: Provision for loan commitments	(28,927)	(5,162)
Less: Commitment collateralised by cash deposits	(451,528,573)	(222,667,870)
Total credit related commitments, net of provision and cash covered exposures	212,924,365	98,770,162

The total outstanding contractual amount of letters of credit, guarantees issued and undrawn credit lines does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded. Credit related commitments are denominated in currencies as follows:

<i>In thousands of Uzbekistan Soums</i>	31 December 2020	31 December 2019
US Dollars	517,623,079	171,659,149
EUR	97,186,377	91,699,794
Uzbekistan Soums	49,672,410	58,084,251
Total credit related commitments	664,481,865	321,443,194

For the purpose of ECL measurement, credit related commitments are included in Stage 1. Refer to Note 22 for ECL measurement including the definition of default and SICR as applicable to credit related commitments.

25 Fair Value of Financial Instruments

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.

25 Fair Value of Financial Instruments (Continued)

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

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2020 are as follows:

	Level 1	Level 2	Level 3	Carrying value
Assets				
Cash and cash equivalents	127,510,180	801,457,420	3,294,832,294	4,223,799,894
Due from other banks	-	149,379,201	907,240,230	1,056,619,431
Loans and advances to customers, including finance lease receivables	-	-	943,731,851	943,731,851
Other financial assets	-	-	1,003,207	1,003,207
TOTAL	127,510,180	950,836,621	5,146,807,582	6,225,154,383

	Level 1	Level 2	Level 3	Carrying value
Liabilities				
Due to other banks	-	-	3,916,837	3,916,837
Customer accounts	-	-	5,621,215,926	5,621,215,926
Other financial liabilities	-	-	1,250,519	1,250,519
TOTAL	-	-	5,626,383,282	5,626,383,282

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value at 31 December 2019 are as follows:

	Level 1	Level 2	Level 3	Carrying value
Assets				
Cash and cash equivalents	99,817,427	212,240,985	1,740,879,973	2,052,938,385
Due from other banks	-	339,782,378	684,706,860	1,024,489,238
Loans and advances to customers, including finance lease receivables	-	-	744,583,163	744,583,163
Other financial assets	-	-	1,779,699	1,779,699
TOTAL	99,817,427	552,023,363	3,171,949,695	3,823,790,485

	Level 1	Level 2	Level 3	Carrying value
Liabilities				
Due to other banks	-	-	2,360,476	2,360,476
Customer accounts	-	-	3,287,996,014	3,287,996,014
Lease liabilities	-	-	4,308,067	4,308,067
Other financial liabilities	-	-	1,779,699	1,779,699
TOTAL	-	-	3,296,444,256	3,296,444,256

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

25 Fair Value of Financial Instruments (Continued)

For assets, the Bank used assumptions about counterparty’s incremental borrowing rate and prepayment rates. Liabilities were discounted at the Bank’s own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Bank.

The Bank’s liabilities to its customers are subject to deposit guaranteeing scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

26 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.

As of 31 December 2020, and 31 December 2019, all of the Bank’s financial assets and financial liabilities were carried at AC.

27 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.

At 31 December, the outstanding balances of related parties are as follows:

	2020				2019			
	Significant shareholders	Other shareholders	Entities under common control	Key management personnel	Significant shareholders	Other shareholders	Entities under common control	Key management personnel
<i>In thousands of Uzbekistan Soums</i>								
Cash and cash equivalents	-	358,916,129	73,345,020	-	-	97,202,871	-	-
Due from other banks	-	52,508,286	-	-	-	-	228,181,440	-
Gross amount of loans and advances to customers, including finance lease receivables (contractual interest rate: 9%)	-	-	-	139,758	-	-	-	164,303
Provision for impairment of loans and advances to customers, including finance lease receivables	-	-	-	(1,388)	-	-	-	(1,660)
Due to other banks	-	-	-	-	-	-	-	-
Customer accounts	-	-	-	411,194	-	-	-	1,522,766

The income and expense arising from related party transactions are as follows:

	2020				2019			
	Significant shareholders	Other shareholders	Entities under common control	Key management personnel	Significant shareholders	Other shareholders	Entities under common control	Key management personnel
<i>In thousands of Uzbekistan Soums</i>								
Interest income on loans and advances to customers, including finance lease receivables at AC	-	-	-	14,928	-	-	-	14,787
Interest income on term placements of other banks	-	1,830,534	1,050,970	-	-	78,266	6,928,483	-
Salaries and other benefits	-	-	-	15,967,229	-	-	-	14,514,109
Social security costs	-	-	-	1,290,206	-	-	-	190,270

During 2020 UZS 25,545 thousand (2019: UZS 20,465 thousand) was repaid by key management personnel.

