STATE SAVING BANK OF THE REPUBLIC OF TAJIKISTAN "AMONATBONK"

Financial statements
for the year ended December 31, 2022

and independent auditors' report

SSB RT "AMONATBONK"

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SSB RT "AMONATBONK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

The following statement, which should be read in conjunction with the independent auditors' responsibilities, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the State Saving Bank of the Republic of Tajikistan "Amonatbonk" (the "Bank").

Management of the Bank is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at December 31, 2022, the results of its operations, cash flows and changes in capital for the year ended December 31, 2022, in accordance with International Financial Reporting Standards (the "IFRS").

In preparing the financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management of the Bank is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control, throughout the Bank;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with legislation, accounting standards of the Republic of Tajikistan and requirements set by the National Bank of Tajikistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- detecting and preventing fraud and other irregularities.

The financial statements for the year ended December 31, 2022 were approved and authorized for issue on February 10, 2023 by the management of the Bank.

On behalf of the Management of the Bank:

Ikromi Sirojiddin S.
Chairman of the Board

February 10, 2023
Dushanbe, Republic of Tajikistan

Sattorzoda Dustmurod D.
Chief accountant

February 10, 2023
Dushanbe, Republic of Tajikistan

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INDEPENDENT AUDITORS' REPORT

To the Management of the SSB RT "Amonatbonk":

Opinion

We have audited the financial statements of the SSB RT "Amonatbonk (the "Bank"), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs)

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Dilovar Sherov
Director, LLC «Kreston AC»

License No. 0000066, issued by the
National Bank of Tajikistan

February 10, 2023
Dushanbe, Republic of Tajikistan

SSB RT "AMONATBONK"

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Tajik somoni)

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest income	4	315,399	300,325
Interest expenses	4	(84,371)	(87,516)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		231,028	212,809
Accrual of allowance for impairment losses on interest bearing assets		(21,794)	(28,329)
		209,234	**184,480**
Commission income	5	207,418	192,669
Commission expenses	5	(38,336)	(41,086)
Net gain on foreign exchange operations	6	79,106	13,083
Net gain on operations with financial instruments		73	4
Accrual of allowance for impairment losses on no interest bearing assets	7	(18,459)	(58,823)
Other income, net	22	56,958	44,698
NET NON-INTEREST INCOME		286,760	150,545
Operating expenses	8	(358,254)	(219,218)
PROFIT BEFORE INCOME TAX	9	137,740	115,807
Income tax	9	(26,924)	(40,245)
PROFIT FOR THE YEAR	9	**110,816**	**75,562**

On behalf of the Management of the Bank:

Ikromi Sirojiddin S.
Chairman of the Board

February 10, 2023
Dushanbe, Republic of Tajikistan

Sattorzoda Dustmurod D.
Chief accountant

February 10, 2023
Dushanbe, Republic of Tajikistan

STATE UNITARY ENTERPRISE "SAVINGS BANK OF THE REPUBLIC OF TAJIKISTAN "AMONATBONK"

The notes on pages 11-59 form an integral part of the financial statements.
The independent auditors' report is on pages 4-5.

SSB RT "AMONATBONK"

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(in thousands of Tajik somoni)

	Notes	December 31, 2022	December 31, 2021
ASSETS			
Cash and cash equivalents	**10**	2,573,700	840,492
Due from banks	**11**	1,105,151	999,414
Loans to customers	**12**	1,392,752	1,064,373
Investment securities	**13**	628,062	781,315
Property, plant and equipment	**14**	575,083	623,164
Intangible assets	**15**	14,576	15,875
Right-of-use asset	**16**	4,974	5,700
Foreclosed assets	**17**	24,018	17,998
Deferred tax assets	**9**	31,711	18,520
Other assets	**18**	74,792	120,334
TOTAL ASSETS		**6,424,819**	**4,487,185**
LIABILITIES AND EQUITY			
LIABILITIES			
Customer accounts	**20**	4,960,643	3,293,582
Borrowigs	**21**	162,365	139,471
Subordinated loans		50,000	-
Due to banks and financial institutions	**19**	278,684	257,603
Lease liabilities	**16**	5,252	6,055
Other liabilities	**23**	200,299	143,714
		5,657,243	**3,840,425**
EQUITY			
Share capital	**24**	70,935	60,935
Retained earnings		204,242	143,807
Reserve for future operations		248,485	248,485
Reserve for contingencies		29,639	(25,103)
Revaluation reserve for FA		187,624	191,985
General reserves		26,651	26,651
		767,576	**646,760**
TOTAL LIABILITIES AND EQUITY		**6,424,819**	**4,487,185**

On behalf of the Management of the Bank:

Ikromi Sirojiddin S.
Chairman of the Board

February 10, 2023
Dushanbe, Republic of Tajikistan

Sattorzoda Dustmurod D.
Chief accountant

February 10, 2023
Dushanbe, Republic of Tajikistan

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SSB RT "AMONATBONK"

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(in thousands of Tajik somoni)

	Share capital	Reserves for future operations	Reserves for contingencies	Revaluation reserve for FA	General reserves	Retained earnings	Total
as at December 31, 2020	60,935	202,349	23,435	89,242	26,651	116,963	519,575
Transfer to "Reserve for future operations" from "Retained earnings"	-	46,136	-	-	-	(46,136)	-
Transfer to "Reserves for contingencies" from "Retained earnings"	-	-	5,126	-	-	(5,126)	-
Revaluation reserve for FA	-	-	-	105,287	-	-	105,287
Transfer to "Retained earnings" from "Revaluation reserve for FA"	-	-	-	(2,544)	-	2,544	-
Operations with the regulator, funds of return to NBT	-	-	(53,664)	-	-	-	(53,664)
Profit for the year	-	-	-	-	-	75,562	75,562
as at December 31, 2021	60,935	248,485	(25,103)	191,985	26,651	143,807	646,760
Increase in share capital	10,000	-	-	-	-	-	10,000
Transfer to "Reserves for contingencies" from "Retained earnings"	-	-	54,742	-	-	(54,742)	-
Transfer to "Retained earnings" from "Revaluation reserve for FA"	-	-	-	(4,361)	-	4,361	-
Profit per the year	-	-	-	-	-	110,816	110,816
as at December 31, 2022	**70,935**	**248,485**	**29,639**	**187,624**	**26,651**	**204,242**	**767,576**

On behalf of the Management of the Bank:

Ikromi Sirojiddin S.
Chairman of the Board

February 10, 2023
Dushanbe, Republic of Tajikistan

Sattorzoda Dustmurod D.
Chief accountant

February 10, 2023
Dushanbe, Republic of Tajikistan

The notes on pages 11-59 form an integral part of the financial statements.
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SSB RT "AMONATBONK"

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(in thousands of Tajik somoni)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Profit before income tax expenses		137,740	115,807
Adjustments for:			
Change in allowance for impairment losses on interest bearing assets	12	21,794	28,329
Depreciation of FA and amortization of intangible assets	14	19,947	20,854
Depreciation of Right-of-Use (RoU) Assets	16	3,922	2,842
Loss on disposal of property and equipment and intangible assets	22	1,105	(6)
Change in allowance on due from banks	7	2,916	1,384
Change in allowance for impairment of collateral received	7	19,910	57,823
Change in allowance for expected credit losses on money transfer systems	7	2,308	-
Change in the impairment allowance for closing banks	7	-	(4,421)
Change in allowance on shortage of cash on hand	7	(6,675)	1,659
Change in provision for unused vacation	23	1,964	2,747
Foreign exchange differences	6	(1,113)	342
Interest income, net	4	(231,028)	(212,808)
Cash flows before changes in operating assets and liabilities		(27,210)	14,552
Decrease in due from banks		36,462	8,227
Increase in loans to customers		(342,142)	(383,277)
Increase in Foreclosed assets		(25,930)	(57,974)
Decrease /(increase) in other assets		144,907	(6,252)
Increase/(decrease) in customer accounts		1,667,165	(582,569)
Increase in Right-of-Use (RoU) Assets		(3,980)	(2,839)
Change in financial instruments		-	9
Increase/(decrease) due to banks and financial institutions		21,081	(114,787)
Increase/(decrease) in other liabilities		50,479	(50,641)
Cash inflow/(outflow) from operating activities before tax		1,520,832	(1,175,551)
Interest received		275,670	156,007
Interest paid		(84,577)	(155,240)
Income tax paid		(39,701)	-
Net cash inflow/(outflow) from operating activities:		**1,672,224**	**(1,174,784)**

SSB RT "AMONATBONK"

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 (CONTINUED)
(in thousands of Tajik somoni)

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of FA	14	(69,200)	(122,912)
Revaluation reserve for FA		4,361	-
Purchase of intangible assets	15	(1,255)	(522)
Purchase of securities		(1,389,329)	(748,878)
Sale of securities		1,530,620	1,530,620
Net inflow of cash from investing activities:		75,197	658,308
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in additional capital		-	-
Proceeds from borrowings		200,135	93,266
Borrowings payments		(127,241)	(2,411)
Net cash inflow from financing activities:		72,894	90,855
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,820,315	(425,621)
Effect of changes in exchange rates on cash and cash equivalents		10,000	(65)
CASH AND CASH EQUIVALENTS, at the beginning of the year	10	**1,693,956**	**2,119,642**
CASH AND CASH EQUIVALENTS, year-end	10	**3,524,272**	**1,693,956**

On behalf of the Management of the Bank:

Ikromi Sirojiddin S.
Chairman of the Board

February 10, 2023
Dushanbe, Republic of Tajikistan

Sattorzoda Dustmurod D.
Chief accountant

February 10, 2023
Dushanbe, Republic of Tajikistan

The notes on pages 11-59 form an integral part of the financial statements.
The independent auditors' report is on pages 4-5.

1. GENERAL INFORMATION

In 1925, the Bank was first registered as the "First State Labor Savings Bank", which was later in 1987 renamed to the "Tajik Savings Bank". In 1998, the Bank was assigned the status of "State Bank". On June 19, 2003, the Bank was registered in the tax authority of Shohmansur district and received certificate No. 00949992. The Bank has a license of the National Bank of Tajikistan for banking activities, which was prolonged on July 31, 2013. The main activities of the Bank are accepting deposits, transferring payments, issuing loans, performing foreign currency transactions and conducting other commercial activities.

As at December 31, 2022, the Bank is owned by the Government of the Republic of Tajikistan.

The number of employees of the Bank as at December 31, 2022 and 2021 were 2,946 employees and 3,006 employees, respectively.

The Bank's head office is located at: Republic of Tajikistan, Dushanbe, st. Lohuti 24. As at December 31, 2022 and 2021 75 branches of the Bank functioned in the territory of the Republic of Tajikistan.

The financial statements were approved by the Management of Bank on February 10, 2023.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS") issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee.

Functional and reporting currency

Items included in the Bank's financial statements are estimated using the currency that best reflects the economic substance of the underlying events and circumstances related to the Bank (the "functional currency"). The functional and reporting currency of the Bank's financial statements is Tajik somoni (the "somoni").

These financial statements are presented in thousands of Tajik somoni, unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except for the evaluation of certain financial instruments carried at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition and valuation of financial instruments

Financial assets and financial liabilities are recognized on the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. The Bank reflects purchasing and sale of financial assets and liabilities, which have regular nature at the date of settlements.

Financial assets and liabilities are initially recognized at fair value. The acquisition cost of financial assets and liabilities that are not financial assets and liabilities at fair value through profit or loss, is adjusted for transaction costs, directly related to the acquisition of a financial asset or financial liability origination. The principles of subsequent valuation of financial assets and liabilities are disclosed in appropriate accounting policies set out below.

The Bank classifies financial assets in the following main categories:

- Financial asset measured at amortized cost;
- Financial asset measured at fair value through other comprehensive income (FVOCI);
- Financial asset measured at fair value through profit or loss.

Debt instruments

The classification and subsequent accounting of debt instruments depend on:

a) Business model of the Bank used to manage financial assets;
b) Characteristics of the financial asset and the contractual cash flows.

Business model

Business model used by the Bank describes the way how the Bank manages its financial assets in order to generate cash flows, i.e. business model of the Bank determines whether the cash flows will result from the receipt of contractual cash flows, selling financial assets or both.

The Bank can apply various financial asset management models in the course of its activities, but it is expected that most financial assets will be held till maturity within the framework of the contractual cash flow model in accordance with the Bank's development strategy and limited market tools in the Republic of Tajikistan.

SPPI criteria

In order to assess the compliance of contractual terms of a financial asset with SPPI criteria, the Bank conducts an SPPI test (the "SPPI test") for each debt financial asset. During this assessment the Bank reviews whether the contractual cash flows are consistent with the basic lending arrangement, i.e. interest includes only the time value of money, credit risk, other major credit risks and profits in accordance with the basic lending arrangement. If the contractual terms include any risk or volatility that does not correspond to the basic lending arrangement, the relevant financial asset is classified and measured at fair value through profit or loss.

Based on these factors, the Bank classifies its debt instruments into the following three categories:

Financial assets measured at amortized cost:

a) The objective of the Bank's business model is to hold the financial asset to collect the contractual cash flows.

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The carrying amount of these assets is adjusted by expected credit losses. Interest earned on these financial assets is included in "Interest income" using the effective interest method.

Financial assets measured at fair value through Other comprehensive income (FVOCI):

a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Changes in the carrying amount are recognized in other comprehensive income. The recognition of expected credit losses, interest income and changes in foreign currency occurs in profit or loss. When a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Interest earned on these financial assets is recognized in "Interest income" using the effective interest method.

Financial assets measured at fair value through profit or loss (FVTPL):

The Bank classifies financial assets at fair value through profit or loss if they do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income. Gains or losses on debt instruments measured at fair value through profit or loss (that are not part of the hedging instruments) are recognized in the statement of profit or loss as part of the "Net Trade Income" in the period in which they arise. Interest earned on these financial assets is recognized in "Interest income" using the effective interest method.

Even if an instrument meets the two requirements to be measured at amortized cost or FVOCI, the Bank has an option to designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

All other debt instruments that do not fit in any of the categories must be measured at fair value through profit or loss.

Equity instruments

All equity investments of the Bank are to be measured at fair value in the statement of financial position with fair value changes recognised in profit or loss, except for those equity investments for which the Bank has elected to present value changes in other comprehensive income.

Due to the limited market tools available for trading with equity securities in the Republic of Tajikistan, the Bank classifies equity instruments as measured at fair value through other comprehensive income when investments are held for purposes other than investment income. In such cases, changes in fair value are recognized in other comprehensive income and cannot subsequently be reclassified to profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income.

Gains and losses on equity instruments measured at fair value through profit or loss are recorded in "Net trade income" in the statement of profit or loss.

Reclassification

The Bank reclassifies financial assets if and only if the business model objective for its financial assets changes so its previous model assessment would no longer apply. If reclassification is performed, it must be done prospectively from the reclassification date which is defined as the first day of the first reporting period following the change in business model. The Bank does not restate any previously recognised gains, losses or interest.

Derecognition of financial assets

The recognition of a financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) ceases when:

- the rights to receive cash flows from the asset have ceased;
- the Bank transferred its rights to receive cash flows from the asset or reserved the right to receive cash flows from the asset, but became obliged to pay these cash flows without significant delay to a third party under the 'transfer' agreement; and
- the Bank either (a) transferred almost all the risks and rewards related to the asset, or (b) did not transfer and did not retain almost all the risks and rewards related to the asset, but transferred a control over the asset.

Modification of contractual cash flows

In circumstances where the Bank reviews or modifies the contractual cash flows for a financial asset, the Bank assesses how significant is a change between the original conditions and the new ones.

If new conditions differ significantly, the Bank derecognizes the original financial asset and recognizes a new financial asset at fair value and recalculates the new effective interest rate for the asset. At the date of modification, the Bank calculates revised expected credit losses and determines whether there is a significant increase in credit risk. However, the Bank also evaluates whether a newly recognized financial asset is considered to be impaired upon initial recognition, especially in cases where the revision was due to the fact that the borrower was unable to make the originally agreed payments. The difference in the carrying value of financial assets is reflected in the statement of profit or loss.

If conditions do not differ significantly, then revision or change does not lead to derecognition. The Bank recalculates the carrying amount using initial effective interest rate according to the changes in cashflows and the effect is recognized as profit or loss on modification within the statement of profit or loss.

If a modification results in increase of significant risks according to the methodology for calculating of expected credit losses, then the contract modification affects the impairment calculation according to the methodology presented in Note 28.

Classification and subsequent accounting of financial liabilities

The Bank classifies all financial liabilities as subsequently measured at amortized cost, except for:

a) financial liabilities measured at fair value through profit or loss. Such liabilities, including liability derivatives, are subsequently measured at fair value;

b) financial liabilities that arise when the transfer of a financial asset does not meet the requirements for derecognition or when the principle of continuing participation accounting is applied;

c) financial guarantee contracts and loan commitments at an interest rate lower than the market. After initial recognition, such contracts should be subsequently evaluated on the basis of the largest of the following amounts:

i) the amount of the impairment allowance created by the Bank; and
ii) the amount initially recognized less the total amount of income, if applicable;

d) contingent consideration recognized by the acquirer in a business combination. Such contingent consideration is subsequently measured at fair value through profit or loss.

Upon initial recognition of a financial liability, the Bank may, in its own discretion, classify it, without the right of subsequent reclassification, as measured at fair value through profit or loss.

Offset of assets and liabilities

The Bank's financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Derecognition of financial liabilities

A financial obligation (or part of it) is considered extinguished when the debtor:

(a) either fulfils this obligation (or part of it) by paying off the lender, generally in cash, other financial assets, goods or services,
(b) is either legally relieved of primary liability for that obligation (or part of it), as a result of the performance of the legal procedure or as a result of the creditor's decision.

Derecognition of financial liabilities occurs also in the case of significant changes in cash flows, i.e. if the present value of cash flows in accordance with the new conditions, including the payment of commission after deduction of commission received, discounted at the original effective interest rate, differs by at least 10% of the discounted present value of the remaining cash flows of the original financial liability.

Accounting of financial instruments in the presented comparative period

Financial assets are classified into the following categories: at fair value through profit or loss ("FVTPL"), held to maturity ("HTM"), available for sale ("AFS") and "loans and receivables". Classification of financial assets to a particular category depends on their features and acquisition objectives at the time of their recognition in the financial statements of the Bank.

Held-to-maturity investments. Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank intends and has the ability to hold to maturity are recognized as HTM financial assets. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any allowance for impairment.

If the Bank sells or reclassifies investments held to maturity by more than a small amount before the maturity (except for certain circumstances), the entire category must be reclassified into financial assets available for sale. In addition, the Bank will not be allowed to classify any financial assets as held to maturity during the current financial year and the next two years.

Loans and receivables. Trade receivables, loans and other receivables with fixed or determinable payments that are not traded on an organized market, due from banks, loans to customers, and other financial assets are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables, for which interest income is negligible.

Fair value through profit or loss includes financial assets that are:

1. Classified as trading:

- assets acquired or liabilities assumed mainly for sale or repurchase in the near future;
- are part of a portfolio of financial instruments that are jointly managed and, according to available evidence, are used to generate short-term profits;
- are derivative financial instruments (except for effective hedging instruments);

2. Classified by the Bank as measured at fair value through profit or loss at the time of initial recognition.

Available for sale. Available-for-sale financial assets include non-derivative financial assets that were not included in the three previous groups of assets or were initially classified into this group. Subsequent measurement of these assets is carried out at fair value, except for equity-based securities (shares) of third parties that do not have a market quotation in an active market, and which are measured only at cost.

Accounting of financial liabilities was basically the same as in accordance with IFRS 9, with the exception for profit and loss arising from the Bank's own credit risk associated with liabilities measured at FVTPL. Such changes are reflected in OCI without subsequent reclassification into the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and due from banks, short-term highly liquid investments, which can be converted to the corresponding amount of cash in the short term.

Due from banks

During ordinary activity the Bank allocates funds and deposits in banks on different periods. Due from banks initially recognized at fair value. Due from banks are subsequently evaluated at amortized cost using the effective interest method. Due from credit institutions are taken into account after deduction of any allowance for expected credit losses.

Derivatives

During ordinary activity the Bank concludes agreements on various derivative financial instruments. Derivatives are initially recognized at fair value at the date of the contract for a derivative and are subsequently revaluated to their fair value at each reporting date. Fair value is estimated based on quoted market prices or pricing models that take into account current market and contractual prices of the underlying instruments and other factors. Derivatives are taken into account as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the balance sheet. Profits and losses arising from these instruments are included in net profit / losses on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

Loans to customers

Loans to customers are financial assets that are not derivative financial instruments with fixed or determinable payments that do not have market quotations, except for assets which are classified in other categories of financial instruments.

Loans issued by the Bank are initially recognized at fair value plus transaction costs directly attributable to the acquisition or establishment of such financial assets. If the fair value of the provided funds is not equal to the fair value of loans, for example, in the case of providing loans at rate below than market rates, difference between the fair value of provided funds and the fair value of loans is recognized as a loss on initial recognition of loans and is represented in the income statement in accordance with the nature of such damages. Subsequently, loans are taken into account at amortized cost using the effective interest rate. Loans to customers are taken into account after deduction of allowance for impairment.

Write-off of loans and advances

In the case of impossibility of recovery of loans, including through repossession of collateral, they are written-off against the allowance for expected credit loss. Loans and provided funds are written - off after taking by management of the Bank measures to recover amounts owed to the Bank and after selling by the Bank all available collateral. Subsequent recoveries of previously written-off amounts are reflected as an offset to the charge for impairment of financial assets in the statement of profit or loss in the period of recovery.

Allowance for expected credit loss

The Bank recognizes an estimated allowance for expected credit losses (the "ECL") on loans issued. The Bank recognizes such losses at each reporting date by assessing the existence of impairment evidences. The impairment assessment model of financial assets provides for the assessment of expected credit losses within 12 months and throughout the lifetime of the financial asset.

The Bank's expected losses model is based on the following principles:

Stage 1: 12-month expected credit losses - expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date;
Stage 2: full lifetime expected credit losses - expected credit losses that result from all possible default events over the life of the financial instrument;
Stage 3: expected credit losses that result from all possible default events over the life of the financial instrument, but interest income is calculated based on the gross carrying amount of the financial asset (using effective interest rate) less impairment allowance.

Expected credit losses reflect an objective calculation of the probability-weighted value, which is determined by assessing a number of possible outcomes.

The Bank estimates expected credit losses on a financial instrument using a model that reflects:

- unbiased and probability-weighted amount determined by assessing the range of possible outcomes;
- time value of money; and
- reasonable and verifiable information on past events, current conditions and projected future economic conditions available at the reporting date without excessive cost or effort.

The Bank creates an estimated allowance for expected credit losses on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- receivables from (financial) leases;
- issued financial guarantee contracts; and
- issued loan obligations.

Impairment losses on equity-based investments are not reflected in the financial statements.

The Bank calculates an allowance for losses for the entire period of expected credit losses, except for the following instruments, for which such losses are estimated as expected credit losses within 12 months:

- debt investment securities, which are defined as having low credit risk at the reporting date; and
- other financial instruments (other than receivables) for which credit risk has not increased significantly after their initial recognition in the financial statements.

Estimated impairment allowance for receivables on (financial) leases is always calculated over the entire period of expected credit losses.

The Bank believes that a debt security has a low credit risk if its credit rating corresponds to the internationally accepted definition of the term "investment class".

Expected credit losses in a period of 12 months are part of the expected credit losses that arise as a result of defaults on the financial instrument, expected within 12 months after the reporting date.

Expected credit losses are calculated taking into account the probability-weighted credit losses. They are evaluated as follows:

- for financial assets that are not credit-impaired at the reporting date: the present value of all cash flows that has not been received (the difference between the cash flows under the contractual terms and expected cash flows to be received by the Bank);
- for financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of the estimated future cash flows;
- for loan commitments: the present value of the difference between the contractual cash flows if the commitment is used and expected cash flows to be received by the Bank; and
- for financial guarantee contracts: expected payments to the holders of the contracts, less any amounts that the Bank expects to collect as a penalty.

Changes in expected credit losses are recognized in the profit or loss using an allowance account. The assets reflected in the statement of financial position are reduced by the amount of expected credit losses. The following indicators are considered by the Bank when determining the existence of impairment evidence: the debtor's or issuer's liquidity, their solvency, business and financial risks, levels and trends of defaults on similar financial assets, national and local forecasts on economic trends and conditions, and the fair value of collateral and guarantees.
These and other factors, individually or collectively, provide an objective evidence for recognizing expected credit losses of a financial asset or group of financial assets.

More detailed information on calculation of expected credit losses is provided in Note 12.

The Bank calculates allowance for expected credit loss on loan portfolio according to the International Financial Reporting Standard 9 "Financial instruments". The calculation of allowance for impairment of loans issued in accordance with the IFRS approach differs from the allowance calculated in accordance with the requirements of the National Bank of Tajikistan (the "NBT").

Property and equipment and intangible assets

Property and equipment and intangible assets are accounted at historical cost, which includes cost of purchase, delivery and all associated expenses necessary for putting an asset into operating condition less accumulated depreciation except for buildings and constructions, which the Bank account at revalued cost.

Depreciation is charged on the carrying value of property and equipment and amortization of intangible assets to write off assets over their useful life. Depreciation and amortization is made on the basis of the straight-line method using the following rates:

Buildings and constructions	2%
Furniture and office equipment	20%
Vehicles	12%
Intangible assets	10%

Amortization of leasehold improvements is calculated over the useful life of the related leased assets. The cost of repair and overhaul are reflected in the statement of profit and loss and other comprehensive income within operating expenses as incurred unless they meet the requirements for capitalization.

On each reporting date the Bank estimates whether the carrying value of fixed and intangible assets does not exceed the replacement cost. Replacement cost is a higher value of fair value less costs to sell and value in use. In case of exceeding the carrying value of fixed and intangible assets over their replacement value the Bank reduces the carrying value of fixed assets to their replacement cost. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the revised carrying value of assets, less its residual value (if any) over the remaining useful life.

During write-off of a revalued fixed assets, the amounts included in the revaluation reserve are transferred to retained earnings.

Long-term assets held for sale

The Bank recognizes long-term assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. At the same time, these assets must be ready for immediate sale in their present condition and probability of their sale during the year since classification must be high. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. In case of excess of carrying amount over fair value less costs to sell, the Bank recognizes impairment loss in the statement of profit and loss. Any subsequent increase in fair value less costs to sell is recognized in amount not exceed the amount of accumulated impairment losses previously recognized.

Taxation

Income tax expense represents sum of the current and deferred tax.

Current tax

Income tax payable for current period is recognized based on taxable income amount earned during the year. Taxable income differs from income that is reported in the statement of profit or loss and other comprehensive income, because it does not cover items of income or expense that are taxable or deductible in other years and also excludes items that are not taxable or deductible for taxation purposes. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences, when the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized. Deferred tax is reflected in the statement of profit or loss and other comprehensive income, except when they connected with items, which are directly related to equity, and in this case deferred tax is also reflected within equity.

The Bank conducts netting of deferred tax assets and liabilities and reflects summary difference in the financial statement, if:

- The Bank has a legally enforceable right for netting current tax assets against current tax liabilities; and
- Deferred tax assets and deferred tax liabilities relate to corporate taxes levied by the same taxation authority from the same taxable entity.

In addition to income tax there are requirements on accrual and payments of various taxes applicable to the Bank's activities in the Republic of Tajikistan where the Bank performs its activities.

Borrowings

Borrowings are initially recognized at fair value. Subsequently received amounts are reflected at amortized cost and difference between the carrying and the redemption value is recognized in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method within interest expense.

Contingent liabilities

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

Share capital

Share capital is recognized at initial cost.

Dividends are recorded as a reduction in the period in which they are declared. Dividends declared after the reporting date is treated as an event after the reporting date under IAS 10 "Events after the reporting period" and information about it is disclosed accordingly.

General reserves

The Bank creates a reserve for future operations, which is formed by mandatory annual deductions according to the decision of the Management of the Bank. This reserve is intended solely to cover the losses of the Bank. The decision on the use of the reserve fund of the Bank is also taken by the Management of the Bank upon preliminary approval of the annual report.

Pension liabilities

In accordance with the laws of the Republic of Tajikistan the Bank withholds the amount of pension contributions from employee's salaries and transfers them to the State pension fund. The existing pension system provides for the calculation of current payments by the employer as a percentage of current gross salary payments. Such expenses are recognized in the period, which includes appropriately payment for employees. At retirement, all pension payments are implemented by above mentioned pension fund. The Bank does not have any pension arrangements separate from the State pension system of the Republic of Tajikistan. In addition, the Bank has no benefits provided to employees upon retirement, or other significant compensated benefits requiring accrual.

Recognition of interest income and expense

Interest income on financial assets is recognized when there is a high probability that the Bank will receive an economic benefit and the amount of income can be reliably determined. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate by which future cash receipts are estimated to the net carrying amount on initial recognition of financial assets and liabilities. Discounting is made through the expected life of the debt instrument, or (where appropriate) a shorter period.

Interest earned on assets at fair value is classified within interest income.

Recognition of commission income and expenses

Commission for loan origination and related direct costs associated with the loans providing are reflected as an adjustment to the effective interest rate on loans.

If there is a possibility that due to the presence of a liability of providing a credit will be signed a contract for a loan, commitment fee on the loan included in deferred revenue (together with related direct costs) and subsequently recognized as adjustment to actual income on the loan. If the probability of that the commitment to extend credit is estimated as low, the commitment fee on the loan is recognized in the income statement over the remaining period of the loan commitment. Upon expiration credit commitments, which are not completed by providing a loan, commitment fee on the loan are recognized in the income statement on the date of its expiration.

Foreign currency exchange

Monetary assets and liabilities denominated in foreign currencies are exchanged to Tajik somoni at the market rates prevailing at December 31. Transactions denominated in foreign currencies are reported at the rates of exchange prevailing at the date of the transaction. Any gains or losses arising from a change in exchange rates subsequent to the date of the transaction are included as an exchange gain or loss in the statement of profit or loss and other comprehensive income.

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Exchange rate

The official exchange rates at year-end used by the Bank during preparation of the financial statements were:

	December 31 2022	December 31 2021
US dollar / Tajik somoni	10.2024	11.3
Euro / Tajik somoni	10.8911	12.7973
Russian rouble / Tajik somoni	0.1445	0.1507

Areas of significant use of estimates and assumptions of management

The preparation of financial statements requires from Management to make estimates and assumptions that have an influence on reported amounts of assets and liabilities of the Bank, the disclosure of contingent assets and liabilities at the reporting date and there ported amounts of revenues and expenses during the reporting period. The Bank's management conducts evaluations and judgments on an ongoing basis, based on previous experience and a number of other factors that are considered reasonable in the current environment. Actual results could differ from those estimates. The following estimates and assumptions are important to present financial position of the Bank.

Allowance for expected credit losses of loans and accounts receivable

The Bank regularly reviews its loans for impairment. Reserves of the Bank's loan impairment are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Bank considers accounting estimates related to the allowance for expected credit loss of loans and receivables, a key source of uncertainty of estimation due to the fact that (i) they are highly susceptible to change from period to period as the assumptions on future non-compliance indicators and assessment of potential losses related to impaired loans and receivables, based on recent work, and (ii) any significant difference between the estimated losses and actual losses of the Bank requires from the Bank to create reserves, which could have a material impact on its financial statements in future periods.

The Bank uses management judgment to estimate the amount of any impairment loss in cases where the borrower has financial difficulties and there is little historical data relating to similar borrowers. Analogously, the Bank estimates changes in future cash flows based on past experience, the client's behavior in the past, the available data, indicating an adverse change in the status of repayment by borrowers in the group, as well as national or local economic conditions that correlate with defaults on assets in this group. Management uses estimates based on historical experience of losses on assets with credit risk characteristics and objective evidence of impairment similar to those in this group of loans. The Bank uses an assessment of Management for adjusting the available data on a group of loans to reflect current circumstances not reflected in historical data.

It should be taken into account that the assessment of expected credit losses includes a subjective factor. The Bank's management believes that the amount of the recognized impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, taking into account forecast data, although it is possible that in certain periods the Bank may incur losses greater than the created reserve for expected credit losses.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic conditions. As at December 31, 2022 and 2021 the carrying amount of the allowance for expected credit loss losses on loans to customers amounted to 128,278 thousand somoni and 160,487 thousand somoni, respectively (Note 12).

Application of new and revised international financial reporting standards (IFRSs)

The Bank has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the "IFRIC") which became effective for the Bank's financial statement for the year ended December 31, 2022:

- The amendments to IFRS 16 «Leases» provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
- The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (IBOR) - Phase 2 - introduce a practical expedient for modifications required by the reform, explain that hedge accounting is not discontinued solely because of the IBOR reform and discloses information in order to allow users to understand the nature and extend of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBOR ro alternative benchmark rates, and how the entitiy is managing this transition.

New and revised IFRSs in issue but not yet effective

A number of new standards, amendments to standards and interpretations were not effective as at December 31, 2022 and have not been applied in preparing of these financial statements. Of these updates, the following standards and amendments may have an impact on the financial and economic activities of the Bank. The Bank plans to start applying these standards and amendments from the moment they come into effect. An analysis of the possible impact of new standards on the Bank's financial statements has not been conducted yet.

At the date these financial statements were authorized for issuance, the following new standards and interpretations have been issued, but were not yet effective, which the Bank has not early adopted:

- *Amendments to IAS 16 "Property, plant and equipment"* - proceeds before intended use. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- *Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets"* onerous contracts - cost of fulfilling a contract. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- *The amendment to IFRS 9 "Financial instruments"* – clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf

- *IFRS 17 "Insurance contracts"* requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Applies to annual reporting periods begining on or ater Jafnuary 1, 2023
- *Amendments to IAS 1 "Presentation of Financial Statements"* clarified how an entity classifies debt and other financial liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
- *Disclosure of Accounting Policies (Amendments to IAS 1 "Presentstion of Financial Statements and IFRS Practice Statement 2)* requires entity to disclosure its material accounting policy information instead of its significant accounting policies. Amendments explain how an entity can identify material accounting policy information. In addition, *IFRS Practice Statement 2* has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
- *Amendments to IAS " Accounting Policies, Changes in Accounting Estimates and Errors"* replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. Amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
- *"Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (Amendments to IAS 12)* explains that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

The Bank intends to adopt these new standards and amendments, if applicable, when they become effective.

4. NET INTEREST INCOME

Interest income and expenses of the Bank for the years ended December 31, 2022 and 2021 are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest income includes:		
Loans to customers	215,144	141,140
Investments held to maturity	54,196	75,410
Term placements	45,754	83,428
Other	305	347
	315,399	**300,325**
Interest expenses includes:		
Customer account	77,144	83,914
Borrowings	6,904	3,266
Other	323	336
	84,371	**87,516**

5. COMMISSION INCOME AND EXPENSES

Commission income and expenses of the Bank for the years ended December 31, 2022 and 2021 are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Commission income		
Commission income from account service	150,462	136,296
Commission from money transfer	27,660	29,899
Commission income from utility payments	23,872	19,390
Commission income from the sale and servicing of plastic cards	4,034	1,216
Other commission income	1,390	5,868
	207,418	**192,669**
Commission expenses		
Cash service	23,303	24,984
Settlement transactions	5,209	6,917
Software maintenance expenses	5,170	4,983
Other	4,654	4,202
	38,336	**41,086**

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations of the Bank for the years ended December 31, 2022 and 2021 comprises:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Dealing operations, net	90,219	13,218
Foreign exchange differences, net	(11,113)	(135)
	79,106	**13,083**

7. ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON ALL ASSETS EXCEPT LOANS TO CUSTOMERS

Accrual of allowance for expected credit losses on all assets, except loans to customers of the Bank for the years ended December 31, 2022 and 2021 was as follows:

	NBT correspondence accounts	Due from banks	Term placements	Investment securities	Settlements between credit organizations	Money transfer systems	Accounts receivable	Assets in closed organizations	Shortage of cash on hand	Foreclosed assets	Total:
As at December 31, 2019 *(restated)*	-	315	601	-	4,938	63	148	17,335	26,790	72,863	123,054
Accrual	-	104	315	-	-	-	-	282	39,755	39,594	80,050
Recovery	-	-	-	-	-	(63)	-	(10,294)	(855)	(3,196)	(14,408)
Write off	-	-	-	-	-	-	-	-	(26,109)	-	(26,109)
As at December 31, 2020	-	419	916	-	4,938	-	148	7,323	39,581	109,261	162,587
Accrual	-	1,384	2,378	-	-	-	-	107	1,756	72,292	77,917
Recovery	-	-	-	-	-	-	-	(4,379)	(97)	(14,469)	(18,944)
Write off	-	-	-	-	-	-	(148)	(327)	-	(54)	(528)
As at December 31, 2021	-	1,803	3,294	-	4,938	-	-	2,725	41,240	167,030	221,031
Accrual	-	2,916	2,308	-	-	-	-	-	516	28,584	34,324
Recovery	-	-	-	-	-	-	-		(7,191)	(8,674)	(15,865)
Write off	-	-	-	-	(4,938)	-	-	(2,065)	(21)	(1,966)	(8,990)
As at December 31, 2022	-	4,719	5,602	-	-	-	-	660	34,544	184,975	230,500

8. OPERATING EXPENSES

Operating expenses of the Bank for the years ended December 31, 2022 and 2021 comprise:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Salary and bonuses	129,759	116,157
Construction cost	108,644	-
Contributions to the social fund	25,915	29,021
Depreciation and amortization of fixed assets and intangible assets	25,429	20,854
Stationery	12,088	11,131
Communication	6,863	4,315
Taxes (other than income tax)	6,426	11,842
Information technology	4,875	3,037
Amortization of right of use assets	3,922	2,842
Utilities	3,834	3,476
Fuel	3,238	2,504
Security	2,226	1,893
Business trip	2,043	1,491
Repair and maintenance of fixed assets	1,960	1,839
Advertisement	1,469	1,681
Fines and penalties	1,445	45
Legal and other professional services	1,195	702
Representative	1,055	1,609
Donations and charitable contributions	781	728
Accrual of unused vacation provision	503	2,747
Membership fees and payments	435	63
Rent	274	907
Other	13,875	334
	358,254	**219,218**

9. INCOME TAX

The Bank measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Tajikistan, which may differ from IFRS. For the year ended December 31, 2022 income tax rate for legal entities was equal to 20% on the territory of the Republic of Tajikistan.

Due to the fact that certain types of expenses are not deductible for tax purposes, and due to the possibility of having non-taxable income, the Bank has certain permanent tax differences.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2022 and 2021 relate mostly to different methods of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets and liabilities.

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current income tax expenses	40,115	34,203
Changes in deferred income tax	(13,191)	6,042
Income tax expenses	26,924	40,245

The ratio between tax expense and accounting profit for the years ended December 31, 2022 and 2021 is as follows:

	For the year ended December 31, 2022	Effective tax rate	For the year ended December 31, 2021	Effective tax rate
Profit before income tax	137,740		115,807	
Tax at the statutory tax rate	27,548	20.0%	23,161	20.0%
Tax effect of permanent differences	(624)	7%	17,084	15%
Income tax expense	26,924	19.5%	40,245	34.8%

Tax effect from temporary differences as at December 31, 2022 and 2021 is presented below:

	December 31, 2022	December 31, 2021
Deferred income tax assets:		
Allowance for expected credit losses on NBT certificates and other receivables	-	41,240
Property, plant and equipment & Intangible assets	5,265	-
Interest receivable on loans to customers	5,632	-
Allowance for expected credit losses on due from banks	10,321	5,097
Allowance for expected credit losses on other assets	4,938	4,938
Allowance for expected credit losses on loans to customers	80,353	10,809
Allowance for expected credit losses on foreclosed assets	57,583	37,674
Lease liabilities	5,252	6,055
Provision for unused vacation	5,775	5,272
Provision for annual bonus	893	800
Total deferred income tax assets	176,012	111,885
Deferred income tax liabilities:		
Right-of-use assets	4,974	5,700
Allowance for expected credit losses on account receivable	4,278	4,278
Depreciation of property and equipment and amortization of intangible assets	-	15,312
Interest receivable on loans to customers	-	5,330
Allowance for expected credit loss on cash in bank account	6,674	-
Interest payable on borrowings	1,529	745
Total deferred income tax liabilities	17,455	31,365
Net deferred tax liabilities	158,557	80,520
Net deferred tax liabilities (at the current rate of 20%)	31,711	18,520

Temporary differences between tax accounting and current financial statement as well lead to deferred tax liabilities as at December 31, 2022 and 2021 as a result of the following:

	December 31, 2021	**Recognized in profit or loss**	**Recognized in equity**	**December 31, 2022**
Temporary differences:				
Allowance for expected credit losses on cor.NBT accounts and other receivables	9,485	(10,820)		(1,335)
Allowance of expected credit losses on NBT certificates	-	-		-
Allowance of expected credit losses on due from banks	1,172	892		2,064
Allowance of expected credit losses on other assets	1,136	(148)		988
Allowance for expected credit losses on loans to customers	2,486	13,585		16,071
Allowance for expected credit losses on foreclosed assets	8,665	2,852		11,517
Lease liabilities	1,393	(343)		1,050
Provision for unused vacation	1,213	(58)		1,155
Provision for annual bonus	184	(5)		179
Allowance for expected credit losses on account receivable	(984)	128		(856)
Right-of-use assets	(1,311)	316		(995)
Property, plant and equipment & Intangible assets	(3,522)	4,575		1,125
Interest receivable on loans to customers	(1,226)	2,352		1,126
Interest payable on borrowings	(171)	(135)		(306)
Total deferred income tax liabilities	18,520	13,191	-	31,711

	December 31, 2020	Recognized in profit or loss	Recognized in equity	December 31, 2021
Temporary differences:				
Allowance for expected credit losses on cor.NBT accounts and other receivables	9,104	381		9,485
Allowance of expected credit losses on NBT certificates	-	-		-
Allowance of expected credit losses on due from banks	307	865		1,172
Allowance of expected credit losses on other assets	1,136	-		1,136
Allowance for expected credit losses on loans to customers	14,931	(12,445)		2,486
Allowance for expected credit losses on foreclosed assets	12,990	(4,325)		8,665
Lease liabilities	739	654		1,393
Provision for unused vacation	1,041	172		1,213
Provision for annual bonus	832	(648)		184
Allowance for expected credit losses on account receivable	(984)	-		(984)
Right-of-use assets	(709)	(602)		(1,311)
Property, plant and equipment & Intangible assets	(2,329)	(1,193)		(3,522)
Interest receivable on loans to customers	(12,447)	11,221		(1,226)
Interest payable on borrowings	(49)	(122)		(171)
Total deferred income tax liabilities	24,562	(6,042)	-	18,520

10. CASH AND CASH EQUIVALENTS

As at December 31, 2022 and 2021 cash and cash equivalents of the Bank presented in the statement of financial position consisted of the following:

	December 31, 2022	December 31, 2021
Cash on hand	519,283	430,804
Current account at the National Bank of Tajikistan	2,054,417	409,688
Less allowance for impairment losses	-	-
	2,573,700	**840,492**

Cash and cash equivalents of the Bank presented in the statement of cash flows include following components:

	December 31, 2022	December 31, 2021
Cash on hand and account at the National Bank of Tajikistan	2,573,700	840,492
Correspondent accounts with other banks (Note 13)	1,105,151	999,414
Obligatory reserve in the National Bank of Tajikistan	(154,579)	(145,950)
	3,524,272	**1,693,956**

11. DUE FROM BANKS

As at December 31, 2022 and 2021 due from banks of the Bank consisted of the following:

	December 31, 2022	December 31, 2021
Term placement	767,669	523,171
Correspondent accounts with foreign banks	201,668	424,040
Correspondent accounts with local banks	146,135	57,300
Less allowance for impairment losses	(10,321)	(5,097)
	1,105,151	**999,414**

12. LOANS TO CUSTOMERS

As at December 31, 2022 and 2021 loans to customers of the Bank consisted of the following:

	December 31, 2022	December 31, 2021
Loans to customers	1,139,016	897,966
Revised and overdue loans	219,790	174,999
Interest accrued	162,224	151,895
Less allowance for impairment losses	(128,278)	(160,487)
	1,392,752	1,064,373

Breakdown of loans by sectors is presented below:

	December 31, 2022	December 31, 2021
Consumer sector	370,779	438,542
Trade	501,527	333,868
Agriculture	224,212	200,302
Manufacture	73,913	117,682
Construction	146,885	87,889
Services	162,470	37,818
Transport	41,242	7,996
Other	2	763
Less allowance for impairment losses	(128,278)	(160,487)
	1,392,752	1,064,373

The table below summarizes carrying value of loans to customers analyzed by type of collateral:

	December 31, 2022	December 31, 2021
Real estate	695,236	422,197
Guarantee	426,053	374,706
Unsecured	391,316	350,362
Deposits	1,325	45,321
Promiscuity guarantee	5,664	18,908
Jewelry	1,383	425
Other	53	12,941
Less allowance for impairment losses	(128,278)	(160,487)
	1,392,752	1,064,373

As at December 31, 2022 and 2021 the loan portfolio of 1,392,752 thousand somoni and 1,064,373 thousand somoni (including accrued interest and allowance), respectively, were issued to clients operating on the territory of the Republic of Tajikistan which represent significant geographical concentration and the maximum size of credit risk.

Movement in the allowance for loans to customers presented below:

	ECL on loans to customers
at December 31, 2019 *(restated)*	189,318
Accrual	168,369
Recovery	(54,847)
Write off	(121,711)
at December 31, 2020	181,129
Accrual	60,380
Recovery	(32,052)
Write off	(48,970)
at December 31, 2021	160,487
Accrual	71,075
Recovery	(103,367)
Write off	82
at December 31, 2022	128,278

Information on the quality of loans to customers as at December 31, 2022 is provided below:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
not overdue	717,044	(4,394)	712,650	1%
overdue less than 30 days	363,085	(50)	363,035	0%
overdue for period from 30 to 89 days	238,809	(3,087)	235,722	1%
overdue for period from 90 to 179 days	22,529	(4,895)	17,634	22%
overdue for period from 180 to 360 days	29,034	(30,389)	(1,355)	105%
overdue for period from 360 days	150,529	(85,463)	65,066	57%
Total loans to customers	**1,521,030**	**(128,278)**	**1,392,752**	**8%**

Information on the quality of loans to customers as at December 31, 2021 is provided below:

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans, %
not overdue	769,205	-	769,205	0%
overdue less than 30 days	186,487	(3,796)	182,691	2%
overdue for period from 30 to 89 days	52,684	(8,844)	43,839	17%
overdue for period from 90 to 179 days	69,776	(14,238)	55,539	20%
overdue for period from 180 to 360 days	51,598	(32,339)	19,259	63%
overdue for period from 360 days	95,109	(101,270)	(6,161)	106%
Total loans to customers	**1,224,860**	**(160,487)**	**1,064,373**	**13%**

13. INVESTMENT SECURITIES

As at December 31, 2022 and 2021 investment securities of the Bank consisted of the following:

	December 31, 2022	December 31, 2021
Certificate of NBT	609,239	750,529
OJSC "HPP Rogun"	11,000	11,000
Interest receivable	7,823	19,786
Less allowance for impairment losses	-	-
	628,062	**781,315**

As of December 31, 2022 and 2021, the Bank had certificates of the National Bank of Tajikistan in the amount of 609,239 thousand somoni and 750,529 thousand somoni, respectively. The discount amount for the same periods was 7,823 thousand somoni and 19,786 thousand somoni, respectively. Investment securities carried at fair value through other comprehensive income are represented by shares of JSC Rogun HPP. The Bank's management has chosen a model for measuring equity securities at fair value through other comprehensive income due to rare transactions and the lack of an active market for these financial instruments.

14. PROPERTY AND EQUIPMENT

As at December 31, 2022 and 2021 property and equipment of the Bank consisted of the following:

	Buildings and constructions	Furniture and office equipment	Vehicles	Construction in progress	Total
Cost					
December 31, 2020	**314,548**	**116,780**	**7,577**	**46,821**	**485,726**
Additions	1,465	10,389	418	110,640	122,912
Internal movement	-	4,739	-	(4,739)	-
Transfer from Inventory	14,049	17,390	(62)	(16,973)	14,404
Revaluation reserve for property, plant and equipment	105,288	-	-	-	105,288
Disposals		-	(62)	-	(62)
December 31, 2021	**435,350**	**149,298**	**7,871**	**135,749**	**728,268**
Additions	38,868	3,405	723	26,204	69,200
Internal movement	2,241	-	-	(2,241)	-
Transfer from Inventory	2,266	7,085	6,429	(1,310)	14,470
Disposals	(6)	-	(10)	(108,876)	(108,892)
December 31, 2022	**478,719**	**159,788**	**15,013**	**49,526**	**703,046**
Accumulated depreciation					
December 31, 2020	42,130	39,888	4,503	-	86,520
Charge for the period	5,043	13,088	522	-	18,653
Disposals	(2)	-	(67)	-	(68)
December 31, 2021	**47,171**	**52,976**	**4,959**	-	**105,104**
Charge for the period	6,665	10,764	5,446	-	**22,875**
Disposals	(6)	-	(10)	-	**(16)**
December 31, 2022	**53,830**	**63,740**	**10,395**	-	**127,963**
December 31, 2020	**272,418**	**76,892**	**3,074**	**46,821**	**399,206**
December 31, 2021	**388,179**	**96,322**	**2,912**	**135,749**	**623,164**
December 31, 2022	**424,889**	**96,048**	**4,618**	**49,526**	**575,083**

As at December 31, 2022 and 2021 there were no property and equipment pledged as collateral for obligations.

As at December 31, 2022 and 2021 the amount of fully depreciated property and equipment in use equaled to 16,219 thousand somoni and 41,387 thousand somoni respectively.

15. INTANGIBLE ASSETS

As at December 31, 2022 and 2021 intangible assets of the Bank are presented as follows:

	Software	**Total**
Cost		
December 31, 2020	**25,009**	**25,009**
Addition	522	**522**
Disposal	-	**-**
December 31, 2021	**25,531**	**25,531**
Addition	1,255	**1,255**
Disposal	1,449	**1,449**
December 31, 2022	**28,235**	**28,235**
Accumulated depreciation		
December 31, 2020	**29,684**	**29,684**
Charge for the period	2,202	2,202
Disposal	-	-
December 31, 2021	**9,656**	**9,656**
Charge for the period	1,449	1,449
Disposal	2,554	2,554
December 31, 2022	**13,659**	**13,659**
December 31, 2020	**17,554**	**17,554**
December 31, 2021	**15,875**	**15,875**
December 31, 2022	**14,576**	**14,576**

16. LEASES

As at 31 December 2022 and 2021, the Bank's right-of-use assets and lease liabilities under lease agreements were as follows:

	December 31, 2022	December 31, 2021
Right-of-use assets		
Buildings	4,974	5,700
	4,974	5,700

	December 31, 2022	December 31, 2021
Lease liabilities		
Current	4,143	2,955
Non-current	1,109	3,100
	5,252	6,055

	Buildings and constructions	Total	Lease liability
December 31, 2020	3,082	3,082	3,213
Effect of change of discount rate	-	-	-
Additions	5,460	5,460	5,460
Disposals	-	-	-
Depreciation of RoU assets	2,842	2,842	-
Interest expenses on lease liabilities	-	-	337
Payments	-	-	2,954
December 31, 2021	**5,700**	**5,700**	**6,055**
Effect of change of discount rate	63	63	43
Additions	3,133	3,133	3,133
Disposals	-	-	-
Depreciation of Right-of-use assets	3,922	3,922	-
Interest expenses on lease liabilities	-	-	323
Payments	-	-	4,302
December 31, 2022	**4,974**	**4,974**	**5,252**

The discount rate was defined as the average rate of borrowed funds. As a discount of lease payments in 2022, the discount rate was 3,66%.

17. FORECLOSED ASSETS

As at December 31, 2022 and 2021 foreclosed assets of the Bank consisted of the following:

	December 31, 2022	December 31, 2021
Plants and factories	36,656	36,656
Houses	38,105	34,688
Base for storing fuels and lubricants	26,817	26,817
Apartments	19,789	24,646
Buildings and Constructions	29,732	13,902
Buildings and Constructions (Pharmaceuticals)	10,742	10,742
Property in the market	5,964	10,185
Warehouses	7,269	7,269
Farms	5,615	5,615
Restaurant	5,096	5,096
Passenger terminal	2,859	2,859
Vehicle	98	113
Others	2,398	-
Plants and factories	17,854	6,441
	208,993	**185,029**
Impairment allowance	(184,975)	(167,031)
	24,018	**17,998**

As of December 31, 2022 and 2021 foreclosed assets are presented by real estate transferred to possession of the Bank. Allowance for impairment losses was created for these assets. Movement in allowance for foreclosed assets is given in Note 7. Estimation of required amount of allowance at the reporting date is provided by management of the Bank based on instruction of the National Bank of Tajikistan and may not fully reflects the probability of non-receipt of compensation by the Bank.

18. OTHER ASSETS

As at December 31, 2022 and 2021 other assets of the Bank consisted of the following:

	December 31, 2022	December 31, 2021
Other financial assets		
Settlements between credit organizations	28,222	28,976
Accounts receivable	22,045	20,416
Accounts receivable from money transfer systems	5	143
Assets in liquidated organizations	-	7,003
Less allowance for impairment losses	(660)	(7,663)
Total financial assets	**49,612**	**48,875**
Other non-financial assets		
Advances paid	213	18,452
Shortage of cash on hand	34,544	41,240
Inventories	20,784	25,137
Other	4,183	27,870
Less allowance for impairment losses	(34,544)	(41,240)
Total non-financial assets	**25,180**	**71,459**

As at 31 December 2022 and 2021, the reserves amounted to TJS 660 thousand and TJS 7,663 thousand, respectively. These amounts, in terms of financial assets, represent provisions for expected credit losses on accounts receivable, money transfer systems, and assets in liquidating entities. The movements in the provision for expected credit losses on accounts receivable, money transfer systems and assets in liquidating entities are disclosed in Note 7.

19. DUE TO BANKS AND FINANCIAL INSTITUTIONS

As at December 31, 2022 and 2021 Due to banks and financial institutions of the Bank consisted of the following:

	December 31, 2022	December 31, 2021
Correspondent accounts of non-Bank credit institutions in Tajikistan	51,483	73,364
Correspondent accounts with local financial institutions	30,490	79,105
Settlements between credit organizations	196,711	105,134
Correspondent accounts with foreign financial institutions	-	-
	278,684	**257,603**

20. CUSTOMER ACCOUNTS

As at December 31, 2022 and 2021 customer accounts of the Bank consisted of the following:

	December 31, 2022	December 31, 2021
Budget deposits	1,393,619	924,195
Demand deposits	1,007,283	982,540
Term deposits	1,478,274	671,865
Saving deposits	1,005,810	639,221
Accrued interest payable	75,657	75,761
	4,960,643	**3,293,582**

21. BORROWINGS

As at December 31, 2022 and 2021 borrowings of the Bank consisted of the following:

	December 31, 2022	December 31, 2021
Loans from foreign banks	159,378	138,767
Interest payable	2,988	705
	162,365	**139,471**

As at December 31, 2022 and 2021 loans received comprise of the following:

	Interest rate	December 31, 2022	December 31, 2021
KazakhExport, transh #6	2%	25,506	-
NB for FEA of RU, transh #10	4%	24,486	45,200
KazakhExport, transh #1	3%	20,886	45,643
KazakhExport, transh #4	3%	15,807	-
KazakhExport, transh #5	2%	12,753	-
NB for FEA of RU, transh #26	4%	8,162	-
NB for FEA of RU, transh #3	3%	6,121	2,034
NB for FEA of RU, transh #25	4%	6,121	-
NB for FEA of RU, transh #28	4%	6,121	-
NB for FEA of RU, transh #29	4%	6,121	-
KazakhExport, transh #2	3%	3,501	7,755
NB for FEA of RU, transh #23	4%	3,401	-
NB for FEA of RU, transh #19	4%	2,806	-
KazakhExport, transh #3	3%	2,101	-
NB for FEA of RU, transh #17	4%	1,700	-
NB for FEA of RU, transh #22	4%	1,685	-
NB for FEA of RU, transh #13	4%	1,420	1,966
NB for FEA of RU, transh #27	4%	1,250	-
NB for FEA of RU, transh #12	4%	1,159	1,605
NB for FEA of RU, transh #16	4%	1,020	1,695
NB for FEA of RU, transh #11	4%	857	1,424
NB for FEA of RU, transh #18	4%	850	-
NB for FEA of RU, transh #15	4%	816	1,356
NB for FEA of RU, transh #4	4%	765	2,543
NB for FEA of RU, transh #8	4%	692	1,277
NB for FEA of RU, transh #21	4%	612	-
NB for FEA of RU, transh #20	4%	553	-
NB for FEA of RU, transh #5	4%	510	1,695
NB for FEA of RU, transh #24	4%	510	-
NB for FEA of RU, transh #2	3%	408	1,356
NB for FEA of RU, transh #6	4%	255	848
NB for FEA of RU, transh #7	4%	255	848
NB for FEA of RU, transh #9	4%	166	551
NB for FEA of RU, transh #1	3%	-	20,340
NB for FEA of RU, transh #14	4%	-	633
		159,378	**138,767**

22. OTHER INCOME, NET

Other income (net) of the Bank for the years ended December 31, 2022 and 2021 comprise:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Other income		
Income from the recovery of written-off assets	57,848	44,408
Other income	3,110	296
	60,958	**44,704**
Other expenses		
Net, loss on disposal of fixed assets	-	6
Other expenses	4,000	-
	4,000	6
	56,958	**44,698**

23. OTHER LIABILITIES

As at December 31, 2022 and 2021 other liabilities of the Bank consisted of the following:

	December 31, 2022	December 31, 2021
Accounts payable	169,568	117,080
Government funds	12,958	10,405
Employee bonus provision	893	800
Money transfers	6,110	6,167
Unused vacation	5,775	5,272
Other	4,994	3,990
	200,299	**143,714**

The Bank's accounts payable as at December 31, 2022 mainly consist of obligations on accounts intended for collecting funds for donations to victims of earthquakes and other natural phenomena, as well as obligations for mutual settlements with the Social Insurance and Pension Agency under the Government of the Republic of Tajikisitan.

As at December 31, 2022 and 2021, the movement in the provision for unused vacations is as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
As at January,1	5,272	4,525
Accrual	1,964	2,747
Recovery	(1,461)	(2,000)
As at December,31	5,775	5,272

24. SHARE CAPITAL

As at December 31, 2022 and 2021 the share capital of the Bank was equal to 70,935 and 60,935 thousand somoni respectively. The Bank is fully owned by the Government of the Republic of Tajikistan.

25. CONTINGENT FINANCIAL LIABILITIES

Capital expenditure commitments

As at December 31, 2022 and 2021 the Bank had no capital expenditure commitments.

Loan related commitments, guarantees and other financial contracts

In the normal course of business, the Bank provides its customers a variety of financial instruments that are accounted on off-balance sheet accounts and have different degrees of risk. Nominal or contract value of such obligations as at December 31, 2022 and 2021 was as follows:

	December 31, 2022	December 31, 2021
Off balance commitments		
Credit lines	314,508	94,294
Guarantees	(24,418)	(95,004)
	290,090	**(710)**

Operating lease commitments

In the normal course of business, the Bank leases office facilities and equipment for branches. As at December 31, 2022 and 2021 the Bank had no significant indissoluble operating lease liabilities.

Legal proceedings

From time to time, the clients and congragents of the Bank make claims against it, and the Bank in its turn makes claims against its clients. The Bank has been and continues to be from time to time the object of litigation and court decisions that, individually or in aggregate, did not have a significant negative impact on the Bank. Management believes that the final obligation, if any, in connection with these claims and complaints will not have a material adverse effect on the financial position or the results of the future financial and economic activities of the Bank.

Taxation

Tax legislation of the Republic of Tajikistan may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities.

Management of the Bank believes that as of the reporting dates, the relevant terms of the legislation have been correctly interpreted by them, and the position of the Bank, in terms of tax legislation, will remain stable.

Economic environment

The Bank's principal business activities are within the Republic of Tajikistan. Laws and regulations affecting the business environment in the Republic of Tajikistan are subject to rapid changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

Recoverability of financial assets

As at December 31, 2022 the Bank's financial assets amounted to 5,749,277 thousand somoni (3,734,469 thousand somoni as at December 31, 2021). Recoverability of these assets is highly dependent on the effectiveness of fiscal and other measures taken in various countries to achieve economic stability and factors beyond the control of the Bank. Recoverability of financial assets is determined by the Bank on the basis of conditions existing at the reporting date. The Bank's management believes that there is no need at present for additional allowance on financial assets, based on the prevailing circumstances and available information.

Operating environment

Emerging market of the Republic of Tajikistan is subject to more risks than developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in countries and the countries' economy in general.

Laws and regulations affecting businesses in the Republic of Tajikistan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal difficulties leading to the challenges faced by the Bank. The future economic direction of the Republic of Tajikistan is largely dependent on economic, fiscal and monetary measures undertaken by the Government, together with legal, regulatory developments.

These financial statements do not include any adjustments that would have been required due resolution of the uncertainty in the future. Possible adjustments may be made to the statements in that period in which necessity of their reflection will become evident, and it will be possible to estimate their numerical values.

26. TRANSACTIONS WITH RELATED PARTIES

The Bank applies the exemption from the application of IAS 24 "Related party disclosures", disclosures in respect of related party transactions and balances and transactions, including commitments, because it is associated with the state organization. Accordingly, the Bank discloses the nature of their relationship with the Government, the description and the amount of each operation that is significant individually or in the aggregate.

In the statement of financial position as at December 31, 2022 and 2021 the following amounts were represented which arose due to transactions with related parties:

	December 31, 2022				December 31, 2021	
	Weighted average %	Related party transactions	Weighted average %	Related party transactions	Weighted average %	Related party transactions
Customer accounts	6%	1,689,937	4,960,643	8%	863,146	3,293,582
Loans to customer	18%	201,901	1,392,752	17%	136,846	1,064,373
Other liabilities		12,958	200,299		10,405	143,714

In the statement of profit or loss and other comprehensive income for the years ended December 31, 2022 and 2021 the following amounts were represented which arose due to transactions with related parties:

	December 31, 2022		December 31, 2021	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income	87,035	315,399	75,410	300,325
Interest expense	139	84,371	165	87,516

27. PRUDENTIAL REQUIREMENTS

In order to ensure capital adequacy in accordance with established quantitative measures the Bank is required to maintain minimum amounts and ratios of total capital (12%) to total assets weighted in view of risk and ratio of total capital to total assets (10%).

The ratio was calculated according to the principles employed by the National Bank of Tajikistan which may differ from Basel Committee principles by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses.

And the actual amounts of the Bank's capital ratios are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Movement in Tier 1 Capital		
At the beginning of the year	646,760	519,574
Increase the share capital	10,000	-
Revaluation of fixed assets	-	105,288
Operations with the regulator, funds return to NBT	-	(53,664)
Net profit for the year	110,816	75,562
At the end of the year	767,576	646,760

	December 31, 2022	December 31, 2021
Composition of regulatory capital:		
Tier 1 capital:		
Bank's shareholders' equity	767,576	646,760
Less: Revaluation reserves of fixed assets	(187,624)	(191,985)
Less: Net book value of intangible assets	(14,576)	(15,875)
Total Tier 1 capital	**565,376**	**438,900**
Tier 2 capital		
Revaluation of fixed assets	-	105,288
Subordinated loans	(50,000)	-
Total Tier 2 capital	**515,376**	**544,188**
Less: Non-current investments in shares	(11,000)	(11,000)
Total regulatory capital	**504,376**	**533,188**
Risk-weighted assets (RWA)	2,179,313	2,382,516
Total assets	**6,424,819**	**4,487,185**

The Bank's capital amount and ratios are presented below:

	Ratio for Capital Adequacy purposes %	Minimum Required Ratio %
As at December 31, 2021		
Capital adequacy ratio K1.1	22%	12%
Capital adequacy ratio K1.2	12%	10%
As at December 31, 2021		
Capital adequacy ratio K1.1	23.1%	12%
Capital adequacy ratio K1.2	7.9%	10%

As at December 31, 2022 and 2021 total capital of the Bank calculated for capital adequacy purposes consisted of Tier 1 capital and Tier 2 capital.

28. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure that the Bank will be able to continue on a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Bank consists of debt and equity of shareholders, which includes issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Management Board reviews the capital structure on a regular basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Bank balances its overall capital structure through capitalization of retained earnings, attraction of additional debts or the redemption of existing debt.

29. RISK MANAGEMENT POLICIES

Management of risk is fundamental in Bank's business. The main risks inherent to the Bank's operations are those related to:

- Credit risk;
- Operational risk
- Liquidity risk;
- Market risk.

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its planned objectives. These principles are used by the Bank to manage the following risks:

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority. These processed are performed by the Credit committees and the Management of the Bank. Before any application is made by the Credit committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the Management. Daily risk management is performed by the Loan department.

The Bank has developed policies and procedures to manage credit risk, which includes limiting portfolio concentration and the creation of the Credit Committee, which monitors the credit risk. The Bank's credit policy is reviewed and approved by the Board of Directors. The Bank structures the levels of credit risk by setting limits to the size of the risk taken in relation to one borrower or group of borrowers, as well as by sector of economy. Monitoring of the actual risks in relation to the established limits is conducted on daily basis.
Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet obligations related to payment of interest and principal amount, and by changing these lending limits when such necessity is arisen. Exposure to credit risk is also regulated by obtaining collateral and guarantees. Such risks are monitored on a permanent basis and subject to quarterly or more frequent reviews.

Determination of default and recovery

The Bank considers the financial instrument as a defaulted and, therefore, applies the 3rd stage (credit impairment) for calculating the ECL in all cases when the customer has delayed 90 days on his contractual payments.

The Bank considers interbank outstanding as defaulted, and takes immediate action when the necessary payments are not paid until the end of the business day, as specified in separate agreements.

As part of a qualitative assessment of whether a customer is insolvent, the Bank also considers various cases that may indicate a low probability of payment. When such events occur, the Bank carefully considers whether this event should lead to the fact that the client will be considered a default and, therefore, assessed as Stage 3 for the purposes of ECL calculations, or whether Stage 2 is appropriate. Such events include.

- litigation, execution or enforcement with the purpose of debt collection;
- the customer's license has been revoked;
- the customer is a co-debtor when the principal debtor is in default;
- multiple restructuring for the same asset;
- there are reasonable concerns about the ability of the customer to generate stable and sufficient cash flows in the future;
- debt service coverage ratio shows that debt is not sustainable;
- loss of the main customer or renter;
- the client has declared bankruptcy;

- restructuring with forgiveness of the material part (net present value (NPV) loss);
- the credit organization or consortium leader begins the process of declaring bankruptcy / insolvency proceedings.

In accordance with the Bank's policy, a financial instrument is considered "improved" and, therefore, reclassified from Stage 3 if none of the criteria has not been for at least three consecutive months. The decision on whether to classify an asset into Stage 2 or Stage 1 after improvement depends on the updated rating of credibility during the improvement and whether this indicates a significant increase in credit risk compared to initial recognition. The Bank's "improvement" criteria for ECL is less strict than the 12-month requirement for restructured non-performing assets.

Significant increase in credit risk

At each reporting date, the Bank assesses whether the credit risk of a financial instrument has increased significantly since its initial recognition. In conducting the assessment, the Bank uses a change in the risk of default during the expected life of the financial instrument instead of changing the amount of expected credit losses. When determining whether the risk of a default on a financial instrument has increased significantly since its initial recognition, the Bank takes into account reasonable information that is relevant and accessible without excessive costs or effort. This includes both quantitative and qualitative information and analysis based on the Bank's historical experience and expert credit rating, as well as forward-looking information. However, when forward-looking information is more costly than historical data (either individually or collectively), the Bank uses other criteria to determine a significant increase in credit risk. The bank determines the criteria for a relative quantitative increase in the probability of default (PD), which indicate a significant increase in credit risk. The threshold for increasing PD, which should be considered significant, varies with PD at initial recognition.

In addition, in general, qualitative factors that indicate an increase in credit risk are reflected in PD calculation models and, therefore, are included in a quantitative assessment, and not in a separate qualitative assessment. However, if it is not possible to include all current information on qualitative factors in a quantitative assessment, they are taken into account separately in the qualitative assessment when determining a significant increase in credit risk.

Criteria for loans and advances to customers

The criteria for loans and advances to customers are presented in the following paragraphs. All criteria presented have the same influence in determining a significant increase in credit risk.

- 30 days overdue. Over 30 days overdue are indicator of a significant increase in credit risk.
- Delay - no more than 30 days. A significant increase in credit risk is considered when, although at the reporting date, overdue days were less than 30, during the last 6 months there has been at least one case of delay of more than 60 days.
- Relative change in 12-month PD. A significant change in a 12-month PD is considered as a factor of changes in the probability of default over the life of a financial instrument. This indicates a significant increase in credit risk. This criterion is used when the Bank has an internal credit rating system.
- Relative change in Probability of Default during financial instrument activity. A significant change in the activity of a PD indicates a significant increase in credit risk. This criteria is used when the Bank has an internal credit rating system.
- Default ("Stage 3") in the last 12 months. A significant increase in credit risk is considered when, although at the reporting date the outstanding loan amount is not classified as default, it has been at least once in stage 3 during the past 12 months.
- Credits in probation. A significant increase in credit risk is considered in the case of using an external borrowed loan or an external non-performing loan that is in a probationary period (the period after the treatment period), moreover, the loan should not have overdue days more than 30 days or any signs of low probability of repayment.

Criteria for funds in financial institutions

Criteria for funds in financial institutions are presented in the following paragraphs. All criteria presented have the same weight in determining a significant increase in credit risk.

- 30 days overdue. Over 30 days overdue are indicator of a significant increase in credit risk.
- For correspondent and current accounts - 7 days. More than 7 days overdue are indicator of a significant increase in credit risk.

- Delay - no more than 30 days. A significant increase in credit risk is considered when, although at the reporting date, overdue days were less than 30, during the last 6 months there has been at least one case of delay of more than 60 days.
- Change in external credit rating / rate. Corporate rating maintenance by this criteria. A significant change in the rating assigned by the Big Three rating agencies (Standard & Poor's, Moody's and Fitch) indicates a significant increase in credit risk. A significant increase in credit risk is taken into account when the S & P rating is lowered by one level each time, starting with B2 (S & P) (or the equivalent of Moody's and Fitch). In cases where financial institutions do not have a corporate rating of rating agency, and the Bank does not have an equivalent internal rating system, the corporate default rate correspond to the sovereign rating of a country.
- Relative change in 12-month PD. A significant change in 12-month PD is considered as a factor of change over the life of the PD. This indicates a significant increase in credit risk. This criteria is used when the Bank has an internal credit rating system.
- Relative change of PD for the entire duration. A significant change for the entire duration indicates a significant increase in credit risk. This criteria is used when the Bank has an internal credit rating system.
- Default ("Stage 3") in the last 12 months. A significant increase in credit risk is considered when, although at the reporting date the outstanding of the loan amount was not classified as a default, it was at least once in step 3 during the past 12 months.

Criteria for investment financial assets

Criteria for securities are presented in the following paragraphs. All criteria presented have the same influence in determining a significant increase of credit risk.

- Relative change in 12-month PD. A significant change in 12-month PD is considered as a factor in changes over the duration of PD. This indicator of significant increase of credit risk. This criteria is used when the Bank has an internal credit rating system.
- Relative PD change for the entire duration. A significant PD for the entire period indicates a significant increase of credit risk. This criteria is used when the Bank has an internal credit rating system.
- Change in external credit rating / rate. The country's rating for government securities will be maintenance by this criterion, or the corporate rating for maintenance of corporate securities. A significant change in the rating assigned by the Big Three rating agencies (Standard & Poor's, Moody's and Fitch) indicates a significant increase of credit risk. A significant increase of credit risk is taken into account when the S & P rating drops by one level each time, starting with B2 (S & P) (or the equivalent of Moody's and Fitch). In cases where issuers of securities do not have a corporate rating in a rating agency, and the Bank does not have an equivalent internal rating system, the corporate default rate correspond to the sovereign rating of a country.

Criteria for exit from the stage of significant deterioration

If none of the indicators used by the Bank to assess whether a significant increase in credit risk has occurred is present, proceed from stage 2 to stage 1, with the exception of loans that are in the recovery period.

Credit risk assessment

The bank distributes each level of exposure to credit risk based on various data that are defined as predictable risks of default, and applies credit judgments based on previous experience.
Credit risk assessments are determined using qualitative (mainly due to days overdue) and quantitative factors that indicate the risk of default. These factors vary according to the nature of the risk and the type of borrower.

Grouping of financial assets measured collectively

Classes of asset for which the Bank calculates ECL on an individual basis include:

- Individually significant loans of Stage 3, regardless of the type of financial assets;
- Significant and unique assets prone to high risk;
- Treasury, trading and interbank relations, such as due from banks, securities pledged under repurchase agreements and debt instruments at amortized cost / FVTOCI;

- high-risk assets that were classified as credit-impaired when the initial loan was terminated and the new loan was recognized as a result of debt restructuring.
- The Bank's group assets for which ECL are not calculated on individual basis for smaller ordinary portfolios based on a combination of loan characteristics, as described below.
- Type of loan (for example, corporate, mortgage, credit card, consumer loan, etc.)
- Type of client (for example, Individual or legal person or industry type),
- Type of pledge (for example, property, receivables, etc.),
- Currency
- Other relevant features

Restructured and modified loans

The Bank sometimes makes concessions or changes in the original terms of the loan in response to the financial difficulties of the customer, but does not take possession of or otherwise collect the collateral. The Bank is considering the restructuring of the loan or its modification in the event of existing or expected financial difficulties of the customer. The Bank would not take these steps if the customer was financially healthy. Indicators of financial difficulties include default or significant problems noted by the credit risk department. The revision may include the extent of payment arrangements and the negotiation of new credit terms. After the revision of terms, any impairment is assessed using the original EIR calculated prior to the change of conditions. Bank policy is to monitor restructured loans to ensure that future payments will be continued. Decisions on derecognition and classification between Stage 2 and Stage 3 are determined on a case-by-case basis.

The Bank defines the "recovery period" as the 12-month period after restructuring, which is used for restructured non-performing cases. Considering the fact that it is impossible to identify financial difficulties immediately after the restructuring, it is necessary to use the "recovery" period to determine whether the loan was effectively improved. All overdue non-performing loans should remain at stage 3 after the date of restructuring, despite the repayment of the loan (no days overdue, etc.).

The Bank defines a probationary period as the 24-month period after the "recovery" period, which applies to restructured, prone to risk (excluding any grace period) loans. Once an asset has been classified as at risk, it will remain the same for at least a 24-month probationary period.

In order for a loan to be reclassified and improved, the client must meet all of the following criteria:

- all its objects should be considered as working
- the probation period of two years has passed since the date of the restructuring to become working,
- Regular payments in excess of a minor amount of principal or interest were made during at least half of the trial period.
- The client has no contract that is overdue by more than 30 days.

Probability of Default (PD)

PD represents the probability that the customer will not fulfill his financial obligations in the next 12 months (12 months of the ECL) or during the remaining period.

A full-time PD is developed by applying a maturity date to the current 12-month PD. The repayment profile shows how portfolios evolve by default from initial recognition over the life of the loan. The repayment profile is based on historical data and is assumed to be the same for all assets within the portfolio and credit rating range. This is confirmed by historical analysis.

Expected level of losses in case of default (LGD)

LGD is determined based on factors that influence recovery after default. They depend on the type of product.

- For secured products, this is primarily based on the type of collateral and the forecast value of the collateral, historical discounts to market / carry value due to forced sales, time before withdrawal and observed costs for recovery.
- For unsecured products, LGDs are usually set at the level of product due to limited differentiation in income received by different customers. These LGDs are influenced by collection strategies, including the sale of contractual debts and price.

Amount of debt at the reporting date subject to the risk of an impairment event (EAD)

The 12-month and full-term EADs are determined based on expected payments, which depend on the type of product.

- For depreciable products and loans repayable in one amount, based on contract payments due to the customer for 12 months or for the entire term. It is also adjusted for any overpayments made by the customer. Assumptions regarding early repayment / refinancing are also included in the calculation.
- For renewable products, the default risk is forecast by taking the current balance and adding a "credit conversion rate" that takes into account the expected loss of the remaining limit to the time of default. These assumptions differ depending on the type of product and the range of use of the current limit based on an analysis of the latest Bank data.

Predicted information

To ensure the completeness and accuracy, Bank receives data from third-party sources (WB, NBT, Government of RT, etc.). In order to form the influence of macroeconomic factors, the Bank determines influence coefficients for selected macroeconomic factors and for several scenarios (base, ascending and descending) that are predicted.

Operational risk

The Bank is exposed to operational risk, which is a risk of loss arising from any system failures or interruptions of internal processes, systems, mechanical error of personnel or the influence of external negative factors.

The Bank's risk management policy is designed to identify and analyze risks and set appropriate risk limits and controls.

Maximum exposure

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

The following table presents the maximum exposure to credit risk off-balance sheet and off-balance sheet financial assets. For financial assets in the statement of financial statements, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off-balance sheet assets, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

Collateral pledged is determined based on its estimated fair value on the reporting date and limited to the outstanding balance of each loan as at reporting date.

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**2022 Net exposure after offset and collateral**
Cash and cash equivalents	2,573,700	-	2,573,700	-	2,573,700
Due from banks	1,105,151	-	1,105,151	-	1,105,151
Loans to customers	1,392,752	-	1,392,752	(697,944)	694,808
Investments in securities	628,062	-	628,062	-	628,062
Other assets	49,612	-	49,612	-	49,612
	5,749,277	**-**	**5,749,277**	**(697,944)**	**5,051,333**

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	2021 Net exposure after offset and collateral
Cash and cash equivalents	840,492	-	840,492	-	840,492
Due from banks	999,414	-	999,414	-	999,414
Loans to customers	1,064,373	-	1,064,373	(467,943)	596,430
Investments in securities	781,315	-	781,315	-	781,315
Other assets	48,875	-	48,875	-	48,875
	3,734,469	**-**	**3,734,469**	**(467,943)**	**3,266,526**

In instances where one party to a financial instrument fails to fully or partially discharge a credit obligation, the Bank has the right to ensure fulfillment of these obligations through the:

1 joint sale of the pledged assets;
2 transfer of ownership rights on pledged assets in accordance with the established law; and
3 exercising of the charge on pledged assets through judicial procedures.

Where there is a joint sale of the pledged assets, the Bank normally uses a tripartite agreement with the borrower and acquirer of the pledged assets. Under this agreement the acquirer of the pledged assets has an obligation to repay the full amount of the outstanding debt; the borrower has an obligation to transfer the right of ownership of the assets to the acquirer, and the Bank releases the obligation from the borrower and removes the pledge over the assets.

The Bank exercises the charge on pledged assets through judicial procedures if it is impossible or inefficient to use alternative methods or where the seizure of assets pledged is required in order to protect the rights on the Bank.

Financial assets are graded according to the current credit rating they have been issued by internationally regarded agencies. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following tables provide classification of financial assets of the Bank by credit ratings:

	Aaa - A3	Baa1-Ba3	B1-B3	Caa1-C	Not Rated	2022 Total
Cash and cash equivalents	-	-	-	-	2,573,700	2,573,700
Due from banks	28	-	1,103,580	1,543	-	1,105,151
Loans to customers	-	-	-	-	1,392,752	1,392,752
Investments in securities	-	-	-	-	628,062	628,062
Other assets	-	-	-	-	49,612	49,612
TOTAL OF FINANCIAL ASSETS:	**28**	**-**	**1,103,580**	**1,543**	**4,644,126**	**5,749,277**

	Aaa - A3	Baa1-Ba3	B1-B3	Caa1-C	Not Rated	2021 Total
Cash and cash equivalents	-	-	-	-	840,492	840,492
Due from banks	6	419,596	579,812	-	-	999,414
Loans to customers	-	-	-	-	1,064,373	1,064,373
Investments in securities	-	-	-	-	781,315	781,315
Other assets	-	-	-	-	48,875	48,875
TOTAL OF FINANCIAL ASSETS:	**6**	**419,596**	**579,812**	**-**	**2,735,055**	**3,734,469**

Since not all counterparties of the Bank are rated by international rating agencies, the Bank uses an internal rating and scoring models to determine the rating of the counterparty, comparable to ratings of international rating agencies. Such tools include a rating model for corporate clients, and scoring models for retail and small business customers.

The banking industry is generally exposed to credit risk through its loans to customers and interbank deposits. Main credit risk exposure of the Bank is concentrated within the Republic of Tajikistan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

		Financial assets past due but not impaired					
	Current not impaired assets	Less than 3 months	3 - 6 months	6 months - 1 year	More than 1 year	Impaired financial assets	2022 Total
Cash and cash equivalents	2,573,700	-	-	-	-	-	2,573,700
Due from banks	1,105,151	-	-	-	-	-	1,105,151
Loans to customers	712,650	-	-	-	-	680,102	1,392,752
Investments in securities	628,062	-	-	-	-	-	628,062
Other assets	49,612	-	-	-	-	-	49,612
TOTAL OF FINANCIAL ASSETS:	**5,069,175**	-	-	-	-	**680,102**	**5,749,277**

		Financial assets past due but not impaired					
	Current not impaired assets	Less than 3 months	3 - 6 months	6 months - 1 year	More than 1 year	Impaired financial assets	2021 Total
Cash and cash equivalents	840,492	-	-	-	-	-	840,492
Due from banks	999,414	-	-	-	-	-	999,414
Loans to customers	769,205	-	-	-	-	295,167	1,064,373
Investments in securities	781,315	-	-	-	-	-	781,315
Other assets	48,875	-	-	-	-	-	48,875
TOTAL OF FINANCIAL ASSETS:	**3,439,301**					**295,167**	**3,734,469**

Geographical concentration

Risk management department exercise control over the risk associated with changes in the norms of the legislation and assesses its impact on the Bank. This approach allows the Bank to minimize potential losses from the investment climate in the Republic of Tajikistan.

The geographical concentration of assets and liabilities is set out below:

	Republic of Tajikistan	OECD countries	Other	Total 2022
FINANCIAL ASSETS:				
Cash and cash equivalents	2,573,700	-	-	2,573,700
Due from banks	905,453	-	199,698	1,105,151
Loans to customers	1,392,752	-	-	1,392,752
Investments in securities	628,062	-	-	628,062
Other assets	24,559	9,749	15,304	49,612
TOTAL OF FINANCIAL ASSETS:	**5,524,526**	**9,749**	**215,002**	**5,749,277**
FINANCIAL LIABILITIES:				
Customer deposits	4,960,643	-	-	4,960,643
Borrowings	-	-	162,365	162,365
Due to banks and financial institutions	278,684	-	-	278,684
Lease liability	5,252	-	-	5,252
Other liabilities	200,299	-	-	200,299
TOTAL OF FINANCIAL LIABILITIES:	**5,444,878**	**-**	**162,365**	**5,607,243**
NET POSITION	**79,648**	**9,749**	**52,637**	**142,034**

	Republic of Tajikistan	OECD countries	Other	Total 2021
FINANCIAL ASSETS:				
Cash and cash equivalents	840,492	-	-	840,492
Due from banks	576,773		422,641	999,414
Loans to customers	1,064,373	-	-	1,064,373
Investments in securities	781,315	-	-	781,315
Other assets	42,899	-	5,976	48,875
TOTAL OF FINANCIAL ASSETS:	**3,305,852**	**-**	**428,617**	**3,734,469**
FINANCIAL LIABILITIES:				
Customer deposits	3,293,582	-	-	3,293,582
Borrowings	-	-	138,767	139,471
Due to banks and financial institutions	257,345	-	258	257,603
Lease liability	6,055	-	-	6,055
Other liabilities	143,265	-	449	143,714
TOTAL OF FINANCIAL LIABILITIES:	**3,700,247**	**-**	**139,474**	**3,840,425**
NET POSITION	**(394,395)**	**-**	**289,143**	**(105,956)**

Liquidity risk

Liquidity risk is the risk of difficulties in obtaining funds for the payment of obligations upon the occurrence of the actual date of payment and to meet cash requirements in the process of lending to clients.

Management controls this risk by maturity analysis, determining the Bank's strategy for the next fiscal period. Current liquidity is managed by assets and liabilities committee, which supports the current level of liquidity sufficient to minimize liquidity risk.

The following table presents an analysis of balance sheet interest rate risk and liquidity risk:

	Less than 1 month	1 - 3 months	3 months- 1 year	1-5 years	More than 5 years	Undefined	Total 2022
FINANCIAL ASSETS:							
Cash and cash equivalents	2,573,700	-	-	-	-	-	**2,573,700**
Due from banks	1,105,151	-	-	-	-	-	**1,105,151**
Loans to customers	61,492	200,838	643,604	485,861	957	-	**1,392,752**
Investments in securities	288,022	144,803	184,237	-	-	11,000	**628,062**
Other assets	49,612	-	-	-	-	-	**49,612**
TOTAL OF FINANCIAL ASSETS	**4,077,977**	**345,641**	**827,841**	**485,861**	**957**	**11,000**	**5,749,277**
FINANCIAL LIABILITIES:							
Customer accounts	3,970,343	126,643	468,684	358,990	35,983	-	4,960,643
Borrowings	15,263	5,846	81,522	59,734	-	-	162,365
Due to banks and financial institutions	278,684	-	-	-	-	-	278,684
Lease liability	5,252	-	-	-	-	-	5,252
Other liabilities	200,299	-	-	-	-	-	200,299
TOTAL OF FINANCIAL LIABILITIES	**4,469,841**	**132,489**	**550,206**	**418,724**	**35,983**	**-**	**5,607,243**
Difference between financial assets and liabilities	(391,864)	213,152	277,635	67,137	(35,026)	11,000	142,034

	Less than 1 month	1 - 3 months	3 months-1 year	1-5 years	More than 5 years	Undefined	Total 2021
FINANCIAL ASSETS:							
Cash and cash equivalents	840,492	-	-	-	-	-	**840,492**
Due from banks	999,414	-	-	-	-	-	**999,414**
Loans to customers	82,930	1	58	965,235	15,846	303	**1,064,373**
Investments in securities	273,874	195,307	301,134	-	-	11,000	**781,315**
Other assets	48,875	-	-	-	-	-	**48,875**
TOTAL OF FINANCIAL ASSETS	**2,245,585**	**195,308**	**301,192**	**965,235**	**15,846**	**11,303**	**3,734,469**
FINANCIAL LIABILITIES:							
Customer accounts	2,351,704	101,255	424,096	377,314	-	39,213	3,293,582
Borrowings	1,015	1,526	66,434	70,496	-	-	139,471
Due to banks and financial institutions	257,603	-	-	-	-	-	257,603
Lease liability	6,055	-	-	-	-	-	6,055
	143,714	-	-	-	-	-	143,714
TOTAL OF FINANCIAL LIABILITIES	**2,760,091**	**102,781**	**490,530**	**447,810**	**-**	**39,213**	**3,840,425**
Difference between financial assets and liabilities	(514,506)	92,527	(189,339)	517,425	15,846	(27,910)	(105,956)

Periods of maturity of assets and liabilities and the ability to replace interest liabilities in acceptable costs (at the time of redemption) are the most important conditions in determining the liquidity of the Bank and its sensitivity to fluctuations in interest rates and exchange rates.

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the statement of financial position under the effective interest rate method.

Undiscounted liabilities analysis

The table below presents distribution of Bank's liabilities as at December 31, 2022 and 2021 for contractual undiscounted cash outflows:

	Less than 1 month	1 - 3 months	3 months - 1 year	1-5 years	More than 5 years	Total 2022
Customer accounts	3,976,201	126,976	479,906	424,197	62,426	5,069,706
Borrowings	11,243	6,059	84,234	60,651	-	162,187
Due to banks and financial institutions	278,684	-	-	-	-	278,684
Lease liability	5,252	-	-	-	-	5,252
TOTAL FINANCIAL LIABILITIES	**4,271,380**	**133,035**	**564,140**	**484,848**	**62,426**	**5,515,829**

	Less than 1 month	1 - 3 months	3 months - 1 year	1-5 years	More than 5 years	Total 2021
Customer accounts	2,359,232	100,754	439,846	445,779	67,606	3,413,217
Borrowings	695	1,553	68,506	72,220	-	142,974
Due to banks and financial institutions	257,603	-	-	-	-	257,603
Lease liability	2,955	1,085	1,240	775	-	6,055
TOTAL FINANCIAL LIABILITIES	**2,620,485**	**103,392**	**509,592**	**518,774**	**67,606**	**3,819,849**

Market risk

Market risk includes risk of changes in interest rates, currency risk and other price risks faced by the Bank. In 2022 there was no change in the composition of these risks and methods for assessing and managing risks in the Bank.

In case of attracting funds with a floating interest rate, the risks will be managed by the Bank by maintaining the necessary ratio between loans at a fixed and floating rate.

Interest rate sensitivity

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

Currency risk

Currency risk is the risk that the value of a financial instrument due to changes in exchange rates. Financial position and cash flows of the Bank are exposed to impact of fluctuations in foreign currency exchange rates. Management exercises currency risk management by determining open currency position on the basis of the alleged impairment of Tajik somoni, and other macroeconomic indicators, which enables the Bank to minimize losses from significant fluctuations in national and foreign currency.

The Bank concludes agreements on various derivative financial instruments including foreign exchange swaps and mortgage loans to commercial banks to secure itself against currency risk.

Information about the level of foreign currency exchange rate risk of the Bank is set out below:

	TJS	USD	EUR	RUB	Other	Total 2022
FINANCIAL ASSETS:						
Cash and cash equivalents	1,787,727	751,657	25,290	6,883	2,143	2,573,700
Due from banks	770,342	222,191	71,285	9,092	32,241	1,105,151
Loans to customers	871,283	509,405	12,064	-	-	1,392,752
Investment securities	628,062	-	-	-	-	628,062
Other assets	34,090	15,515	3	4	-	49,612
TOTAL OF FINANCIAL ASSETS	**4,091,504**	**1,498,768**	**108,642**	**15,979**	**34,384**	**5,749,277**
FINANCIAL LIABILITIES:						
Customer accounts	3,671,586	1,190,815	43,634	22,333	32,275	4,960,643
Borrowings	-	162,365	-	-	-	162,365
Due to banks and financial institutions	37,242	315	188,327	52,800	-	278,684
Lease liability	5,252	-	-	-	-	5,252
Other liabilities	190,233	9,288	230	548	-	200,299
TOTAL OF FINANCIAL LIABILITIES	***3,904,313***	***1,362,783***	***232,191***	***75,681***	***32,275***	***5,607,243***
Open currency position	**187,191**	**135,985**	**(123,549)**	**(59,702)**	**2,109**	**142,034**
The effect of derivatives held for risk management	-	-	-	-	-	-
NET POSITION	**187,191**	**135,985**	**(123,549)**	**(59,702)**	**2,109**	**142,034**

	TJS	USD	EUR	RUB	Other	Total 2021
FINANCIAL ASSETS:						
Cash and cash equivalents	320,291	447,072	19,356	10,063	43,710	840,492
Due from banks	449,062	451,145	89,788	9,419	-	999,414
Loans to customers	807,322	257,051	-	-	-	1,064,373
Investment securities	781,315		-	-	-	781,315
Other assets	40,294	8,371	2	208	-	48,875
TOTAL OF FINANCIAL ASSETS	**2,398,284**	**1,163,639**	**109,146**	**19,690**	**43,710**	**3,734,469**
FINANCIAL LIABILITIES:						
Due to banks and financial institutions	2,366,418	841,686	69,394	16,082	2	3,293,582
Customer accounts	-	139,471	-	-	-	139,471
Borrowings	20,672	197,878	38,951	102	-	257,603
Lease liability	6,055	-	-	-	-	6,055
Other liabilities	96,002	5,546	1,306	266	40,594	143,714
TOTAL OF FINANCIAL LIABILITIES	***2,489,147***	***1,184,581***	***109,651***	***16,450***	***40,596***	***3,840,425***
Open currency position	***(90,863)***	***(20,942)***	***(505)***	***3,240***	***3,114***	***(105,956)***
The effect of derivatives held for risk management	-	-	-	-	-	-
NET POSITION	**(90,862)**	**(20,942)**	**(505)**	**3,240**	**3,114**	**(105,956)**

Accounting classification and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at December 31, 2022

	Valued at amortized cost	Valued at fair value through profit and loss	Valued at fair value through OCI	Total carrying amount	Fair value
FINANCIAL ASSETS:					
Cash and cash equivalents	2,573,700	-	-	2,573,700	2,573,700
Due from banks	1,105,151	-	-	1,105,151	1,105,151
Loans to customers	1,392,752	-	-	1,392,752	1,392,752
Investments in securities	617,062	-	11,000	628,062	628,062
Other assets	49,612	-	-	49,612	49,612
TOTAL OF FINANCIAL ASSETS	**5,688,665**	**-**	**11,000**	**5,749,277**	**5,749,277**
FINANCIAL LIABILITIES:					
Due to banks and financial	4,960,643	-	-	4,960,643	4,960,643
Customer accounts	162,365	-	-	162,365	162,365
Lease liability	278,684	-	-	278,684	278,684
Borrowings	5,252	-	-	5,252	5,252
Other liabilities	200,299	-	-	200,299	200,299
TOTAL OF FINANCIAL LIABILITIES	**5,607,243**	**-**	**-**	**5,607,243**	**5,607,243**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at December 31, 2021:

	Valued at amortized cost	Valued at fair value through profit and loss	Valued at fair value through OCI	Total carrying amount	Fair value
FINANCIAL ASSETS:					
Cash and cash equivalents	840,492	-	-	840,492	840,492
Due from banks	999,414	-	-	999,414	999,414
Loans to customers	1,064,373	-	-	1,064,373	1,064,373
Investments in securities	770,315	-	11,000	781,315	781,315
Other assets	48,875	-	-	48,875	48,875
TOTAL OF FINANCIAL ASSETS	**3,674,469**	**-**	**11,000**	**3,734,469**	**3,734,469**
FINANCIAL LIABILITIES:					
Due to banks and financial institutions	3,293,582	-	-	3,293,582	3,293,582
Customer accounts	139,471	-	-	139,471	139,471
Lease liability	257,603	-	-	257,603	257,603
Borrowings	6,055	-	-	6,055	6,055
Other liabilities	143,714	-	-	143,714	143,714
TOTAL OF FINANCIAL LIABILITIES	**3,840,425**	**-**	**-**	**3,840,425**	**3,840,425**

Fair value of financial instruments

Fair value is defined as the value at which a financial instrument can be acquired in a transaction between well-informed, willing to make such a transaction parties, independent from each other except cases of forced or liquidation sale. The presented estimates may not reflect the amounts that the Bank could receive if there was an actual sale of a package of certain financial instruments.

The carrying amount of cash is approximately equal to the fair value due to the short-term nature of such financial instruments.

IFRS 13 defines fair value as the amount that would be received after selling an asset or paid after transferring a liability in an orderly transaction on the main (or most advantageous) market at the measurement date under current market conditions. Since there are no markets for most of the Bank's financial instruments, under the current economic conditions and specific risks that characterize the tool, judgment should be applied to determine the fair value.

As at December 31, 2022 and 2021, the following methods and assumptions were used by the Bank to assess the fair value of financial instruments for which it was practical to determine the value:

Cash and cash equivalents - current value of cash and cash equivalents corresponds to fair value.

Accounts receivable and other accounts receivable - current value approximates the fair value of these financial instruments, as the allowance for doubtful debts is valid estimation of the required discount to reflect the credit risk.

Accounts payable and other liabilities - current value approximates the fair value of these financial instruments due to the short-term nature of the instrument.

Long-term liabilities - current value approximates fair value as the interest rate of long-term debt approximates market rate, with reference to loans with similar credit risk and maturity at the reporting date.

Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows. The Bank classifies the fair values of its financial instruments into a three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

Level 1	Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can assess at the measurement date; or
Level 2	Inputs other than quoted inputs included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; or
Level 3	Unobservable inputs for the assets or liabilities, requiring the Bank to make market based assumptions.

Level 1 classifications primarily include financial assets and financial liabilities that are exchange traded, whereas Level 2 classifications primarily include financial assets and financial liabilities which derive their fair value primarily from exchange quotes and readily observable quotes. Level 3 classifications primarily include financial assets and financial liabilities which derive their fair value predominately from models that use applicable market based estimates surrounding location, quality and credit differentials. In circumstances where the Bank cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value.

It is the Bank's policy that transactions and activities in trade related financial instruments be concluded under master netting agreements or long form confirmations to enable balances due to/from a common counterparty to be offset in the event of default, insolvency or bankruptcy by the counterparty.

The following tables show the fair values of financial assets and financial liabilities as at December 31, 2022 and 2021. Other assets and liabilities which are measured at fair value on a recurring basis are cash and cash equivalents. There are no nonrecurring fair value measurements.

	Level 1	Level 2	Level 3	December 31, 2022 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	2,573,700	-	-	2,573,700
Due from banks	1,105,151	-	-	1,105,151
Loans to customers	-	1,392,752	-	1,392,752
Investments in securities	-	-	628,062	628,062
Other assets	-	-	49,612	49,612
TOTAL OF FINANCIAL ASSETS	**3,678,851**	**1,392,752**	**677,674**	**5,749,277**
FINANCIAL LIABILITIES:				
Due to banks and financial institutions	278,684	-	-	278,684
Customer accounts	-	4,960,643	-	4,960,643
Borrowings	-	162,365	-	162,365
Lease liability	-	5,252	-	5,252
Other liabilities	-	-	200,299	200,299
TOTAL OF FINANCIAL LIABILITIES	**278,684**	**5,128,260**	**200,299**	**5,607,243**

	Level 1	Level 2	Level 3	December 31, 2021 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	840,492	-	-	840,492
Due from banks	999,414	-	-	999,414
Loans to customers	-	1,064,373	-	1,064,373
Investments in securities	-	-	781,315	781,315
Other assets	-	-	48,875	48,875
TOTAL OF FINANCIAL ASSETS	**1,839,906**	**1,064,373**	**830,190**	**3,734,469**
FINANCIAL LIABILITIES:				
Due to banks and financial institutions	257,603	-	-	257,603
Customer accounts	-	3,293,582	-	3,293,582
Borrowings	-	139,471	-	139,471
Lease liability	-	6,055	-	6,055
Other liabilities	-	-	143,714	143,714
TOTAL OF FINANCIAL LIABILITIES	**257,603**	**3,439,108**	**143,714**	**3,840,425**

Currency rate sensitivity

Table below represents sensitivity analysis of the Bank to 10% increase and decrease in currency rate to somoni in 2022 and 2021. Based on the current economic environment in the Republic of Tajikistan management of the Bank believes that 10% increase of USD to TJS exchange rate is a realistic change. 10% - a level of sensitivity, which is used internally by banks when reporting foreign currency risk internally to key management personnel of the Bank and is an estimate by management of the Bank. Sensitivity analysis include only amounts in foreign currency as at period end, for which rates are used changed by 10% compared to current ones during conversion.

Following table presents a sensitivity analysis of the Bank based on nominal value of financial asset as at December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
	Official exchange rate, +10%	Official exchange rate, -10%	Official exchange rate, +10%	Official exchange rate, -10%
Effect on profit or loss	13,599	(13,599)	(2,094)	2,094

Limitations of sensitivity analysis

The above tables demonstrate the effect of changes based on the main clause while other assumptions remain unchanged. In fact, there is a connection between the assumptions and other factors. It should also be noted that the sensitivity has nonlinear character so should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into account that the Bank actively manages the assets and liabilities. In addition, the Bank's financial position may be subject to change depending on changes in the market. For example, the strategy of the Bank's financial risk management aims to manage exposure to market fluctuations. In the case of sudden adverse price fluctuations in the securities market leadership can refer to such methods as selling investments, changing investment portfolio, as well as other methods of protection. Consequently, changes in assumptions may not have influence on the commitment and significant impact on the assets recorded on the balance sheet at market price. In this situation, different methods of valuation of assets and liabilities may lead to volatility in equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements with a view to the disclosure of potential risks, which represent only the Bank's forecast of the upcoming changes in the market that cannot be predicted with any certainty.

30. SEGMENT REPORTING

The Bank's activities applies only to commercial lending and are concentrated in the Republic of Tajikistan.

31. EVENTS AFTER THE REPORTING DATE

As at the date of issue of these financial statements no significant events or transactions happened which should be disclosed in accordance with IAS 10 "Events after the reporting period".