FOREIGN ENTITY «MIKROMOLIYA TASHKILOTI OASISCREDIT» IN THE FORM OF LIMITED LIABILITY MICROFINANCE ORGANIZATION

Financial Statements for the year ended 31 December 2022
and Independent auditor's report
(Translated from Russian language)

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the financial statements or our knowledge obtained during the audit, and whether the other information contains other possible material distortion.

If, based on the work we have performed, we conclude that such other information contains a material misstatement, we are required to report that fact.

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing information relating to going concern, as appropriate, and for reporting on a going concern basis, unless management intends to liquidate the Entity, cease her activities or when he has no real alternative to such activities.

Management and those charged with governance are responsible for overseeing the preparation of the financial statements of the Organization.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 degree 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 International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we do the following:

- identify and assess the risks of material misstatement of financial statements due to fraud or error; design and perform audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement from fraud is greater than the risk of not detecting a material misstatement from an error because fraud may include collusion, forgery, omission, misrepresentation, or circumvention of internal controls;
- Obtain an understanding of the internal control system 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 Organization's internal control system;
- evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures prepared by management;
- conclude on the appropriateness of management's application of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization'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 inappropriate, 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 Organization to cease to be able to continue as a going concern;

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Independent Auditor's Report

To the Supervisory Board of FE «Mikromoliya Tashkiloti OASISCREDIT» LLC MFO

Opinion

We have audited the financial statements of a Foreign Enterprise in the form of a Limited Liability Company "Mikromoliya Tashkiloti OASISCREDIT" (hereinafter referred to as the "Organization"), consisting of a statement of financial position as of 31 December 2022 and a profit and loss statement, and other statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, and the 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 Organization as at 31 December 2022, and its financial results and cash flows for the year ended at that date, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section " Auditor's responsibility for auditing consolidated financial statements" of our opinion. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the schedule in the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (PAIESB Code) and ethical requirements applicable to our audit of the financial statements in the Republic of Uzbekistan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. Other information includes information contained in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there are material inconsistencies between the other information and

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We communicate with Management and those charged with governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as significant observations on the results of the audit, including significant deficiencies in the internal control system, which we identify during the audit.

Jamshid Karimov
General Director
Auditor qualification certificate for conducting audits of banks №19 dated 28 December 2022, issued by the Central Bank of the Republic of Uzbekistan.

Grant Thornton LLC.

10 April 2023
Tashkent, Uzbekistan

(in thousands of UZS)

Statement of financial position

	Notes	31 December 2022	31 December 2021
Assets			
Cash and cash equivalents	6	2 240 028	2 018 781
Funds in other banks		1 048 304	-
Microcredits	7	5 897 551	-
Deferred tax asset	15	66 231	-
Fixed assets and intangible assets	8	4 470 053	3 974 629
Other assets	9	15 503	296 473
Total assets		**13 737 670**	**6 289 883**
Liabilities			
Other liabilities	10	4 031 928	6 157 021
Total liabilities		**4 031 928**	**6 157 021**
Equity			
Authorized capital		12 677 074	400 000
Retained earnings		(2 971 332)	(267 138)
Total equity		**9 705 742**	**132 862**
Total liabilities and equity		**13 737 670**	**6 289 883**

Approved and signed on behalf of the management of the Organization:

MIKROMOLIYA TASHKILOTI OASISCREDIT

Guseynov M.A.
General Director

Rustamova F.Y.
Chief Accountant

10 April 2023

The notes on pages 8 to 37 are an integral part of these financial statements.

(in thousands of UZS)

Statement of profit or loss and other comprehensive income

	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest income calculated at the effective interest rate	11	250 541	-
Other interest expenses	11	(597 344)	(117 979)
Net interest income		**(346 803)**	**(117 979)**
Creation of credit loss allowance for debt financial assets	6,7	(50 631)	(7 667)
Net interest income after credit loss allowance		**(397 434)**	**(125 646)**
Commission expenses	12	(190 323)	(3 876)
Net gains/(losses) from foreign exchange operations and foreign exchange revaluation		(63 135)	19 181
Other operating income		526	-
Administrative and other operating expenses	13	(2 116 828)	(156 797)
Profit before tax		**(2 767 194)**	**(267 138)**
Income tax savings	14	62 999	-
Net profit for the year		**(2 704 195)**	**(267 138)**

Approved and signed on behalf of the management of the Organization:

Guseynov M.A.
General Director

Rustamova F.Y.
Chief Accountant

10 April 2023

(in thousands of UZS)

Statement of changes in equity

	Authorized capital	Retained earnings	Total equity
Balance as of 5 October 2021	-	-	-
Net profit / (Net loss) for the year	-	(267 138)	(267 138)
Total comprehensive income for the year	-	**(267 138)**	**(267 138)**
Formation of the authorized capital	400 000	-	400 000
Balance at 31 December 2021	**400 000**	**(267 138)**	**132 862**
Net profit / (Net loss) for the year	-	(2 704 195)	(2 704 195)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	**(2 704 195)**	**(2 704 195)**
Increase the authorized capital	12 277 074	-	12 277 074
Balance at 31 December 2022	**12 677 074**	**(2 971 332)**	**9 705 742**

Approved and signed on behalf of the management of the Organization:

Guseynov M.A.
General Director

MIKROMOLIYA TASHKILOTI OASISCREDIT

Rustamova F.Y.
Chief Accountant

10 April 2023

(in thousands of UZS)

Cash flow statement

	For the year ended 31 December 2022	For the year ended 31 December 2021
Cash flow from operating activities		
Interest received	147 760	-
Commissions paid	(190 323)	(3 876)
Net income/expense received from operations in foreign currency	(63 135)	19 181
Other operating income received	526	-
Staff costs	(913 512)	(69 727)
Administrative and other operating expenses	(1 360 341)	(161 871)
Income tax paid	(3 232)	-
Cash flows from operating activities before changes in operating assets and liabilities	**(2 382 257)**	**(216 293)**
Funds in other banks	(1 048 304)	-
Microcredits	(5 944 166)	-
Other assets	234 330	(340 033)
Net increase/(decrease) in operating liabilities		
Other liabilities	(2 158 402)	2 182 774
Net cash flow from operating activities	**(11 298 799)**	**1 626 448**
Cash flows from investing activities		
Increase the authorized capital	12 277 074	400 000
Acquisition of fixed assets and intangible assets	(757 547)	-
Net cash flow from investing activities	**11 519 527**	**400 000**
Net cash flow from financing activities	-	-
The effect of changes in exchange rates on cash and cash equivalents	12	-
Impact of expected credit losses on cash and cash equivalents	507	(7 667)
Net change in cash and cash equivalents	**221 247**	**2 018 781**
Cash and cash equivalents at the beginning of the reporting year	2 018 781	-
Cash and cash equivalents at the end of the reporting year	**2 240 028**	**2 018 781**

Balance of cash and cash equivalents at the end of the period less allowance for expected credit losses, see note 6.

Approved and signed on behalf of the management of the Organization:

Guseynov M.A.
General Director

MIKROMOLIYA TASHKILOTI OASISCREDIT

Rustamova F.Y.
Chief Accountant

10 April 2023

The notes on pages 8 to 37 are an integral part of these financial statements.

(in thousands of UZS)

Notes to the financial statements

1 Primary Activity

FE «MIKROMOLIYA TASHKILOTI OASISCREDIT» LLC MFO (hereinafter referred to as the "Organization") was established on 5 October 2021 in the form of a limited liability company.

The organization is registered in the Republic of Uzbekistan to provide microfinance services in accordance with the registration in the register of organizations No. 95 dated August 15, 2022, issued by the Central Bank of the Republic of Uzbekistan (hereinafter referred to as the "CBU").

The main activity of the Organization is the implementation of microcredits, microleasing, issuance of microloans to legal entities and individuals in the territory of the Republic of Uzbekistan.

Legal address of the Organization: Republic of Uzbekistan, Tashkent city, Yunusabad district, Oloy bozori street, house 63.

The total number of employees as of 31 December 2022 was 23 people.

Members of the Organization:

	31 December 2022	31 December 2021
Shareholders	**Share (%)**	**Share (%)**
Oasis Invest Uzbekistan Limited	100,0	100,0

2 The economic environment in which the Organization operates

The economy of the Republic of Uzbekistan continues to show some features of an emerging market. The government is developing the legislative, tax and regulatory framework necessary in a market economy, and is also implementing significant economic and social changes. The further economic development of the Republic of Uzbekistan largely depends on the effectiveness of economic measures, financial mechanisms and monetary policy adopted by the Government, as well as the development of the tax, legal and political system.

In March 2020, the World Health Organization declared the COVID-19 virus a pandemic. Most countries have placed significant travel and movement restrictions on people and businesses. This led to a significant decline in GDP in most, if not all, major economically developed countries. The Republic of Uzbekistan authorities have also introduced numerous measures in an attempt to contain the spread and impact of COVID-19. Such measures include bans or restrictions on travel, quarantine measures, the obligation to stay at home, and restrictions on business activity, including the closure of businesses. These measures, among other things, severely curtailed economic activity in the Republic of Uzbekistan, negatively impacted and may continue to negatively impact businesses, market participants, Bank customers, as well as the local and global economy for an indefinite period of time.

Due to the fact that the reform process has not yet been completed, operations conducted in Uzbekistan are associated with risks that are not typical for economically developed countries. Among them, in particular, the inconvertibility of UZS in most countries outside the Republic of Uzbekistan, low levels of liquidity in the debt securities and capital markets, as well as ongoing inflation.

As at the reporting date and later, some restrictions imposed by the government authorities in the Republic of Uzbekistan due to the COVID-19 pandemic have been lifted, the Organization is seeing a recovery in business activity in the Republic of Uzbekistan. However, the level of continuing uncertainty regarding the further development of the situation due to the COVID-19 pandemic and the possible impact on the Organization remains high.

According to the decision of the Central Bank of the Republic of Uzbekistan, from 22 July 2022, the refinancing rate was 15 percent.

The economy is characterized by a moderate rise in high inflation, which registered 11.4 percent in 2022 versus 10.0 percent the previous year. Real GDP expanded in 2022 by 5.7 percent, down from a rate of increase of 7.4 percent in 2021.

(in thousands of UZS)

3 Financial reporting principles

3.1 Applicable standards

The accompanying financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") approved by the International Financial Reporting Standards Board ("IFRS") based on historical cost accounting rules, adjusted for the initial recognition of financial instruments at fair value and at fair value through profit or loss and at fair value through other comprehensive income. The accounting policies used in the preparation of these financial statements are presented below.

The organization maintains records in accordance with the requirements of the current legislation of the Republic of Uzbekistan. These financial statements have been prepared on the basis of these accounting records, with adjustments necessary to bring them into line with IFRS in all material respects.

3.2 Functional and presentation currency

The national currency of the Republic of Uzbekistan is the "Uzbek sum" (hereinafter - UZS). The Uzbek sum has been chosen as the functional currency and the currency in which these financial statements are presented.

All financial statements have been rounded to the nearest thousand.

3.3 Currency operations

Foreign currencies, especially the US dollar and the Euro, play a significant role in determining the economic parameters of many business transactions carried out in the Republic of Uzbekistan. The table below shows the exchange rates of the Uzbek sum against the US dollar and the Euro, set by the Central Bank of the Republic of Uzbekistan:

Date	USD	EURO
31 December 2022	11 225,46	12 224,88
31 December 2021	10 837,66	11 961,85

4 Important estimates and professional judgment

The preparation of financial statements in accordance with IFRS requires management to make judgments, assumptions and estimates that affect the application of accounting policies and the presentation of assets and liabilities, income and expenses in the financial statements. The estimates and associated assumptions are based on historical experience and other applicable factors necessary to determine the carrying amount of assets and liabilities. Although estimates are based on management's best knowledge of the current situation, actual results may ultimately differ materially from the estimates assumed.

The entity makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and assumptions are continually reviewed based on management's experience and other factors, including expectations of future events that management believes are reasonable in the light of current circumstances. In the process of applying accounting policies, management also uses professional judgment and estimates. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Business continuity

These financial statements reflect management's current assessment of the impacts that affect the operations and financial position of the Organization. The future development of the economy of the Republic of Uzbekistan depends to a large extent on the effectiveness of measures taken by the Government of the Republic of Uzbekistan and other factors, including legislative and political events beyond the control of the Organization. The management of the Organization is unable to predict the consequences of the impact of these factors on the financial condition in the future. The accompanying financial statements do not include adjustments related to this risk.

Measurement of allowance for expected credit losses.

Measuring the allowance for expected credit losses for financial assets measured at amortized cost and measured at fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (for example, the probability of counterparty default and resulting losses). A number of significant judgments are also required in applying the accounting requirements for measuring expected credit losses, such as:

- Determination of criteria for a significant increase in credit risk;
- Selection of appropriate models and assumptions for measuring expected credit losses;
- Establishing the number and relative weights of possible future scenarios for each type of product/market and the corresponding expected credit loss; and
- Creation of organizations of similar financial assets for the purpose of measuring expected credit losses.

The credit loss allowance for financial instruments is affected by a number of factors, as set out below:

- Transfers and the corresponding measurement of the credit loss allowance between Stage 1 (12-month ECL) and Stage 2 (lifetime expected credit losses - not impaired assets) or 3 (lifetime expected credit losses - impaired assets) because the balances experienced a significant increase (or decrease) in credit risk within one Stage or impairment over a period followed by an increase (or decrease) from 12-month ECL to lifetime ECL;
- Creation of additional allowances for newly recognized or purchased financial instruments during the period, as well as their recovery in respect of financial instruments derecognised during the period;
- The impact on ECL estimates of changes in PD, debt at default, and loss if default over the period resulting from regular updates of model inputs;
- The impact on the ECL measurement of changes in contract interest requirements, taking into account the effect of time, as ECL are measured on a current present value basis;
- Financial assets derecognised during the period and write-offs/reversals of allowances relating to assets that were written off/reversed during the period;
- Sale of subsidiaries and classification into discontinued operations and assets held for sale;
- The impact of changes in exchange rates when recalculating assets denominated in foreign currencies and other movements.

Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined using a variety of valuation techniques. If valuation techniques (for example, models) are used to determine fair value, they are approved and regularly reviewed by qualified personnel who are independent of the department/unit applying those techniques. All models are certified before they are used; models are also adjusted to reflect actual data and comparable market prices. Models use only observable data to the extent possible, but areas such as credit risk (both own and counterparty risk), volatility and correlation require management to make estimates. Changes in the assumptions about these factors could affect the reported fair value in the financial statements.

5 Key Accounting Policies

5.1 Standards that have been issued but not yet effective

Certain new standards became effective for the Organization's reporting periods beginning on or after 1 January 2022 and were not adopted early by the Organization.

The IFRS document *"Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction" was put into effect. Amendments to IAS 12".* The document contains amendments:

• to IAS 12 Income Taxes;

• to IFRS 1 "First-time Adoption of International Financial Reporting Standards".

IAS 12 Income Taxes adds another condition for a transaction that does not recognize a deferred tax liability. It must not give rise to equal taxable and deductible temporary differences at the time of its occurrence. The same condition was set for a transaction that does not result in the recognition of a deferred tax asset.

The IFRS document ***"Disclosure of Information on Accounting Policies. Amendments to IAS 1 Presentation of Financial Statements and Practice Note 2 on the Application of IFRS Making Judgments about Materiality.*** The document amends a number of IFRS:

• IAS 1 Presentation of Financial Statements;

• Practical recommendations No. 2 on the application of IFRS;

• IFRS 7 Financial Instruments: Disclosures;

• IAS 26 Accounting and Reporting for Retirement Plans;

• IAS 34 Interim Financial Reporting.

IAS 1 Presentation of Financial Statements specifies that a complete set of these statements must include notes with significant information about accounting policies. Previously, the wording was different: it was necessary to include a summary of significant provisions.

The concept of material information about accounting policies is defined. This is information that, together with other information from the financial statements, can influence the decision of its main users.

Added that it is necessary to disclose, among other things, information about management's judgments in applying accounting policies (other than those related to accounting estimates), which significantly affected the amounts in the statements. This should be done in conjunction with material disclosures or in other notes.

These amendments to standards are to be applied to annual reporting periods beginning on or after 1 January 2023. Early application is allowed. If an entity applies the amendments for an earlier period, it must disclose that fact.

IFRS 17 Insurance Contracts

The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 Insurance Contracts. This standard uses a general model modified for insurance contracts with direct participation components described as variable premium contracts.

The IASB has issued amendments to IFRS 17 Insurance Contracts to help companies implement the standard and simplify the explanation of financial results. The changes allow: to reduce the costs of companies by simplifying some of the requirements of the standard; simplify the explanation of financial indicators; make it easier to transition to the standard as the effective date is moved to 2023 and companies are given an additional exemption when they first apply IFRS 17. Applicable for annual periods beginning on or after 1 January 2023.

5.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, if not available, the most advantageous market to which the Organization has access in the specified date. The fair value of a liability reflects the risk of default.

To the extent possible, the Entity measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered active if quotes are readily available and reflect actual and regular transactions between independent market participants.

In the absence of a current price quotation in an active market, the Entity uses valuation techniques that make maximum use of observable inputs and minimize the use of unobservable inputs. The valuation methods chosen include all factors that market participants would take into account in the circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price, which is the fair value of the consideration paid or received. If the Entity determines that the fair value at initial recognition differs from the transaction price and the fair value is not evidenced by a current quoted price in an active market for a similar asset or liability and is not based on a valuation technique that uses only observable inputs, the financial instrument is initially measured at fair value. adjusted to defer recognition of any difference between the transaction price and fair value. After initial recognition, this difference is amortized to profit or loss over the life of the instrument, but no later than when the estimate is fully supported by observable inputs or when the transaction is completed.

If the price of a transaction in an inactive market differs from the fair value of current market transactions in an observable market for the same instrument, or is based on a valuation technique whose inputs include only information from observable markets, the Entity recognizes immediately the difference between the transaction price and fair value ("First Day Income") in profit or loss. When non-observable information is used, the difference between the transaction price and the value determined based on the model is recognized in profit or loss only if the input becomes observable or if the financial instrument is derecognized.

If an asset or liability measured at fair value has a bid price and an offer price, assets and long positions are valued based on the bid price, liabilities and short positions are valued based on the ask price.

5.3 Effective interest rate (discount method)

The effective interest method is the reduction of all future cash flows expected from a financial asset or financial liability to the present value at the date the asset or liability arises at a discount rate.

The discount method is used by the Organization to determine the amortized cost of financial instruments.

The discount rate is the effective interest rate, or market rate of interest, at which all future cash flows from a financial instrument are reduced to present value.

Cash flows for financial assets and liabilities are discounted based on future cash flows expected at the actual contractual rate and an appropriate discount factor determined based on the discount rate

In the event that cash flows on a financial instrument are expected for more than one period (interest income or expenses accrue more than once on certain dates during the entire life of the financial instrument, and/or repayment of the principal amount is carried out in installments), the calculation of future cash flows, the discount factor and the discounted amounts of these flows is carried out for each such period. The present value of a financial instrument at the date of its inception in this case is the sum of the discounted future flows of the instrument for each period.

The effective interest rate is applied to the gross carrying amount of the financial instrument. Credit-impaired financial assets acquired or originated are subject to credit-adjusted effective interest rates. This rate applies to the amortized cost of acquired or originated credit-impaired assets from the date of initial recognition.

For financial assets that subsequently become credit-impaired, the effective interest rate is also applied to amortized cost. If the credit risk on a credit-impaired financial asset subsequently decreases so much that the asset ceases to be an impaired financial asset, the effective interest rate is applied to the gross carrying amount of the financial instrument from the next reporting period.

The calculation of the effective interest rate includes transaction costs and fees and amounts paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

5.4 Amortized cost of financial instrument

The amortized cost of a financial instrument at the end of each reporting period is calculated as the amortized cost of that instrument at the end of the previous reporting period plus/minus amortization, which is the difference between the effective interest rate cash flows for that reporting period and the actual cash flows received or paid during that period.

In determining amortization, the cash flows of a financial instrument include:

- movement of the issued/received principal amount;
- interest income or expenses;
- additional commissions received/paid at the time of issuing/attracting a loan (such as commissions for organizing and issuing a microcredit, considering a loan application, opening and servicing a loan account, etc.) or issuing a debt obligation (for example, bonds);
- other commissions that are subject to a reliable assessment, the payment of which is a mandatory condition for issuing a microcredit / issuing a liability or will be made on a regular basis in accordance with the terms of the agreement.

Interest income and expenses on financial instruments recognized at initial recognition at cost are recognized in the income statement based on the actual contractual rate.

If a financial instrument is determined to have a new fair value at initial recognition, interest income or expense is calculated and recognized based on the market interest rate used to determine the new fair value of the financial instrument, which subsequently becomes the effective interest rate for that instrument.

For floating rate financial instruments, the effective interest rate for discounting cash flows is used until the next repricing date of the floating rate at market rates prior to the maturity date of the financial instrument.

Interest income and expense on financial instruments whose amortized cost is calculated by discounting cash flows at the effective interest rate are calculated based on the new cost of the financial instrument at the effective interest rate.

5.5 Financial assets and liabilities

Classification of financial instruments

Under IFRS 9, financial assets are classified as subsequently measured:

- at amortized cost;
- at fair value through other comprehensive income;
- at fair value through profit or loss - depending on:
  - the business model used to manage financial assets;
  - characteristics of the financial asset related to the contractual cash flows.

The business model used by the Organization is determined by key management personnel and describe the ways in which the Organization manages its financial assets in order to generate cash flows.

Financial assets are measured at amortized cost when all of the following conditions are met:

- The business models used by the Organization are determined by key management personnel and describe the ways in which the Organization manages its financial assets in order to generate cash flows.
- Financial assets are measured at amortized cost when all of the following conditions are met:

Cash flows that are solely payments of principal and interest on the principal amount outstanding have the following features:

- the principal amount of the debt is the fair value of the financial asset at initial recognition;

- interest includes only consideration for the time value of money, for credit risk in relation to principal outstanding for a specified period of time, and for other normal risks (eg liquidity) and costs (in particular administrative) associated with microcredit.

In some cases, the time value of money element contains consideration for other risks and costs, i.e. is modified. In this case, the Organization makes a qualitative or, where appropriate, quantitative assessment of the significance of the effect of the modified time value of money element.

Financial assets are measured at fair value through other comprehensive income when all of the following conditions are met:

- the financial asset is held within a business model whose objective is both to hold to collect contractual cash flows and to sell financial assets;
- contractual terms provide for the receipt, on specified dates, of cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at fair value through profit or loss if they are acquired in a business model with the purpose of selling and if they do not qualify for amortized cost or fair value through other comprehensive income.

Under IFRS 9, financial liabilities are classified as subsequently measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement principle is applied;
- financial guarantee agreements;
- obligations to provide microcredits at an interest rate below the market rate;
- contingent consideration received in a business combination.

Business model assessment

An entity evaluates the objective of the business model in which the asset is held at the level of a portfolio of financial instruments as this best reflects the way the business is managed and the way information is presented to management. The analyzed information includes:

- Policies and objectives set for portfolio management, as well as the implementation of these policies in practice. In particular, whether the management strategy is focused on earning contractual interest income, maintaining a certain interest rate structure, ensuring that financial assets meet the maturities of the financial liabilities used to finance those assets, or realizing cash flows through the sale of assets.
- How the performance of the portfolio is measured and how this information is communicated to the management of the Organization.
- Risks affecting the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- How portfolio managers are remunerated (for example, whether the remuneration is based on the fair value of those assets or on the contractual cash flows received from the assets).
- The frequency, volume, and timing of sales in past periods, the reasons for such sales, and expectations regarding future levels of sales. However, information on sales levels is not considered in isolation, but as part of a single holistic analysis of how the Organization's stated goal of managing financial assets is being achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is measured on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor are they held to collect contractual cash flows. cash flow agreement and the sale of financial assets.

Assessing whether contractual cash flows are solely payments of principal and interest

For the purposes of this measurement, "principal" is defined as the fair value of a financial asset at initial recognition. "Interest" is defined as a consideration for the time value of money, for credit risk on principal outstanding over a specified period of time, and for other major risks and costs associated with microlending (such as liquidity risk and administrative costs), and include profit margin.

In evaluating whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the "SPPI test"), the Entity considers the contractual terms of the financial instrument. This includes assessing whether the terms of the financial asset's contract contain any condition that could change the timing or amount of the contract's cash flows such that the financial asset would not meet the requirement under analysis.

When conducting an assessment, the Organization takes into account:

- contingencies that may change the timing or amount of cash flows;
- conditions that have a leverage effect (leverage);
- conditions for early repayment and prolongation of the validity period;
- terms that limit the Organization's claims to cash flows from certain assets (for example, non-recourse assets);
- conditions that result in a change in consideration for the time value of money – for example, repricing interest rates on a periodic basis..

The Organization has determined that for a portfolio of long-term microcredits issued at a fixed interest rate, for which the Organization has the right to revise the interest rate in the event of a change in the refinancing rate set by the Central Bank of the Republic of Uzbekistan, and for which borrowers have the right to either accept the revised rate or repay the microloan at a nominal reduced by principal payments and increased by accrued but unpaid interest, without penalty, the contractual cash flows of these microcredits are solely payments of principal and interest, since this right results in a change in the interest rate so that interest is a reimbursement for the time value of money, credit risk, other major risks associated with microlending, and costs associated with the principal remaining outstanding. Thus, the Organization considers these microcredits as microcredits with a floating interest rate in its essence.

General principles for the initial measurement of financial instruments

Financial instruments (financial assets and financial liabilities) are recognized in the accounting records of the Organization if the Organization becomes a party to a contract with respect to that financial instrument.

With the exception of trade receivables (not containing a significant financing component) and a financial asset or financial liability at fair value through profit or loss, financial instruments are initially recognized at fair value, plus or minus in the case of a financial asset or financial liability, by transaction costs that are directly attributable to the acquisition of a financial asset or the issuance of a financial liability. The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price.

Trade receivables that do not contain a significant financing component are measured at initial recognition at the transaction price.

If the actual contractual rate for a financial instrument is absent or deviates significantly from the market rate for this (similar/similar) instrument at the date of its occurrence, then the new fair value of the financial instrument is determined for its initial recognition. Wherein:

- in the absence of information on market rates for this financial instrument (or if they cannot be determined with a sufficient degree of reliability), the actual rate under the contract in respect of this instrument is subject to comparison with market rates for transactions with similar/similar financial instruments;
- a significant deviation of the actual rate under the contract from the market rate for this or similar/similar financial instrument on the date of its occurrence is considered significant. The decision on materiality is made on the basis of the professional judgments of responsible persons, taking into account the content and features of the relevant transaction.

The new fair value of a financial instrument at initial recognition is determined using a discounted market interest rate method and is the fair value of the instrument at the date of inception, i.e. the present value of all future (expected) cash flows on this instrument at the date of its occurrence, discounted at the market interest rate for this or a similar/similar financial instrument. The difference between the actual cost at the date of origin of the financial instrument and its new cost, depending on the cause of its occurrence, may be recognized in equity, income statement or other assets/liabilities of the Organization.

The market interest rate for this financial instrument or other similar/similar financial instruments is determined on the basis of available internal and external sources of information, depending on the type and nature of the financial instrument, and may be determined/calculated based on:

- from well-known interest rates published or posted in the information systems www.cbu.uz (the official website of the CBU) or public authorities and administration on the Internet;
- from the refinancing rate of the CBU for the corresponding period.

In particular, when determining the market rate for consumer lending agreements, the Organization uses information published by the Central Bank of the Republic of Uzbekistan on the full cost of consumer credit, determining the range of market rates as: the upper limit of the range is the consumer loan cost rate and the lower limit of the range is the refinancing rate of the Central Bank of the Republic of Uzbekistan for the corresponding period.

Reclassification

The classification of financial assets does not change after initial recognition except in the period following the Entity changes its business model for managing financial assets. An entity shall reclassify financial assets only if it has changed the business model used to manage those financial assets. Such changes are expected to be extremely rare. Such changes should be identified by the top management of the Organization as a consequence of external or internal changes and should be significant to the activities of the Organization and obvious to external parties. Accordingly, a change in the purpose of the Organization's business model can occur when and only when the Organization begins or ceases to carry out an activity that is significant in relation to its operations; for example, in the event of an acquisition, disposal or termination by the Organization of a particular line of business.

The classification of financial liabilities after initial recognition is not subject to change.

Derecognition of financial instruments

A financial asset is derecognised only when:

- the contractual rights to the cash flows from that financial asset expire, or
- An entity transfers a financial asset and the transfer qualifies for derecognition.

If a financial asset is substantially modified, the Organization derecognises it and recognizes a new asset. Criteria for major modification The organization determines how:

- change in the currency of a financial instrument;
- change from a fixed interest rate to a floating interest rate and vice versa;
- replacement of the debtor.

A financial liability is derecognised only when it is extinguished, that is, when the obligation specified in the contract is discharged, canceled or expired.

The transfer of a financial asset means:

- a transfer of contractual rights to receive cash flows from that financial asset to another party, or
- retaining contractual rights to receive cash flows from the financial asset while incurring contractual obligations to pay those cash to one or more recipients under the contract.

When transferring a financial asset, the risks and rewards associated with holding a financial asset are assessed. In this case:

- if the Entity transfers substantially all the risks and rewards incidental to ownership of a financial asset, it derecognises the financial asset and recognizes separately as assets or liabilities those rights and obligations created or retained on the transfer;

- if the Entity retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset;
- if the Entity does not transfer or retain substantially all the risks and rewards incidental to ownership of a financial asset, it shall determine whether control of the financial asset is retained. And in this case:
  - if the Entity does not retain control, it derecognises the financial asset and separately recognizes as an asset or liability those rights and obligations that are created or retained on transfer;
  - if the Entity retains control, it continues to recognize the financial asset to the extent that it continues to have an interest in that financial asset.

On derecognition, the difference between the carrying amount of the financial asset transferred to another party (measured at the date of derecognition) and the amount of funds received or receivable in exchange for that asset, less any liabilities assumed, is recognized in the income statement during the reporting period.

Significant change in the terms of a financial liability (regardless of the reasons for this change), incl. an exchange of obligations with substantially different terms is accounted for as an extinguishment of the old obligation and the recognition of a new one, with the difference between the two recognized in the income statement. Such a change is recognized as significant, in which the current discounted value of cash flows in accordance with the new conditions differs from the current discounted value of the remaining cash flows of the original financial liability by ½ at the refinancing rate set by the Central Bank of the Republic of Uzbekistan or more.

Upon derecognition, the difference between the carrying amount of a financial liability extinguished or transferred to another party, including the relevant under-depreciated part of the actual costs, and the consideration paid for it is subject to recognition in the income statement for the reporting period.

Impairment

An entity recognizes an allowance for expected credit losses on the following financial instruments not at fair value through profit or loss:

- microcredits to clients;
- debt investment securities;
- net investment in financial leasing;
- issued financial guarantee contracts; And
- issued loan commitments.

The entity recognizes allowances for expected credit losses at an amount equal to lifetime expected credit losses, except for the following instruments, for which the amount of the allowance will be equal to 12-month expected credit losses:

- debt investment securities with low credit risk at the reporting date; And
- other financial instruments (other than net investments in finance leases) for which credit risk has not increased significantly since their initial recognition.

An entity considers a debt security to have low credit risk if it has a credit rating that meets the internationally accepted definition of an investment grade rating.

12-month expected credit losses are the portion of expected credit losses due to default events on a financial instrument that are possible within 12 months after the reporting date.

Estimate of expected credit losses

Expected credit losses are an estimate of credit losses weighted by the probability of a default occurring. They are rated as follows:

• for financial assets that are not credit-impaired at the reporting date: as the present value of all expected cash shortfalls (that is, the difference between the cash flows due to the Organization under the contract and the cash flows that the Organization expects to receive);

• for financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount of the assets and the present value of estimated future cash flows;

• for the undrawn portion of the loan commitment: as the present value of the difference between the contractual cash flows that are due to the Organization under the contract if the borrower exercises its right to a loan and the cash flows that the Organization expects to receive if that loan were issued; And

• For financial guarantee contracts: as the present value of expected payments to the holder of the contract to compensate for a credit loss it incurs, less amounts the Organization expects to recover.

Restructured financial assets

When the terms of a financial asset are renegotiated or modified by agreement, or an existing financial asset is replaced by a new one due to financial difficulties of the borrower, an assessment is made to determine whether the financial asset should be derecognised, and expected credit losses are measured as follows:

• If the expected restructuring does not result in the derecognition of the existing asset, then the expected cash flows from the modified financial asset are included in the calculation of cash shortfalls from the existing asset.

• If an expected restructuring results in the derecognition of an existing asset, then the expected fair value of the new asset is treated as the ultimate cash flow of the existing asset at the time it is derecognised. This amount is included in the calculation of cash shortfalls on the existing financial asset, which are discounted over the period from the expected derecognition date to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Organization assesses financial assets carried at amortized cost and debt financial assets carried at fair value through other comprehensive income to determine if they are credit-impaired. A financial asset is "credit-impaired" when it has a default event.

Presentation of allowance for expected credit losses

Credit loss allowance amounts are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a reduction of the gross carrying amount of these assets;
- loan commitments and financial guarantee contracts: in general, as a reserve;
- if the financial instrument contains both a callable and an unclaimed component, and the Entity is unable to determine the expected credit losses on the committed loan commitment separately from the expected credit losses on the portion already called (the originated microloan): The Entity presents an aggregate loss allowance for both components. The aggregate amount is presented as a reduction in the gross book value of the claimed part (issued microcredit). Any excess of the loss allowance over the gross carrying amount of the microcredit issued is presented as a provision; And
- debt instruments measured at fair value through other comprehensive income: loss allowance is not recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and recognized in the fair value reserve.

Write-offs

Microcredits and debt securities are subject to write-off (in part or in full) when there is no reasonable expectation of their recovery. Typically, this is the case when the Organization determines that the borrower does not have assets or sources of income that can generate sufficient cash flows to pay off the amounts due to be written off. However, for financial assets that have been written off, the Organization may continue to carry out debt collection activities in accordance with the recovery policy.

Cash and cash equivalents.

Cash and cash equivalents are items that are readily convertible to a certain amount of cash and are subject to an insignificant change in value. Cash and cash equivalents include all overnight deposits and reverse repurchase agreements with other banks with original maturities of up to one business day. Funds that are restricted from use for more than three months at the time of origination are excluded from cash and cash equivalents in both the statement of financial position and the statement of cash flows. Cash and cash equivalents are carried at amortized cost because (i) they are held to collect contractual cash flows and these cash flows represent solely payments of principal and interest, and (ii) they are not classified as measured at cost. fair value through profit or loss. Conditions established solely by law (for example, debt-to-equity conversion provisions in some countries) do not affect the results of the SPPI test, unless they are included in the terms of the contract and would apply even if the law subsequently changed.

Payments or receipts of cash presented in the statement of cash flows represent the transfer of cash and cash equivalents to the Organization, including such amounts accrued or credited to current accounts of the Organization's counterparties held with the Organization, such as interest income on a loan or principal amount collected by debiting the client's current account, interest payments or issued loans credited to the client's current account, representing cash or its equivalent from the point of view of the client.

Microcredits, microloans and microfinancing services (microcredit).

Micro loans presented in the statement of financial position include:

- Microcredits measured at amortized cost; they are measured initially at fair value plus incremental direct transaction costs and then at amortized cost using the effective interest method;
- Microcredits assessed at FVPL on a mandatory basis; such microcredits are measured at fair value with changes in their value immediately recognized in profit or loss; And
- finance lease receivables.

When an entity acquires a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price at a future date, the agreement is accounted for as a loan or advance and the underlying asset is not recognized in the financial statements of the entity.

Collateral received for non-payment.

Collateral received for non-payment represents financial and non-financial assets received by the Organization in the settlement of overdue microcredits. These assets are initially recognized at fair value upon receipt and included in property, plant and equipment, other financial assets, investment property or inventories within other assets, depending on their nature and the Organization's intention to collect those assets, and are subsequently remeasured and accounted for in accordance with accounting policies for these categories of assets.

If the acquisition of collateral for non-payment results in the acquisition of control of the business, the business combination is accounted for using the acquisition method, with the fair value of the settled microloan being the cost of the acquisition. For shares held in default, the accounting policy for associates is applied when the Entity acquires significant influence but does not acquire control.

Property and equipment

Property, plant and equipment are carried at cost or at revalued amounts as described below, less accumulated depreciation and allowance for impairment, if any.

Gains and losses arising from the disposal of property, plant and equipment are determined on the basis of their residual value and are included in operating expenses in the statement of comprehensive income.

Repair and maintenance costs are recognized in the statement of comprehensive income when they are incurred.

Construction in progress is carried at cost less any allowance for impairment.

Upon completion of construction, the assets are transferred to property, plant and equipment and are recorded at their carrying amount at the time of transfer. Construction in progress is not subject to depreciation until the asset is put into operation.

Intangible assets

The Organization's intangible assets, other than goodwill, have a finite useful life and primarily include capitalized software as well as intangible assets acquired as a result of a business combination (for example, customer base and brand name). Acquired and recognized intangible assets are capitalized on the basis of the costs incurred to acquire and implement those assets. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis and assessed for impairment when there is an indication that these assets may be impaired.

Depreciation

Depreciation of an item of fixed assets begins from the moment it is put into operation. Depreciation is charged on a straight-line basis as a percentage of the useful life of assets:

- Buildings - 5%;
- Office and computer equipment - 15% - 40%;
- Vehicles - 20%;
- Other fixed assets - 15%;

Land has an unlimited useful life and is not subject to depreciation.

At the end of its useful life, the residual value of an asset is the estimated amount that the Organization would currently receive if the asset were sold, less the estimated costs of disposal, if the condition and age of the asset were consistent with the age and condition that the asset would be in end of useful life. The residual value of assets and their useful lives are reviewed and, if necessary, adjusted at the end of the reporting period.

Financial obligations.

The entity classifies its financial liabilities, other than financial guarantees and microcredit liabilities, as measured at amortized cost or FVPL.

Derecognition of financial liabilities.

Financial liabilities are derecognised when they are extinguished (i.e. when an obligation specified in the contract is satisfied or terminated, or the period for its performance expires).

Financial liabilities categorized as at fair value through profit or loss.

An entity may designate certain liabilities as measured at fair value through profit or loss on initial recognition. Gains and losses on such liabilities are presented in profit or loss, except for the amount of changes in fair value that are attributable to changes in the credit risk of the liability (defined as the amount that is not attributable to changes in market conditions that give rise to market risk), that is recognized in other comprehensive income and is not subsequently reclassified to profit or loss. This is possible if such a representation does not create or exacerbate an accounting mismatch. In this case, gains and losses attributable to changes in the liability's credit risk are also recognized in profit or loss.

Borrowings from other banks.

Amounts due to banks are recorded from the moment when funds or other assets are issued by the Organization by counterparty banks. Due to banks represent non-derivative financial liabilities and are carried at amortized cost or FVPL.

Other borrowed funds.

Other borrowed funds attracted by the Organization in the financial markets, as well as trade finance transactions. Other borrowings are carried at amortized cost or FVPL.

Commitments to provide microcredit.

The organization issues commitments to provide microcredit. Such liabilities represent irrevocable liabilities or liabilities that can only be withdrawn in response to significant adverse changes. Such liabilities are initially recognized at fair value, usually evidenced by the amount of consideration received. This amount is amortized on a straight-line basis over the life of the commitment, with the exception of the commitment to provide microcredit, if it is probable that the Organization will enter into a specific microcredit agreement and will not plan to implement the microcredit within a short period after its provision; such fee and commission income related to the microcredit commitment is deferred and included in the carrying amount of the microcredit upon initial recognition. At the end of each reporting period, the liability is measured as (i) the unamortized balance of the amount at initial recognition plus (ii) the amount of the contingent allowance determined based on the expected credit loss model, unless the liability is to provide a micro loan at a below-market interest rate, then the amount of the liability is equal to the larger of the two. The carrying amount of microcredit commitments is a liability. For contracts that include a micro loan and an undrawn commitment, if the Organization is unable to separately identify the ECL for the undrawn micro loan component and the micro loan component, the ECL on the undrawn commitment is recognized together with the loss allowance for the micro loan. ECLs in excess of the total expected credit losses over the gross carrying amount of the microloan are recognized as a liability.

Settlements with suppliers and other accounts payable.

Trade and other payables accrue when the counterparty has fulfilled its contractual obligations and are carried at amortized cost.

Dividends

Dividends are recognized as a liability and deducted from equity at the end of the reporting period only if they are declared before or on the end of the reporting period. Information about dividends is disclosed in a note on events occurring after the end of the reporting period if they were declared after the end of the reporting period. Payment of dividends and other distribution of profits is carried out on the basis of the net profit of the current year according to financial statements prepared in accordance with the legislation of the Republic of Uzbekistan.

After approval at the general meeting of participants, dividends are reflected in the financial statements as a distribution of profits.

Interest income and expense calculated using the effective interest method.

Interest income and expense on all debt instruments measured at amortized cost and measured at fair value through other comprehensive income are recognized on an accrual basis using the effective interest method. This calculation includes in interest income and expenses all fees and charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions attributable to the effective interest rate include fees received or paid by an entity in connection with the creation or acquisition of a financial asset or the issuance of a financial liability (for example, fees for assessing creditworthiness, evaluating or accounting for guarantees or collateral, for settling the terms of an instrument, and for transaction processing).

The Organization does not classify a microcredit liability as a financial liability at fair value through profit or loss.

For originated or acquired credit-impaired financial assets, the effective interest rate is the rate that discounts expected cash flows (including initial expected credit losses) to fair value at initial recognition (usually the acquisition price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets other than:

- financial assets that have become impaired (Stage 3) and for which interest income is calculated by applying the effective interest rate to their amortized cost (less allowance for expected credit losses);

- credit-impaired financial assets originated or acquired for which the original credit-adjusted effective interest rate is applied to amortized cost.

Fee and commission income and expenses

Fee and commission income and expenses that are an integral part of the effective interest rate of the financial asset or liability are included in the effective interest rate calculation.

A contract with a customer that results in the recognition of a financial instrument in the financial statements of an Entity may be partly within the scope of IFRS 9 and partly within the scope of IFRS 15. In this case, the Entity first applies the requirements of IFRS 9 to isolate and account for the part of the contract that is within the scope of IFRS 9 and then applies IFRS 15 to the remainder.

Other interest income and expenses.

Other interest income and expense represent interest income and expense on debt instruments measured at FVPL and are recognized on an accrual basis using a nominal interest rate.

Taxation

Income tax expense/recovery includes current and deferred taxes and is recognized in the statement of comprehensive income. Taxation expenses are reflected in the financial statements in accordance with the requirements of the current legislation of the Republic of Uzbekistan. Current tax payments are calculated on the basis of taxable income for the year using income tax rates in effect during the reporting period.

Current tax amounts are funds payable to the budget or refunded from the budget in connection with taxable profits or losses of the current or previous period. If financial statements are permitted to be issued prior to the filing of the relevant tax returns, the tax amounts reported therein are based on estimates.

Deferred income tax is calculated using the balance sheet asset and liability method for all tax losses carry forward and temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax amounts are measured at tax rates that are effective at the end of the reporting period or that are expected to apply during the period of reversal of temporary differences or use of tax loss carry forwards. Deferred tax assets and liabilities are offset against each other if there is a legally enforceable right to offset current tax assets and liabilities. Deferred tax assets for deductible temporary differences and tax losses are recognized to the extent that it is probable that sufficient taxable profit will be available against which the deductions can be utilised. Management's judgment is required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the likely timing and amount of future taxable income and future tax planning strategies.

In addition, the Republic of Uzbekistan has various operating taxes that apply to the Organization. These taxes are recognized in the statement of comprehensive income as part of operating expenses..

Offsetting.

Financial assets and liabilities are offset and the net present value reported in the statement of financial position only when there is a statutory right to offset the recognized amounts and there is an intention to either offset or realize the asset and settle the liability simultaneously. The right to set off (a) must not be contingent on a future event and (b) must be enforceable in all of the following circumstances: (i) in the ordinary course of business, (ii) in the event of a default, and (iii) in the event of insolvency or bankruptcy.

Employee benefits and social security contributions

On the territory of the Republic of Uzbekistan, the Organization makes deductions for the unified social tax. These deductions are also recorded on an accrual basis. The unified social tax includes contributions to the Pension Fund. The Organization does not have its own pension scheme. Payroll expenses, contributions to the state pension fund and the social insurance fund, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued as the relevant services are rendered by the employees of the Organization.

Segment Information

Operating segments are identified based on internal reporting of the Organization's components, reviewed regularly by the chief operating decision maker to allocate resources to the segments and evaluate their performance.

An entity measures reportable segment information in accordance with IFRS. A reportable operating segment is identified when one of the following quantitative requirements is met:

- its revenue from sales to external customers and from transactions with other segments is at least 10 percent of the total revenue - external and internal - of all operating segments; or
- the absolute measure of profit or loss is not less than 10 percent of the higher of (i) the combined profit of all operating segments that did not show a loss, and (ii) the combined loss of all operating segments that showed a loss; or
- its assets represent at least 10 percent of the total assets of all operating segments.
- its assets and liabilities are at least 10 percent of total capital.

If the total external sales revenue shown by the operating segments is less than 75 percent of the entity's revenue, additional operating segments are identified as reportable (even if they do not meet the quantitative criteria above) until the reported segments at least 75 per cent of the Organization's revenue will be included.

Foreign currency

Transactions in foreign currencies are initially translated into the functional currency at the exchange rate of the CBU in effect on the date of the transaction. Gains and losses arising from the translation of transactions in foreign currencies are recognized in the statement of comprehensive income as gains less losses from foreign currency translation. Non-monetary items that are measured at cost in a foreign currency are translated at the exchange rate of the Central Bank of the Republic of Uzbekistan in effect on the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rate of exchange ruling at the date the fair value was determined.

At the date of the financial statements, the assets and liabilities of the Organization whose functional currency is different from the presentation currency of the Organization are translated into UZS at the exchange rate at the reporting date, and their income statements are translated at the weighted average annual rate. The exchange differences arising on such translation are recognized in other comprehensive income. On disposal of a subsidiary or associate whose functional currency is different from the Entity's presentation currency, the total amount recognized in other comprehensive income attributable to that entity is reclassified from other comprehensive income to profit or loss for the reporting period.

(in thousands of UZS)

6 Cash and cash equivalents

	31 December 2022	31 December 2021
Cash and cash equivalents at amortized cost	2 240 028	2 018 781
Total cash and cash equivalents	**2 240 028**	**2 018 781**

Cash and cash equivalents measured at amortized cost

	31 December 2022	31 December 2021
Cash	397 912	-
Balances on current accounts in other banks	1 843 044	2 026 448
Balances in other credit institutions	6 232	-
Allowance for credit losses	(7 160)	(7 667)
Total cash and cash equivalents measured at amortized cost	**2 240 028**	**2 018 781**

The table below analyzes the credit quality of cash and cash equivalents measured at amortized cost based on credit ratings as at 31 December 2022. The carrying amount of cash and cash equivalent balances as at 31 December 2022 in the table below also represents the Organization's maximum exposure to credit risk on these assets:

	Medium credit risk	High credit risk	Total
Balances in other credit institutions	-	6 232	6 232
Balances on current accounts in other banks	1 843 044	-	1 843 044
Allowance for credit losses	(6 467)	(693)	(7 160)
Total cash and cash equivalents measured at amortized cost other than cash	**1 836 577**	**5 539**	**1 842 116**

The table below analyzes the credit quality of cash and cash equivalents measured at amortized cost based on credit ratings as at 31 December 2021.

	Medium credit risk	High credit risk	Total
Balances on current accounts in other banks	2 026 448	-	2 026 448
Allowance for credit losses	(7 667)	-	(7 667)
Total cash and cash equivalents measured at amortized cost other than cash	**2 018 781**	-	**2 018 781**

(in thousands of UZS)

The table below provides a reconciliation of the opening balances of the allowance for losses on current accounts with other banks carried at amortized cost, by category.

	ECL for 12 months	Total
Balance as of 5 October 2021	**-**	**-**
Creation of a provision for credit losses	7 667	7 667
Balance at 31 December 2021	**7 667**	**7 667**
Creation of a provision for credit losses	(507)	(507)
Balance at 31 December 2022	**7 160**	**7 160**

7 Microcredits

	31 December 2022	31 December 2021
Microcredits measured at amortized cost	5 897 551	-
Total microcredits	**5 897 551**	-

Loans and advances to customers measured at amortized cost

	31 December 2022	31 December 2021
Individuals	512 096	-
Individual entrepreneurs	3 551 373	-
Legal entities	1 880 697	-
Allowance for credit losses	(46 615)	-
Total microcredits at amortized cost	**5 897 551**	**-**

The tables below provide an analysis of the credit quality of microcredits measured at amortized cost provided by the Organization as at 31 December 2022. The analysis of the credit quality of microcredits presented in the tables below is based on the borrower credit quality scale developed by the Organization.

	12-month expected credit losses	Total
Minimum credit risk	4 388 304	4 388 304
Low credit risk	1 555 862	1 555 862
Total gross carrying amount of microcredit	**5 944 166**	**5 944 166**
Allowance for credit losses	(46 615)	(46 615)
Total microcredits	**5 897 551**	**5 897 551**

Microcredits were provided to individuals and legal entities, residents of the Republic of Uzbekistan.

Movements in the credit loss allowance for 2022 on loans to customers measured at amortized cost were accounted for in stage 1.

(in thousands of UZS)

Information on credit quality for microcredits as of 31 December 2022 is as follows:

	Loans to legal entities	Loans to individuals	Loans for individual entrepreneurs	Total
Not overdue	1 880 697	512 096	3 551 373	5 944 166
Total gross carrying amount of microcredit	**1 880 697**	**512 096**	**3 551 373**	**5 944 166**
Allowance for credit losses	(18 254)	(3 269)	(25 092)	(46 615)
Total microcredits	**1 862 443**	**508 827**	**3 526 281**	**5 897 551**

8 Fixed assets and intangible assets

Below is information on the movement of fixed assets and intangible assets as of 31 December 2022:

	Office and computer equipment	Right-of-Use Assets	Total property, plant and equipment	Total
Residual value on 01 January 2022	-	**3 974 629**	**3 974 629**	**3 974 629**
Initial cost				
Balance at 31 December 2022	-	**4 024 941**	**4 024 941**	**4 024 941**
Income	757 547	-	**757 547**	**757 547**
Balance at 31 December 2022	**757 547**	**4 024 941**	**4 782 488**	**4 782 488**
Accumulated depreciation				
Residual value on 01 January 2022	-	**50 312**	**50 312**	**50 312**
Depreciation deductions	60 876	201 247	**262 123**	**262 123**
Balance at 31 December 2022	**60 876**	251 559	**312 435**	**312 435**
Residual value as at 31 December 2022	**696 671**	3 773 382	4 470 053	**4 470 053**

Below is information on the movement of fixed assets and intangible assets as of 31 December 2021:

	Right-of-Use Assets	Total property, plant and equipment	Total
Residual value as of 5 October 2021	-	-	-
Initial cost	-	-	-
Balance as of 5 October 2021	-	-	-
Income	4 024 941	4 024 941	4 024 941
Balance at 31 December 2021	**4 024 941**	**4 024 941**	**4 024 941**
Accumulated depreciation			
Balance as of 5 October 2021			-
Depreciation deductions	50 312	50 312	50 312
Balance at 31 December 2021	**50 312**	**50 312**	**50 312**
Residual value as at 31 December 2021	**3 974 629**	**3 974 629**	**3 974 629**

(in thousands of UZS)

9 Other assets

	31 December 2022	31 December 2021
Other non-financial assets		
Prepayment for services	13 693	290 533
Calculations for taxes other than income tax	-	5 940
Prepayment for equipment and goods	1 810	-
Total other non-financial assets	**15 503**	**296 473**

10 Other liabilities

	31 December 2022	31 December 2021
Other financial liabilities		
Debt to founders	-	2 181 817
Accrued expenses for the payment of remuneration to personnel	74 263	-
For inventory items and services	23 415	-
Finance lease liabilities	3 934 250	3 974 247
Total other financial liabilities	**4 031 928**	**6 156 064**

11 Interest income and expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest income calculated at the effective interest rate		
Cash and cash equivalents	19 841	-
Microcredits	230 700	-
Total interest income calculated at the effective interest rate	**250 541**	**-**
Other interest expenses		
Interest expense on long-term loans	597 344	117 979
Total other interest expense	**597 344**	**117 979**
Net interest income	**(346 803)**	**(117 979)**

12 Fee and commission income and expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Commission expenses		
Settlement transactions	190 323	3 876
Total commission expenses	**190 323**	**3 876**
Net fee and commission income	**(190 323)**	**(3 876)**

(in thousands of UZS)

13 Administrative and other operating expenses

	For the year ended 31 December 2022	For the year ended 31 December 2021
Salary and bonuses	884 455	61 872
Unified social payment	94 743	7 828
Other employee benefits	8 577	27
Staff costs	**987 775**	**69 727**
Repair	345 466	10 065
Depreciation	262 123	50 312
Stationery	196 611	-
Professional Services	193 927	24 258
Advertising	41 752	-
Travel expenses	34 542	-
Connection	14 428	-
Security	11 117	-
Public utilities	6 474	1 478
Loss from sale of other own property	3 146	-
Representation expenses	2 812	-
Insurance	1 017	-
Membership fee	1 000	-
Other taxes other than income tax	-	957
Other	14 638	-
Total other operating expenses	**1 129 053**	**87 070**
Total personnel and other operating expenses	**2 116 828**	**156 797**

14 Income tax expense

Components of income tax expense

Income tax savings include the following components:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current income tax expense	3 232	-
Deferred taxation	(66 231)	-
Income tax expense for the year	**(62 999)**	**-**

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

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

(in thousands of UZS)

Below is a comparison of theoretical tax expenses with actual tax expenses:

	31 December 2022	Recovered / (charged) to profit and loss accounts	31 December 2021
Tax effects of temporary differences reducing / (increasing) the taxable base			
Cash and cash equivalents	1 752	(1 752)	-
Microcredits	6 992	(6 992)	-
Fixed assets	32 567	(32 567)	-
Other assets	13 325	(13 325)	-
Other liabilities	11 594	(11 594)	-
Net deferred tax assets	**66 231**	**(66 231)**	-
Recognized deferred tax assets	66 231	(66 231)	-
Net deferred tax (liabilities) / assets	**66 231**	**(66 231)**	-

15 Contingent financial liabilities

15.1 Legal Issues.

In the normal course of business, the Organization is subject to lawsuits and claims. Management believes that the probable liabilities, if any, arising from such actions or claims will not have a material adverse effect on the future financial position or performance of the Organization.

15.2 Tax law.

The tax and customs legislation, as well as the legislation in the field of currency regulation of the Republic of Uzbekistan, are subject to varying interpretations and are subject to frequent changes. Moreover, regulations issued by various government bodies may be in conflict with each other. Management's interpretation of the law as applied to the operations and activities of the Organization may be challenged by the relevant authorities. The Uzbek tax authorities may take a more assertive stance in interpreting legislation and assessing charges, and it is possible that transactions and activities that have not been challenged in the past will be challenged. As a result, significant amounts of additional taxes, fines and penalties may be assessed. Tax periods remain open for tax review by the relevant tax authorities for five calendar years. prior to the year for which the audit is being carried out. In some cases, reviews may cover longer periods

The Organization's management believes that its interpretation of the relevant legislation is correct and that the Organization's tax, currency and customs positions will be sustained. As at 31 December 2022, management has not created a provision for potential tax liabilities. The Organization estimates that there are no potential tax liabilities, except for the unlikely

16 Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, as set out in IAS 24 Related Party Disclosures. When considering all possible relationships with related parties, the economic content of such relationships is taken into account, and not just their legal form.

In the normal course of its business, the Organization enters into transactions with its major shareholders, officers and other parties. These transactions include settlements, loans, deposits, guarantees, trade finance and foreign exchange transactions. It is the Organization's policy that all transactions with related parties are subject to the same terms and conditions as transactions with unrelated parties.

(in thousands of UZS)

As of 31 December 2022, the Organization has no balances of assets and liabilities, as well as income and expenses with related parties.

17 Fair value

Fair value is defined as the price at which an instrument could be exchanged in a current transaction between willing parties to enter into an arm's length transaction, other than a forced sale or liquidation. The best evidence of fair value is a quoted financial instrument in an active market. Since there is no liquid market for most of the Organization's financial instruments, their fair value must be determined based on prevailing market conditions and the specific risks associated with a particular instrument. The estimates presented below may not reflect the amounts that the Organization is able to obtain from a market sale of the entire holding of a particular instrument.

An entity uses the following hierarchy to determine and disclose the fair value of financial instruments depending on the valuation techniques:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: techniques in which all inputs that significantly affect fair value are directly or indirectly observable in an open market; And
- Level 3: Techniques that use inputs that significantly affect fair value that are not based on observable market data.

The table below provides an analysis of assets carried at amortized cost and reported at fair value, by levels of the measurement hierarchy as at 31 December 2022:

	Stage 1	Stage 2	Stage 3	Book value
Financial assets carried at amortized cost				
Cash and cash equivalents	**397 912**	**1 849 276**	**-**	**2 247 188**
Cash	397 912	-	-	397 912
Balances on current accounts in other banks	-	1 849 276	-	1 849 276
Microcredits	**-**	**-**	**5 944 166**	**5 944 166**
Commercial loans to legal entities	-	-	1 880 697	1 880 697
Microcredits for individual entrepreneurs			3 551 373	3 551 373
Consumer and other loans to individuals	-	-	512 096	512 096

The table below provides an analysis of assets carried at amortized cost and reported at fair value, by levels of the measurement hierarchy as at 31 December 2021:

	Stage 1	Stage 2	Stage 3	Book value
Financial assets carried at amortized cost				
Cash and cash equivalents	**-**	**2 026 448**	**-**	**2 026 448**
Balances on current accounts in other banks	-	2 026 448	-	2 026 448

Fair value measurements at Level 2 and Level 3 of the fair value hierarchy were made using a discounted cash flow model. The fair value of floating rate derivatives not quoted in an active market has been taken equal to their carrying amount. The fair value of fixed rate instruments not quoted in an active market has been estimated based on estimated future cash flows, discounted using current borrowing market interest rates for new instruments with similar credit risk and maturity.

For assets, the Organization used assumptions about the incremental rate on debt and counterparty prepayment rates. Liabilities are discounted at the Organization's incremental borrowing rate. Demandable liabilities have been discounted from the first day of a potential call to settle the Organization's liability.

18 Management of risks

Risk management by the Organization is carried out in relation to financial risks (credit, market, currency risks, liquidity and interest rate risks), as well as operational and legal risks. The risk assessment also provides the basis for optimal risk-based capital allocation, transaction pricing and performance evaluation. The management of the Organization should ensure that internal policies and procedures are properly followed in order to minimize operational and legal risks.

18.1 Credit risk

The entity takes on credit risk, which is the risk that a counterparty will not be able to pay in full when due. The Organization controls credit risk by setting limits on a single borrower or organizations of related borrowers, as well as on industry segments. The Organization regularly monitors such risks.

Credit risk. Expected Credit Loss Model and Fundamentals of Provisioning. The Organization applies an expected credit loss model for the purpose of reserving financial debt instruments, the key principle of which is the timely recognition of deterioration or improvement in the credit quality of debt financial instruments, taking into account current and forward-looking information. The amount of expected credit losses recognized as a credit loss allowance depends on the degree of deterioration in credit quality since the initial recognition of a debt financial instrument.

Depending on the change in credit quality since initial recognition, the Entity classifies financial instruments into one of the following stages:

- Stage 1 - "12-month expected credit losses" - Debt financial instruments for which there has not been a significant increase in credit risk, and for which 12-month expected credit losses are calculated.
- Stage 2 - Lifetime expected credit losses - unimpaired assets - Debt financial instruments with a significant increase in credit risk, but not impaired, for which lifetime expected credit losses are calculated.
- Stage 3 - "Lifetime expected credit losses - impaired assets" - impaired debt financial instruments.

For purchased or issued impaired financial assets, the credit loss allowance is formed in the amount of the accumulated changes in expected credit losses over the life of the instrument from the date of purchase or origination.

Factors that indicate a significant increase in credit risk before the asset is recognized as impaired. The main factors indicating a significant increase in credit risk before an asset is recognized as impaired are:

- The presence of overdue debt to the Organization for a period of 31 to 90 days (inclusive);
- Significant changes in external and internal credit rating resulting from a change in credit risk since initial recognition;
- Deterioration of the internal rating to the level at which the Organization decides to refuse to provide a loan;
- Identification of events that can affect solvency (license revocation, lawsuits, violation of credit documentation conditions, etc.).

Key features of classifying a debt financial instrument as impaired (stage 3):

- the Borrower is more than 90 days past due on any debt owed to the Organization;
- Default restructuring of debt and/or financial liabilities related to operations in financial markets and expected insolvency;
- Other signs of insolvency, the identification of which leads to the assigning of a default to the borrower (bankruptcy of the borrower, the expected adoption by the borrower of a decision to liquidate or terminate activities, the probable non-payment of debt by the borrower, etc.).

Recovery of credit quality. An improvement in the credit quality of a borrower that has identified a significant increase in credit risk at prior reporting dates to Stage 1 risk is determined by assessing the change in credit risk at the reporting date from initial recognition.

Recovery of credit quality from an impaired level to the level of risk related to the first stage occurs when indicators of impairment disappear at the reporting date, and also if there are no factors at the reporting date that indicate a significant increase in credit risk.

Provisioning approach for acquired or issued impaired assets. To calculate the credit loss allowance for impaired assets acquired or issued, the Organization estimates the cumulative changes in expected credit losses over the life of the instrument from the date of acquisition or issue.

A financial asset is considered to have been acquired or issued for an impaired asset when one or more events have occurred that have a negative effect on the estimated future cash flows of such financial asset, in particular, observable data about the following events at the time of acquisition or issuance:

- significant financial difficulties of the counterparty/issuer;
- violations of the terms of the contract, such as late payment;
- granting by a creditor an assignment to its counterparty/issuer due to economic reasons or contractual terms related to the financial difficulties of such counterparty/issuer and which the creditor would not have otherwise provided;
- the emergence of the likelihood of bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset as a result of the issuer's financial difficulties;
- the purchase or creation of a financial asset at a deep discount that reflects incurred credit losses.

Methods of valuation and method of forming an allowance for credit losses. There are two methods for estimating expected credit losses: at the transaction level or at the counterparty level. Transaction-level valuation is used for all debt instruments, except for those in the Retail segment.

The counterparty-level valuation is used for all debt financial instruments within the Retail segment.

The main method of creating credit loss allowances, which is applied at the Organization's level, is the provisioning on a collective basis. It is mandatory for financial instruments that are not materially indebted or for which no significant increase in credit risk or impairment has been identified during the reporting period.

Reservation of financial assets on an individual basis. The amount of allowance for credit losses for each debt financial asset is based on an estimate of the weighted average expected credit losses under the considered scenarios.

- The number of scenarios considered and their weights are determined based on the methodology developed by the Organization, taking into account the available current as well as reasonable forecast information, however, the number of scenarios considered cannot be less than two (including the 100% loss scenario) and the probability of their implementation must be greater than zero.
- Estimating expected losses in an individual provisioning approach takes into account the time value of money, as well as reasonable information about past, current and forecast future economic conditions. The amount of a credit loss allowance is determined as the difference between the gross carrying amount of a debt financial asset, before a credit loss allowance at the measurement date, and its recoverable amount.

The recoverable amount is estimated using the discounted cash flow method, which is based on expected future payments on the debt financial asset (or other cash flows) using the effective interest rate as the discount rate. This assessment should take into account the following sources of cash receipts:

- free cash flows from operating activities;
- future amounts recoverable as a result of the sale of collateral;
- cash receipts from other sources - for example, as a result of legal proceedings (other than the sale of pledge) or bankruptcy proceedings.

Reservation of financial assets on a collective basis. Credit loss allowances for debt financial assets are collectively assessed based on individual risk metrics (PD, LGD, EAD), which are assigned to each particular counterparty/issuer based on an analysis of financial and other information, and which are regularly monitored.

PD is the probability of default, determined on the basis of the risk segment and the internal rating (or delinquency organization) for the relevant period (12 months or the entire life of the instrument (Lifetime PD)). Values are determined based on internal models, as well as using migration matrices (Markov chains). Default probability calculations are adjusted to reflect forward-looking information. Probability of default (PD) indicators used by the Organization, using Moody's data for financial institutions as an example. For corporate data on the main sectors of the economy and individuals, data published on the official websites of state bodies, the Central Bank of the Republic of Uzbekistan (www.cbu.uz) and other sources are used. Data on the quality of the banks' loan portfolio of past periods, as well as current and expected changes in macroeconomic variables (for example, real GDP growth, inflation, growth in real disposable money income of the population, etc.) are used as forecast information. The impact of these economic variables on the probability of default is determined using statistical regression analysis and is calculated as the impact that these variables had on the default rate in the past. An entity estimates expected credit losses for a period of 12 months (Stage 1) or the entire life of the instrument, weighted by the probability of the scenarios. These probability-weighted ECLs are determined by calculating each scenario against the appropriate ECL model and multiplying them by the appropriate scenario weights.

The basic segmentation principle for determining the Probability of Default (PD) for provisioning purposes is that debt financial instruments with a similar risk profile should be assigned to the same portfolio with a similar level of risk. The risk segment is determined based on the characteristics of the counterparty/issuer, country of residence, size and business model.

LGD is the default loss rate, an estimated loss due to the occurrence of a default based on the difference in contractual cash flows receivable and cash flows that the lender expects to receive, including from collateral. Typically, this value is expressed as a percentage of EAD. Values are determined using models developed from internal statistics.

EAD is the amount of credit exposure at risk of default. Debt at the time of default is determined based on the expected payment schedule, which varies depending on the type of product. For products carried at amortized cost and lump-sum loans at the time of default, determined based on the contractual amounts payable by the borrower over a 12-month period or over the life of the financial instrument. This debt is also adjusted for the expected overpayment by the borrower. The calculation also includes prepayment or refinancing assumptions. For renewable products, debt at the time of default is projected by adding to the current balance of funds used a "credit conversion factor" that takes into account the expected use of the remaining limit at the time of default. These assumptions vary depending on the type of product, the current use of the limit and other behavioral characteristics of a particular borrower. Values are determined using models developed from internal statistics.

Determination of the credit loss allowance for credit related commitments. If the counterparty has current balance sheet debt, the assessment of credit loss reserves for credit related commitments is carried out in accordance with the approaches applied to provisioning the balance sheet debt of this counterparty, taking into account the credit conversion factor (CCF) determined both on the basis of statistical data and using Basel values . If the counterparty has only credit related commitments, credit loss allowances are assessed depending on the amount of the commitment, taking into account CCF, on an individual or collective basis.

Credit quality of financial instruments. The classification of financial assets into five categories of credit risk is a summary of the credit quality of financial assets covered by IFRS 9.

- "Minimum credit risk" means assets whose counterparties demonstrate a stable ability to meet financial obligations in a timely manner with an insignificant probability of default.
- "Low credit risk" means assets with counterparties that have a low probability of default and a high ability to meet financial obligations on time.

- "Medium credit risk" means assets with counterparties that have a moderate probability of default, demonstrate an average ability to meet financial obligations on time and require more careful attention at the monitoring stage.
- "High credit risk" – assets with counterparties that have a high probability of default require special attention at the monitoring stage.
- 'Default' means assets that have indications of impairment that meet the definition of default.

18.2 Market risk

The Organization assumes market risk associated with open positions in interest rate, currency and equity instruments that are exposed to general and specific market movements.

The objective of market risk management is to control that exposure to market risk does not go beyond acceptable parameters, while ensuring the optimization of the return received for the risk taken.

18.3 Geographic Risk

As of 31 December 2022, all transactions were carried out in the territory of the Republic of Uzbekistan. Income and expenses are received from residents.

18.4 Liquidity risk.

Liquidity risk is the risk that an entity will encounter difficulty in meeting financial obligations. The organization does not accumulate funds in case it is necessary to fulfill all the above obligations at a time, since, based on the accumulated work experience, it is possible to predict with a sufficient degree of accuracy the level of funds necessary to fulfill these obligations.

The table below shows the maturity analysis of non-derivative financial assets carried at carrying amount based on contractual maturities, excluding assets that can be easily realized if cash outflows associated with financial liabilities become necessary. Such financial assets are included in the maturity analysis based on the expected date of disposal. Impaired loans and borrowings are included in the table at carrying amount less allowance for impairment and based on the expected timing of cash inflows.

(in thousands of UZS)

Analysis of liquidity risk and interest rate risk as at 31 December 2022 is presented in the following table:

	On demand and less than 1 month	1 to 3 months	From 3 months to 1 year	Over 1 year	Total
Financial assets					
Funds in other banks	-	1 052 827	-	-	1 052 827
Microcredits	196 803	443 623	2 320 918	2 936 206	5 897 551
Total financial assets bearing interest	**196 803**	**1 496 450**	**2 320 918**	**2 936 206**	**6 950 378**
Cash and cash equivalents	2 240 028	-	-	-	2 240 028
Total financial assets	**2 432 308**	**1 496 450**	**2 320 918**	**2 936 206**	**9 185 883**
Financial obligations					
Other financial liabilities	114 449	33 541	150 935	3 733 003	4 031 928
Total financial liabilities bearing interest	**114 449**	**33 541**	**150 935**	**3 733 003**	**4 031 928**
The difference between financial assets and liabilities	2 432 308	1 462 909	2 169 983	(796 797)	9 185 883
The difference between financial assets and liabilities that bear interest	82 355	1 462 909	2 169 983	(796 797)	2 918 450
Difference between financial assets and liabilities bearing interest, cumulative	**82 355**	**1 545 264**	**3 715 247**	**2 918 450**	
Difference between financial assets and liabilities bearing interest, as a percentage of total assets, cumulative	0,90%	16,82%	40,45%	31,77%	

19 Segment Information

The main format for providing information on the segments of the Organization's activities is the presentation of information on operating segments, auxiliary - on geographical segments.

All operations and services are related to the clients of the Republic of Uzbekistan. All clients of the Organization are residents of the Republic of Uzbekistan.

19.1 Operating segments

The Organization operates through two main operating segments:

- Individuals
- Legal entities

Transactions between operating segments are carried out on normal commercial terms. The funds are reallocated between the segments, which leads to a reallocation of financing costs, taken into account in the calculation of operating income. Interest accruing on these funds is calculated on the basis of the Organization's cost of capital. There are no other material income or expenses arising from transactions between operating segments. Segment assets and liabilities represent assets and liabilities that make up the majority of the balance sheet but exclude items such as taxation of borrowings. Internal costs and transfer pricing adjustments are included in the respective segment results. Revenue sharing agreements are used to fairly allocate revenue received from external customers between segments.

(in thousands of UZS)

The table below provides information on the segment concentration of assets and liabilities as at 31 December 2022:

	Individuals	Legal entities	Individual entrepreneurs	Unallocated	Total
Financial assets					
Cash and cash equivalents	-	-	-	2 240 028	2 240 028
Funds in other banks	-	-	-	1 048 304	1 048 304
Microcredits	4 035 108	1 862 443	3 526 281	-	5 897 551
Total financial assets	**4 035 108**	**1 862 443**	**3 526 281**	**3 288 332**	**9 185 883**
Financial obligations					
Other financial liabilities	-	-	-	4 031 928	4 031 928
Total financial liabilities	**-**	**-**	**-**	**4 031 928**	**4 031 928**
Net financial assets/(liabilities)	**4 035 108**	**1 862 443**	**3 526 281**	**(743 596)**	**5 153 955**

The table below provides information on segment concentration of assets and liabilities as of 31 December 2021:

	Individuals	Legal entities	Unallocated	Total
Financial assets				
Cash and cash equivalents	-	-	2 018 781	2 018 781
Total financial assets	**-**	**-**	**2 018 781**	**2 018 781**
Financial obligations				
Other financial liabilities	-	2 181 817	3 974 247	6 156 064
Total financial liabilities	**-**	**2 181 817**	**3 974 247**	**6 156 064**
Net financial assets/(liabilities)	**-**	**(2 181 817)**	**(1 955 466)**	**(4 137 283)**

20 Events after the reporting date

According to the registration of the Ministry of Justice of the Republic of Uzbekistan No. 791271 dated 4 April 2023, the Organization increased its authorized capital to 31 405 430 thousand of UZS due to additional contributions from the Founders.

Approved and signed on behalf of the management of the Organization:

MIKROMOLIYA TASHKILOTI OASISCREDIT

Guseynov M.A.
General Director

Rustamova F.Y.
Chief Accountant

10 April 2023