

SUE IEBT SANOATSODIROT BANK

**FINANCIAL STATEMENTS PREPARED AS
OF DECEMBER 31, 2022, IN COMPLIANCE
WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS
AND AN INDEPENDENT AUDITOR'S
REPORT**

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**Management's Acknowledgement of Responsibility for the Preparation and Approval of the
Financial Statements for the period ended on December 31, 2022**

The following acknowledgement, which must be considered together with the auditor's responsibilities described in the independent auditor's report, was made to differentiate between the auditor's and the Management's responsibilities for the Financial Statements of SUE IEBT SANOATSODIROTBANK (hereafter: the Bank).

The Bank's Management is responsible for preparing the Consolidated Financial Statements representing, in all material aspects, a true and fair view of the Financial Position, Performance, Cash Flow, and Changes in Equity for the period ended on December 31, 2022 in accordance with International Financial Reporting Standards [IFRS].

When preparing the Financial Statements, the Bank's Management takes responsibility for:

- Selection of relevant accounting principles and their consistent application;
- Compliance with international financial reporting standards and disclosure of all material deviations from IFRS in the notes to the financial statements; and
- Financial Statements' preparation based on an assumption that the Bank will continue its activities in the near future, except for the cases when such an assumption is unlawful.

The Management is also responsible for:

- Development, implementation and maintenance of the Bank's effective and reliable internal control system functioning;
- Maintenance of an accounting system that makes it possible at any moment with a fair degree of accuracy to prepare information on the Bank's financial position and provide for the financial statements' compliance with IFRS requirements;
- Keeping accounts in line with legislation and standards of accounting of the Republic of Tajikistan;
- Taking measures within its jurisdiction to provide for the safety of the Bank's assets;
- Revealing and preventing the facts of fraud, errors, and other misuses.

On April 5, 2023, the Banks Management approved the Financial Statements for the period ended on December 31, 2022.

On behalf of SUE IEBT SANOATSODIROTBANK



Chairman of the Board

Bobozoda H. J.

Chief accountant

Hotamov K. D.

**To the Board and its Chairman
SUE IEBT SANOATSODIROTBANK**

Qualified Opinion

We have audited the accompanying Financial Statements of SUE IEBT Sanoatsodirotbank [hereafter: the Bank], which include: a Statement on Financial Position as of 31st December 2022, and relevant Statement on Comprehensive Income, Cash Flow Statement, and Statement of Changes in Equity for the year then ended, as well as a summary of significant accounting policies and other explanatory notes to the Financial Statements.

In our opinion, except for the possible impact of the Qualified Opinion of our report, the Consolidated Financial Statements, in all its aspects, trustworthily represent the Bank's Financial Position as of 31st December 2022 as well as its Financial Performance and Cash Flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for the Qualified Opinion

When preparing the present financial statement, the Bank has depreciated credits in accordance with the Instruction #215 'An Order of Arrangement and Use of Reserves and the Provision for Possible Credit Losses' of the National bank of Tajikistan, which may differ from IFRS 9 Financial Instruments.

Important audit issues

Important audit issues are those that, according to our professional judgement, have been considered more important for the audit of these financial statements for the current year. These issues are considered in our financial Statements as a whole and when forming our views on the Statements, and we do not express a particular opinion on these issues.

Legal disputes: We draw your attention to the Note 6, which reveals information on legal disputes claimed by the Bank. There is no lawsuit against the bank.

Events that occurred after the reporting period: We attract your attention to the note 7, which discloses information about events that occurred after the reporting period.

Authorized capital - please note that on the basis of the Decree of the Government of the Republic of Tajikistan No. 247 as of May 21, 2022, the authorized capital was increased by 58,696,114 TJS at the expense of the capital surplus.

We conducted the audit in accordance with the International Standards on Auditing (ISA). Our obligations under these standards are set out in the "auditor's responsibilities" section of our report. We are independent of the bank in accordance with the ethical requirements applicable to the audit of these financial statements. We have also fulfilled other ethical procedures as per ethical requirements. We consider that we have received complete and necessary audit evidence to express a qualified opinion.

Management's Responsibility for the Financial Statements' Preparation

The Bank's Management is responsible for the preparation of the financial statements and their compliance with IFRS. The responsibility includes development, implementation and maintenance of an internal system of control over the preparation and fair presentation of Financial Statements free from material misstatements caused by fraud and/or errors; selection and application of appropriate accounting policies, as well as an application of reasonable accounting estimates.

Auditor's responsibility

Our responsibility is to express our opinion on the financial statements based on our audit. We have conducted the audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements as well as plan and conduct audits with a view to obtain a reasonable assurance about whether the Financial Statements are free from material misstatements. Audits involve procedures necessary to obtain audit evidence on figures and notes in the Financial Statements. A selection of appropriate procedures depends on a professional auditor's judgment, including an assessment of Financial Statements' material misstatement risks caused by fraud and/or error. Such risk assessment includes an examination of an internal system of control over Financial Statements' preparation and fair presentation, with a view to develop appropriate audit procedures, but not with a view to express an opinion on internal control system effectiveness. The audits also include an analysis of accounting principles, and materiality of estimates made by the Management, as well as Financial Statements' overall presentation evaluation.

Within the audits in compliance with international auditing standards, we adhere to our professional opinion during the audits.

Also:

- We determine and evaluate the financial misstatement risks on frauds and/or errors; and, to provide reasonable evidence on such risks, we conduct audits and obtain reasonable evidence;
- We analyze the internal control system not with a view to evaluate its effectiveness, but with a view to prepare audit evidence meeting the situation;
- We make evaluations on a proper use of an accounting policy and a reasonableness of data which the Management included in the notes;
- Based on an appropriate and regular use of the accounting system, we carry out audit procedures to determine material misstatements regarding events and occurrences that might originate significant doubts on activities of the Bank as a subject continuing its activity in the future.
- We conclude on the Management's purposeful application of a regular accounting principle and, on the basis of the evidence obtained, on determining whether significant uncertainties regarding events and circumstances cast doubt on the Bank's ability to continue its activity in the future. Our conclusions are based on audit evidence obtained prior to the date of submission of the audit report. Subsequent events and conditions will result in loss of the Bank's ability to continue operating;
- In general, we evaluate the presentation of financial statements, their structure and content subject to the interpretation of information, as well as ensuring the accuracy of the presentation of transactions based on those events and conditions.

We also send a letter of confirmation to those responsible for corporate governance that we comply with all ethical requirements for independence, and notify them of all relationships and other issues that may affect the independence of the auditors and, if necessary, of taking appropriate precautions.



Dustov Safarbek Savriddinovich

Director of LLC Consultant Audit

Qualification Banking Audit Certificate #57

as of January 8, 2014

License of the National bank of Tajikistan

NBT #00000139

as of April 29, 2021

Dushanbe city Republic of Tajikistan

April 5, 2023

STATEMENT OF COMPREHENSIVE INCOME

for the year ended on December 31, 2022

Items	Note	2022	2021
Interest income	4.1	61 373 498	44 962 381
Interest expense	4.2	(382 901)	(172 410)
Net interest income		60 990 597	44 789 971
Costs for the formation of a PPL for assets	4.3	(14 728 574)	(7 299 448)
Expenses on the general reserve	4.4	(2 025 000)	(1 438 046)
Operating profit (loss)		44 237 023	36 052 476
Income from commission services	4.5	1 796 097	589 434
Expenses for commission services	4.6	(1 565 266)	(535 574)
Income (losses) less expenses from operations in foreign currency	4.7	8 716 067	(8 775)
Income (losses) less expenses from revaluations of foreign currency	4.8	(332 186)	(59 751)
Other operating income	4.9	16 314 365	15 836 407
Administrative and other operating expenses	4.10	(27 620 056)	(17 110 284)
Profit (loss) before taxation		41 546 045	34 763 933
Income tax	4.11	(6 297 342)	(5 474 592)
Net profit / loss		35 248 703	29 289 341



Chairman of the Board

Rubtsov H. J.

Chief accountant

Hotamov K. D.


STATEMENT OF FINANCIAL POSITION

As of January 1, 2023

	Note	31.12.2022	31.12.2021
Assets			
Cash and equivalents	5.1	76 204 940	24 345 678
Required reserves in the NBT	5.2	584 158	256 537
Interbank credits	5.3	25 000 000	-
Credits issued to customers	5.4	267 294 365	189 405 299
Interests receivable	5.6	3 759 858	556 896
Investment to securities	5.7	123 931 463	200 225 594
Other current assets	5.8	3 281 228	4 818 471
Collateral received for sale	5.9	2 034 984	-
Fixed assets	5.10	75 081 033	72 968 189
Intangible assets	5.11	4 367 748	2 828 722
Tenant and improvement rights	5.12	372 213	130 099
Deferred tax asset	5.13	-	67 905
Total assets		581 911 990	495 603 390
Liabilities			
Customers' deposits	5.15	15 182 446	7 885 512
Interests payable	5.16	80 384	151 719
Taxes payable	5.17	1 715 778	4 246 206
General reserve on active assets	5.18	6 938 046	4 913 046
Other current liabilities	5.19	2 273 585	6 289 363
Credits	5.20	50 000 000	-
Deferred tax liabilities	5.21	210 313	-
Total liabilities		76 400 552	23 485 846
Owner's equity			
Paid share capital	5.22	438 696 114	380 000 000
Capital surplus	5.22	-	58 696 114
Retained earnings	5.22	34 055 345	33 421 430
Reserve for future banking operations	5.22	26 207 983	-
Contingency reserve	5.22	6 551 996	-
Total capital		505 511 438	472 117 544
Total liabilities and capital		581 911 990	495 603 390



Chairman of the Board
Bobozoda H. J.



Chief accountant
Hotamov K. D.

CASH FLOW STATEMENT

for the year ended on December 31, 2022

	2022	2021
Cash flow on operating activities		
Profit (loss) before taxation	41 546 045	34 763 933
Adjustment of profit before taxation:		
Expenses on depreciation of assets	5 295 856	1 483 822
Expenses of the general fund and special fund on assets	16 753 574	8 737 494
Income from recovery of assets	(15 734 864)	(15 822 714)
Expenses on accruing the reserve for unused holidays	617 696	403 178
Adjustment of expenses for the previous year	-	18 443
Other accrued expenses	201 423	95 000
Other accrued incomes	(1 399 772)	(13 339)
Interest income from transactions with NBT securities	(16 045 813)	(4 484 570)
Income (loss) of foreign currency revaluation	332 186	59 751
Net cash flow before changes in operating assets and liabilities	31 566 331	25 240 997
Changes in turnover assets and liabilities:		
Net increase/decrease in credits of clients	(78 748 732)	(70 854 997)
Net increase/decrease in inter-bank credits	(25 000 000)	-
Net increase/decrease in other assets	1 537 244	4 600 138
Increase/decrease of required reserves in the NBT	(327 621)	(256 537)
Net increase\decrease in interests receivable	(3 098 445)	(656 846)
Net increase/decrease in other credits	50 000 000	-
Net increase\decrease in customer deposits	7 296 934	7 885 511
Increase/decrease in accrued interests payable	(71 335)	151 719
Net decrease/increase in other taxes	(5 409)	(20 656)
Paid income tax	(8 394 045)	(1 547 942)
Net increase/decrease in other liabilities	(4 192 582)	4 766 176
Non-tax payments from net profit	(1 853 182)	-
Net cash flow before changes in current assets and liabilities:	(62 857 172)	(55 933 432)
Net cash flow from operating activities	(31 290 841)	(30 692 435)
Net cash flow from transactions of financial activities		
Purchase of equipment and property	(6 727 360)	(14 824 891)
Purchase of intangible assets	(1 972 675)	(3 067 475)
Purchase of other long-term assets	(489 805)	-
Purchase of securities	(1 604 803 057)	(1 543 884 670)
Inflow of the sums of securities	1 697 143 000	1 348 500 709
Net cash flow from transaction on financial activities	83 150 104	(213 276 327)

Cash flow from financial transactions	-	-
Contribution to the capital surplus	-	-
Net cash flow for transactions of financial activities	-	-
Net decrease in cash	51 859 263	(243 968 762)
Cash at the beginning of the year	24 345 678	268 314 439
Cash at the end of the year	76 204 940	24 345 678



Chairman of the Board
Bobomirza M. J.



Chief accountant
Hotamov K. D.

STATEMENT OF CHANGES IN EQUITY

for the year ended on December 31, 2022

	Paid share capital	Retained earnings	Capital surplus	Reserve for future banking operations	Contingency reserve	Total
Balance as of January 1, 2021	200 000 000	4 132 088	180 000 000			384 132 088
Contribution to the authorized capital	180 000 000	-	(18 000 000)	-	-	-
Net profit / loss	-	29 289 341	-	-	-	29 289 341
Increase in surplus capital	-	-	58 696 114	-	-	58 696 114
Balance as of December 31, 2021	380 000 000	33 421 429	58 696 114	-	-	472 117 544
Contribution to the authorized capital	58 696 114	-	(58 696 114)	-	-	-
Net profit / loss	-	35 248 703	-	-	-	35 248 703
Adjustment of retained earnings for previous years	-	(1 626)	-	-	-	(1 626)
Reserve created for future banking operations	-	(26 207 983)	-	26 207 983	-	-
Reserve created in case of unforeseen circumstances	-	(6 551 996)	-	-	6 551 996	-
Non-tax payments from net profit	-	(1 853 182)	-	-	-	(1 853 182)
Balance as of December 31, 2022	438 696 114	34 055 345	-	26 207 983	6 551 996	505 511 438



Chairman of the Board

Bobozoda H. J.

Chief accountant

Hotamov K. D.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. GUIDELINES OF ACTIVITIES

1.1 General information about the Bank

State Unitary Enterprise of Industrial and Export Bank of Tajikistan Sanoatsodirotbank (hereinafter: the Bank) is a legal entity established based on the Decree of the Government of the Republic of Tajikistan #390 as of June 25, 2020 to transform the state institution, Fund for Entrepreneurship Support under the Government of the Republic of Tajikistan, into the State Unitary Enterprise of Industrial and Export Bank of Tajikistan Sanoatsodirotbank. The Bank is a legal successor of the state institution Entrepreneurship Support Fund under the Government of the Republic of Tajikistan.

The Bank operates in accordance with the Constitution of the Republic of Tajikistan, the Civil Code of the Republic of Tajikistan, the Laws of the Republic of Tajikistan On Banking, On the National Bank of Tajikistan, and other laws and regulations of the Republic of Tajikistan, and regulations of the National Bank of Tajikistan, and Decree of the Government of the Republic of Tajikistan #390 as of June 25, 2020, and its charter.

THE PURPOSE OF THE BANK'S ACTIVITIES

In order to achieve the strategic goals of the Government of the Republic of Tajikistan to support the entrepreneurship, the Bank carries out its activities by conducting banking operations to earn profit.

The Bank's priorities are to support newly established and existing enterprises and individual entrepreneurs for the production, packaging, storage of goods and products, including import-substituting and export-oriented products through banking operations.

The Bank operates in order to ensure long-term socio-economic development of the Republic of Tajikistan and create conditions for a sustainable economic development, and to increase an investment efficiency and raise an investment in the national economy through participation in projects within the Republic of Tajikistan and abroad, including with participation of foreign investments directed at the development of infrastructure, industry, exports, innovation, as well as of energy efficiency, export support and expansion of access to industrial products (goods, works and services) of Tajikistan to foreign markets, including other projects and/or transactions within investment, consulting and other activities.

The Bank may provide credits to legal and natural persons in the fields of trade, services, construction and other sectors for commercial, consumer and mortgage purposes.

The License NBT #0000126 to conduct banking activities was issued by the National Bank of Tajikistan on October 23, 2020.

Based on the Decree of the Board of the National Bank of the Republic of Tajikistan dated October 23, 2020, the Bank has obtained a license to conduct banking operations in national and foreign currencies and has the right to perform the following operations:

- attraction of deposits and savings;
- issuance of credits (secured and unsecured);
- opening and maintaining bank accounts;
- money transfer by customers' order;
- issuance of a guarantee;
- forward and swap contracts for itself;

- cash operations;
- settlement and exchange operations;
- Issuance of bank payment cards and transactions with them.

The Bank underwent a state re-registration on October 12, 2020 in the Department of State Registration of Legal Entities and Individual Entrepreneurs of the Tax Committee under the Government of the Republic of Tajikistan in I.Somoni district of Dushanbe city.

The Unique Identification Number #0210016831

Taxpayer Identification Number #020039715

Social Identification Number #K0131120136239

On November 3, 2020, it undergone a state re-registration in the tax authorities, due to changes in the composition of the Bank's Management.

The sole founder of the Bank is the Government of the Republic of Tajikistan. In general, the authorized capital in accordance with the approved Charter amounts to 438 696 114 million TJS, which was formalized in accordance with the registered documents as of December 31, 2022.

Legal address and location of the Bank:

Location of the Bank and its legal address: S.Sherozi Street 21, Dushanbe city, Republic of Tajikistan.

1.2 Economic environment in which the Bank carries out its economic and financial activities

Brief description

SUE IEBT Sanoatsodirotbank (hereinafter referred to as the Bank) carries out its activities fully within the territory of the Republic of Tajikistan. Accordingly, its activities are influenced by the economic situation and financial markets of the Republic of Tajikistan, which are considered to be developing markets. The bank has entered a banking system in which the competition is very high.

The business environment in which the bank operates is determined by the socio-economic conditions that have arisen in the Republic of Tajikistan, the importance of which for the bank's activities is very high and depends on the financial performance of credit organizations operating in the financial and credit markets.

According to the NBT website, seventeen credit institutions are in the process of compulsory liquidation on the grounds of bankruptcy. There are nine credit organizations that are in the process of compulsory liquidation without grounds for bankruptcy. There are fifteen credit organizations that are at the stage of voluntary liquidation.

Currently, 15 banks (14 in 2021), a non-bank credit institution (none in 2021), 19 MDO (18 in 2021), 3 MCO (4 in 2021), and 26 MCF (27 in 2021) operate in the banking market of the Republic of Tajikistan.

Sanctions of the European Union, the USA and other countries against Russia and the decrease in the exchange rate of the Russian ruble, the increase in the exchange rate of the US dollar and the EURO, as well as the change in the price of oil and gas and other goods and products can have an impact on the banking and economic system in the Republic of Tajikistan.

These financial statements reflect the views of the Management on how the conditions of doing business in the Republic of Tajikistan affect the activities and financial condition of the Bank. A true effect of the future economic activities' conditions may differ from the Management's assessment.

1.3 NEW ACCOUNTING INSTRUCTIONS

Every year, the IASB updates international Financial Reporting Standards: it publishes both new documents and additions to existing standards.

From January 1, 2022, the amendments to a number of IFRS will come into force.

IFRS 3 "Business combination" - reference to the conceptual framework (bases)

IFRS 3 Business combinations - reference to the conceptual bases of financial reporting (now instead of 2001 reference for 2018) has made amendments without changing the accounting requirements for business combinations. The new reference allows to determine what constitute assets or liabilities in a business merger. In addition, IFRS 3 has a new exemption from liabilities and contingent liabilities.

An entity that implements IFRS 3 should refer to IAS 37 or IFRIC 21 Payments for certain types of liabilities, and not to the conceptual bases of the financial statements for 2018. Without this exemption, an entity must recognize certain merger obligations that will not be recognized in accordance with IFRS 37. In addition, the buyer is not required to recognize contingent assets at the date of purchase, as defined in IAS 37.

Amendments to IFRS 16 Fixed Assets - Income before intended use.

In accordance with IAS 16, the cost of an asset includes any costs of its delivery and preparation for use, including the cost of verifying the accuracy of the asset's operation. Amendments to IAS 16 prohibit organizations from deducting funds obtained due to the sale of manufactured items or products from the cost of fixed assets when the bank prepares the asset for use. Instead, the bank should recognize the proceeds from such a sale together with the expenses in profit or loss. To measure the value of such assets, the bank should use IAS 2 Inventories, excluding depreciation, because the assets are not yet ready for their intended use.

Amendments to IFRS 37 - burdensome contracts and the cost of contract execution

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, if the unavoidable costs of fulfilling obligations exceed the expected economic benefit, the contract is considered burdensome. The amendment determines which costs the company should include when assessing whether a contract is unprofitable. Thus, the direct costs of contract execution include additional costs for the execution of such a contract (for example, direct labor and materials costs); distribution of other costs directly related to the execution of contracts (for example distribution of depreciation charges for the objects of fixed assets used for the execution of the contract). Since some entities previously included only incremental costs in execution costs, the amendments make it possible to recognize a significant amount of reserves for burdensome contracts.

Annual improvements to IFRS, period 2018-2020

Improvements include minor changes to IFRS 1 First use of International Financial Reporting Standards, amendments to IFRS 9 Financial Instruments and IFRS 41 Agriculture. And changes in the illustrations to IFRS 16 lease.

- The amendment to IFRS 9 states which fees should be included in the "10% test" to stop recognition of financial liabilities. For example, the test does not include expenses or fees for the benefit of third parties.
- Amendments to IFRS 1 relate to subsidiaries that are implementing IFRS for the first time. A subsidiary will be allowed to use the exemption if it starts implementing IFRS later than the parent company. Entities applying this exemption can evaluate the accumulated exchange rates by specifying the amounts recognized by the main entity that have been collected since the date of transition to IFRS. This change also applies to partners and joint ventures that enjoy the same exemption under IFRS 1.

- IAS 41 Agriculture excludes requirements to exclude cash flows for tax purposes at fair value. The amendments are expected to help meet the discounting requirements of cash flows after tax.

Previously approved or modified standards.

IFRS (IFRS) 9 Financial instruments, published in July 2014, replaced the existing guidance in IAS 39 Financial Instruments: recognition and measurement; and includes requirements for the classification and measurement of financial instruments, impairment of financial assets and their insurance.

Classification and measurement. IFRS 9 includes three main categories of the measurement of financial assets: use value, fair value through profit (FVOCI) and fair value through profit or loss (FVTPL).

According to IFRS 9 classifications of financial assets are determined mainly on the basis of business models, under which the financial assets and the characteristics of cash flows provided for in the contract are controlled.

The norm abolishes the existing categories of financial assets in IAS 39: financial assets held-to-maturity, credits and receivables and available-for-sale financial assets. According to IFRS 9, derivative instruments embedded in the principal contract, which is a financial asset in a scope of the norm, are not separated from the principal contract. Instead, all hybrid contracts are entirely evaluated with a view of a classification. Credit instruments are measured at fair value.

IFRS 9 basically kept the existing requirements in IFRS (IAS) 39 regarding the classification of financial liabilities.

Impairment. Impairment IFRS 9 replaces the model of Incurred Losses used in IAS 39 with the model of Expected Credit Losses. The new impairment model is applied to financial instruments.

The assessment of expected credit losses should be objective and weighted with probability, and reflect the time value of money, and include reasonable and verifiable information that can be obtained without excessive cost or effort with respect to past events, current conditions, and forecasts of future economic conditions.

Under IFRS 9 recognition of credit losses is sooner than in accordance with IAS 39, and leads to higher volatility in profit or loss. It also leads to an increase in the provision for losses, as for all financial assets the expected impairment losses are measured as a minimum of 12-month estimated loss rate (ELR) and a set of financial assets, according to which the ELR are to be measured for the entire period, with a high degree of probability that it will be more than the total financial assets with identified objective impairment evidence according to IAS 39.

Transition to IFRS 9. Requirements on a classification and measurement are generally applied retrospectively (with some exemptions) by adjusting the opening balance of retained earnings and reserves as of an initial application date. The standard does not require the recalculation of comparable historical data.

IFRS 16 Lease shall replace the existing guidelines with respect to lease accounting, subject to (IAS) 17 Lease. IFRS 16 "Lease" is effective from 1 January 2018 in relation to the annual report.

Unless otherwise stated above, these new norms and clarifications are not expected to have a significant impact on the Bank's financial statements.

New accounting standards and guidelines, as well as changes and additions to existing standards have been published that have not been taken into account for the purpose of preparing these financial statements, as they were not required and had no impacts;

The Bank's Management acknowledges to apply the specified standards from the moment of their entry into force. The impact of the new standards, additions to them and comments on the Bank's financial statements have not yet been analyzed.

NOTE 2. FUNDAMENTALS OF FINANCIAL STATEMENT PREPARATION

The bases for the preparation of the Bank's financial statements are the requirements of International Financial Reporting Standards. In preparing the financial statements, the basic assumptions are the accrual method and the method of continuity of the Bank's activities.

The accrual method assumes that the effects of transactions and other events are recognized in the financial statements at the time they are incurred, rather than when they are actually received and paid in the respective reporting periods.

The method of regularity assumes that the Bank has no intention and need to liquidate or significantly reduce its activities in the near future.

2.1 STRUCTURE OF FINANCIAL STATEMENTS

The Bank's Financial Statements include:

- Statement of Financial Position
- Statement of Comprehensive Income;
- Cash Flow Statement;
- Statement of Changes in Equity;
- Notes to the Financial Statements.

The Bank's reporting period is a calendar year. Material items in the financial statements are disclosed and listed separately, while secondary items are grouped.

2.2 REPORTING CURRENCY

The Bank applies the national currency of Tajikistan — TJS as a functional and reporting currency.

NOTE 3. BASIC PRINCIPLES OF ACCOUNTING POLICY

3.1 RECOGNITION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

Basis for financial statements' presentation

The financial statements are prepared in accordance with IFRS based on historical cost accounting rules, adjusted for the initial recognition of financial instruments at fair value and remeasurement of buildings and structures, financial assets available for sale and financial instruments at fair value through profit or loss. The accounting policies used in the preparation of the financial statements are set out below. These principles are applied consistently to all periods represented in the financial statements.

Financial instruments are the basis of an approach for valuation. Financial assets and liabilities, when initially measuring at fair value plus — in the case of instruments at fair value through profit or loss — transaction costs directly attributable to the financial instrument.

A fair value is a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best fair value proof is a quoted

price in an active market. An active market is a market in which transactions with an asset or liability are conducted with sufficient frequency and volume to provide for a measuring data on an ongoing basis.

A fair value of financial instruments traded in an active market is measured as the amount obtained by multiplying the quoted price of an individual asset or liability by the amount held by the Bank.

Valuation models, such as the discounted cash flow model, as well as models based on similar transactions between independent parties or the present value of the investment object, are used to determine the fair value of financial instruments for which market information on the transaction price is not available.

The results of the fair value measurement are analyzed and divided into levels of a fair value hierarchy, as shown below: (i) Level 1 includes measurements on quoted prices (non-adjustable) in active markets for identical assets or liabilities; (ii) the level 2 includes measurements derived from measurement models in which all material inputs used are either directly (e. g., prices) or indirectly (e. g., calculated on the basis of prices) observable for both the asset or liability, and (iii) level 3 measurements which are valuations not based on solely observable market data. Transfers from level to level of the fair value hierarchy are considered as occurred at the end of the reporting period.

Effective interest rate method

It is a method of dividing interest income or interest expense within the relevant period into a book value of an instrument in order to provide for a constant interest rate in each period (effective interest rate). An effective interest rate is an exact rate at which the estimated future cash payments or receipts (not including future credit losses) are discounted for an expected life of a financial instrument or, where appropriate, for a shorter period up to the book value of a financial instrument.

Initial recognition of financial instruments

Derivatives and other financial instruments measurable at fair value through profit or loss are initially recognised at actual value. All other financial instruments are initially carried at fair value, including transaction costs. The best way to confirm the actual value at initial recognition is a contract price. Profit or loss at initial recognition are recognised only if there is a difference between the fair price and the transaction price which might be evidenced by other current transactions with the same instrument observed in the market or by a measurement model that uses only observable market data as basic data.

A purchase and sale of financial assets, the delivery of which is to be made within the time limits established by a legislation or business customs for the market (purchase and sale on Standard Terms), are carried on the date of the transaction, that is, on the date when the Bank undertakes to buy or sell the financial asset. All other transactions on the acquisition are recognized when the Bank becomes a party to the contract with respect to the financial instrument.

Derecognition of financial assets

The Bank derecognizes the financial assets when (a) the assets are repaid or the right on cash flows associated with those assets are otherwise expired, or (b) the Bank transferred the rights on cash flows from financial assets or entered into a transfer agreement, and (i) also transferred substantially all the risks and rewards of ownership of those assets, or (ii) not transferred or retained substantially all the risks and rewards concerned with an ownership of those assets, but lost the right for control regarding the assets. Control is maintained if the counterparty does not have the practical ability to fully sell the asset to a third party without imposing restrictive measures on the sale.

3.2 CASH AND EQUIVALENTS

Cash and cash equivalents are items that are readily convertible into a certain amount of cash and are subject to a slight change in value. Cash and cash equivalents comprise all interbank deposits and purchased bills of exchange of other banks with a remaining maturity of less than three months. Means, to which there are restrictions on use in the financial reporting period within more than three months, are to be excluded from cash and their equivalents.

Cash and cash equivalents also consist of cash in the Bank's hand and cash in current bank accounts.

3.3 CREDITS TO CUSTOMERS

According to the Bank's accounting policy, credits are financial assets that occur as a result of an issuance of funds directly to borrowers. In accounting, credits are to be recognized as financial assets when they are disbursed to the borrower and are initially measured at cost. Credits are taken into account with an outstanding principal amount in accordance with a credit agreement. Costs of registration and collateral assessment, as well as other legal costs, are included in the expenses upon their occurrence.

Deferred credits include credits that are likely to have an expired period or not repaid and are classified as doubtful or bad.

A re-execution of standard credits as deferred credits is carried out on the day of recognition of deferred payments. In each reporting date (monthly) the Bank assesses an availability of various probability signs of decrease in the value of accrued interests and / or principal. The assessment of an existence of any real indication of a decrease in financial assets is based on the facts at the time of preparation of the financial statements (at the end of each month).

If there is objective evidence of depreciation of credits issued as a result of events that occurred after the initial recognition of the asset, the Bank creates a provision for possible losses to cover losses. The provision for possible losses is calculated on the basis of an analysis of assets exposed to a credit risk. After determining objective depreciation signs on an individual basis, provided that there is no such a sign, credits are to be included into the group of financial assets having analogous credit risk to determine the depreciation sign as a whole.

When grouping a credit portfolio and to create a provision for possible losses (PPL), the Bank applies the provisions of an approved accounting policy.

The PPL is recalculated monthly basis on actual payments of principal and interest, as well as a report prepared by the lending department. In the event of reserves' mismatch, the Bank will make additional charges to the reserves for the period in which the shortage is identified. A total reserve for depreciation is created on standard credits.

Deferred credits for more than 180 days shall be written off in accordance with the credit policy by the decision of the Bank's Board based on the credit committee's conclusion. After writing-off in the balance sheet, the Bank will take all measures to recover the written off credits. Written-off credits are reflected in off-balance sheet accounts at least five years after the date of write-off.

In order to form the PPL, the Bank classifies the credit portfolio as follows:

Delay period	Percentage of risk	Classification
Up to 8 days	2%	Standard
8 to 30 days	5%	Under supervision
30 to 90 days	30%	Non-standard
90 to 180 days	75%	Doubtful
More than 180 days	100%	Bad

3.4 OTHER ASSETS

As other assets are to be considered: accounts receivable, tax prepayments, advances to employees, advance payments for services, etc.

3.5 LEASE

Leases, in which a significant part of risks and ownership rights remain with the lessor, are recognized as an operating lease. Using the accrual method the Bank calculates the reporting period's lease payment expenses and carries them in the statement of comprehensive income.

3.6 FIXED ASSETS

The Bank's fixed assets include objects that have the following features:

- ⇒ For production activities and performance of the Bank's works and services, also envisaged for leasing or to be used for administrative purposes;
- ⇒ Their useful life is more than one year, including buildings and structures, vehicles, furniture and all types of equipment, and other household items.

Fixed assets as assets are recognized based on the actual acquisition cost. After initial recognition, fixed assets are accounted for less accumulated depreciation.

In the case of self-constructing an asset, its original value is equal to the real value, including taxes; and in the case of acquisition of the asset as a result of replacing: its original value is to be determined at the market price of the asset being replaced, in the case of partial replacing: it is determined subject to adjustments.

In order to prepare a report in accordance with IAS 16 Fixed Assets, fixed assets are depreciated on a straight-line basis over their useful lives.

In accordance with the provisions of the accounting policy, the Bank has established the following criteria for the depreciation of fixed assets:

Assets group	Interest rate	Useful life (years)
Computer equipment (computers, electronic equipment, data transmission means)	20%	5
Office furniture, means of transport	6,67%	15
Electric motors and generators, power transmission means	8%	12.5
Buildings and constructions	2%	50
Other fixed assets	10%	10

3.7 INTANGIBLE ASSETS

Intangible assets are taken into account at cost. The initial cost includes all costs for their purchase. Intangible assets are evaluated out in the current account and the balance sheet at fair value. After the initial valuation, intangible assets are shown at fair value after deducting depreciation and impairment.

In financial accounting, the intangible assets are depreciated using the straight-line method over their useful life.

3.8 INVENTORIES

Inventories are assets that are used in the day-to-day operations of the Bank. These include:

- ⇒ Goods intended for use in the course of the Bank's activity;
- ⇒ Low-value and easily wearable goods;

Inventories in the balance sheet are reflected at cost. In the current accounts inventories are reflected in terms of quantity and value. Current valuation of inventories and their disposal is carried out by the method of FIFO.

Low-value and easily wearable goods in the balance sheet are reflected at cost. When using the low-value and easily wearable goods the value of which is determined in the law for the reporting year, they are related to the expenditures at 100%.

3.8 RESERVES

The Bank creates reserve funds for covering the losses connected with the main activity and other purposes according to the Republic of Tajikistan legislation.

3.9 FINANCIAL LIABILITIES

Borrowed funds and deposits are initially accounted for at cost, which is the amount of funds received less transaction costs incurred.

Subsequently, borrowings are carried at amortized cost and the difference between the amount received and the cost of repayment is recognized as an interest expense in the statement of comprehensive income during the borrowing period. Interest on credits and borrowings received is accrued on a monthly basis at nominal interest rate on an outstanding balance of a principal amount and/or on the principal amount depending on the credit agreement's terms and conditions.

The Bank attracts the following types of deposits from depositors (natural and legal persons) by terms of storage and classification into the following groups:

- ⇒ Deposits and savings of ministries, agencies and other natural and legal persons;
- ⇒ Deposits of natural persons attracted for a certain period of time and on demand;
- ⇒ Deposits of legal persons attracted for a certain period of time and on demand;

Accrued interest on deposits is included in the statement of comprehensive income.

Current liabilities on the Bank's balance sheet are recognized and recorded in connection with their occurrence: when settling accounts with employees on wages, accrued tax liabilities, accrued liabilities on capital expenditures, etc.

3.10 RECOGNITION OF INCOME AND EXPENSES

The term 'Income' is defined as an increase in the gross economic benefit within the reporting period generated during the Bank's activity, in the form of an increase in assets or a decrease in liabilities which are not an increase in the founder's investment.

The Bank in the course of its operating activities recognizes incomes and expenses by an accrual basis. The accrual method assumes that income is recognized in the reporting period in which it was earned, even if funds have not yet been received. Expenses also are recorded in the reporting period in which they arose regardless of whether they are paid in this reporting period. The Bank's interest income and expenses (on credits and deposits) are calculated on 360 conventional settlement days per year (365/366 days on some particular products).

3.11 TAXATION

Using the accrual basis accounting, the Bank calculates and pays the profit tax according to the general taxation system for the current period on the accrual basis in compliance with the Republic of Tajikistan tax legislation.

The income tax expense reflected in the comprehensive income statement represents the current amount of income tax as per current tax legislation as well as a deferred income tax.

Profit before tax differs from taxable profit, as items to be excluded for taxation purposes to calculate taxes are not to be taken into account when determining the profit tax source. The profit tax rate for the reporting year is 20% according to the tax code provisions.

A deferred income tax is calculated using the balance sheet assets and liabilities method in respect of all temporary differences between the assets' tax source and their carrying amount in accordance with the financial statements. Assets and liabilities for deferred taxes are determined using the tax rates expected in the year in which the assets are sold and the liabilities are paid, which is based on the tax rates determined for that period or on the reporting date.

Assets on deferred taxation are carried to the extent that there is a probability to receive the taxable profit, with respect to which temporary differences are applied.

3.12 TRANSACTION IN FOREIGN CURRENCY

The Bank compiles and presents the financial statements in the national currency. Foreign currency transactions are initially recorded in the national currency according to the official exchange rate of the National Bank at the transaction date.

The balance of assets and liabilities denominated in foreign currency is evaluated on a daily basis in order to determine the profit or loss from exchange fluctuations. For this purpose the balance of all accounts in foreign currency is converted into national currency at the rate set by the National Bank of Tajikistan in the following order:

a) Assets and liabilities in foreign currency (except for assets and liabilities shown in b) are revalued on a daily basis in relation of the exchange rate to the national currency.

b) Authorized capital is not to be valued.

c) Assets in the form of fixed assets and other tangible assets (household inventory, materials, depreciable and perishable items, etc.) and intangible assets created at the cost of currency means valued at the rate at the date of the transaction, and then a revaluation is made due to changes in the exchange rate of the national currency against foreign currencies.

In the event of an exchange rate difference when revaluating the balance sheet's currency items, the Bank recognizes the gains and losses from exchange rate changes that are reflected in the financial-economic accounts of the Bank in the month in which they occurred.

Name of currency	Exchange rate as of 31.12.2022	Exchange rate as of 31.12.2021
1 US dollar	10.2024	11.3000
1 EURO	10.8911	12.7973
10 Russian rubles	0.1445	0.1507

3.13 OWNER'S EQUITY

The Bank's owner's equity consists of authorized capital, reserve capital and retained earnings (loss).

In accordance with the requirements of the Charter, the Bank forms a reserve capital consisting of a reserve fund, which is carried out based on the decision of the Bank's Board on distribution of net profit at

the cost of retained earnings for the current year. The reserve capital is used to cover Bank's losses or for other purposes specified in the Bank's Board's resolution.

After the formation of all reserves, the balance of retained earnings is to be transferred to the account of retained earnings of previous years.

4. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1 INTEREST INCOME

In the course of its activity, the Bank receives income as interests on credits and commission income on remittances from customers. Income and expenses by the end of 2022 compared to 2021 are presented in detail in the tables below:

	2022	2021
Interest income from credits issued	40 445 763	20 586 981
Interest income - from NBT	4 302 101	13 294 106
Interest income from correspondent accounts in banks	215 186	578
Interest income from time placement	91 541	1 748 889
Interest income from credit non-bank microfinance organizations	14 496	21 479
Interest income from interbank credits	192 877	-
Interest income from discount from securities to maturity	16 110 396	9 309 925
Overdraft interest income	1 139	422
Total	61 373 498	44 962 381

4.2 INTEREST EXPENSE

	2022	2021
Interest expense on term deposits	382,901	172 410
Total	382,901	172 410

4.3 COSTS OF THE FORMATION OF PPL ON ASSETS

Items	2022	2021
PPLC (provision for possible losses on credits)	13 687 830	4 886 586
PPL according to assets received on the balance sheet	928 398	2 238 383
PPL on accrued interest receivable	112,346	174 480
Total	14 728 574	7 299 448

4.4. EXPENSES OF GENERAL RESERVE

Items	2022	2021
Expenses for the general reserve	2 025 000	1 438 046
Total	2 025 000	1 438 046

4.5. INCOME FROM COMMISSION SERVICES

Items	2022	2021
Income from the bank's commission	34 107	1 735
Income from servicing of savings accounts	1 399 772	586 097

Commission income from remittances	362 218	1 602
Total	1 796 097	589 434

4.6. EXPENSES FOR COMMISSION SERVICES

Items	2022	2021
Commission and service expenses	1 565 266	535 574
Total	1 565 266	535 574

4.7 INCOME LESS EXPENSES ON TRANSACTIONS IN FOREIGN CURRENCY

	2022	2021
Income from foreign currency transactions	11 881 038	26 321
Expenses from foreign currency transactions	(3 164 971)	(35 096)
Total	8 716 067	(8 775)

4.8 INCOME (LOSS) LESS EXPENSES FROM REVALUATION OF FOREIGN CURRENCY

	2022	2021
Income from revaluation of foreign currency	1 463 374	90 966
Expenses due to revaluation of foreign currency	(1 795 560)	(150 717)
Total	(332 186)	(59 751)

4.9. OTHER OPERATING INCOME

	2022	2021
Income from recovery of credit values	15 518 001	14 589 946
Income from the restoration of the value of the received collateral for sale	293 762	1 181 088
Income from recovery of accrued interests receivable	216 862	-
Income from rent of purchased real estate	147 801	8 136
Income from the sale of pledged assets	58 780	51 680
Income from winning in court	15 515	3 554
Other income	63 644	2 003
Total	16 314 365	15 836 407

4.10. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

ITEMS OF EXPENSES	2022	2021
Salary of employees	6 819 001	3 924 113
Extra payments to officials and employees	5 875 268	3 672 716
Contribution to the Social Security Fund	2 639 093	1 947 104
Other extra payments	551 414	268 598
Other payments of professional services	73 835	15 556
Other taxes and permits	561 885	496 173
Depreciation of furniture and equipment	4 614 516	1 233 242
Write-off of depreciation of lease rights and improvements	247 691	11 826
Amortization costs of intangible assets	433 649	238 753
Rental expenses	647 109	86 297
Audit service fees	112 000	95 000
Other penalties and fines	56 790	-

Road fund tax	105	-
Value added tax	122 463	-
Vehicle registration	5 712	-
Water, electricity and heating costs	297 150	169 673
Information technology costs	1 135 713	592 011
Expenses of repairs and technical inspections	740 782	2 919 460
Fuel and lubricants costs	73 279	48 825
Business trip and transportation	367 295	97 539
Security service fee	368 023	108 382
Communication Service	440 512	380 459
Stationery and other supplies	525 852	366 837
Subscription and periodicals	8 673	1 601
Advertising and announcement	488 128	288 930
Representation expenses	204 911	74 218
Property insurance costs	1 486	773
Donations and charitable contributions	39 832	12 428
Expenses on delivery services	5 330	12 495
Costs of court proceedings	2 456	-
Expenses on sale and other disposal of fixed assets	-	4 099
Expenses for correctional operations last year	-	18 443
Medical services expenses	-	1 550
Other expenses	160 104	23 182
Total	27 620 056	17 110 284

4.11 INCOME TAX EXPENSES

In accordance with the accounting policy adopted for the financial statements, the Bank recognizes the income and expenses using the accrual method. A tax legislation in the Republic of Tajikistan differs from International Financial Reporting Standards (IFRS) and therefore some expenses are not deductible for tax purposes when calculating the profit tax, so there is a permanent difference. For the calculation of the deferred income tax, the accounting profit is adjusted for permanent and temporary differences. The income tax rate in accordance with the Tax code of the Republic of Tajikistan for 2022 is 20%.

Items	2022	2021
Current income tax expense	6 297 342	5 474 592
Total income tax expenses	6 297 342	5 474 592

5. NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.1 CASH AND EQUIVALENTS

Cash and cash equivalents consist of the following figures:

	31.12.2022	31.12.2021
Cash in hand - national currency	12 160 650	5 410 314
Cash in hand - foreign currency	775 520	190 318
Cash in ATM - national currency	631 230	-
Cash in other structural divisions - the national currency	557 007	-
Total	14 124 407	5 600 632

5.1.1. CORRESPONDENT ACCOUNTS WITH THE NBT

	31.12.2022	31.12.2021
Receivable from NBT - national currency	7 379 056	2 771 904
Receivable from the NBT - foreign currency	2 370 151	203 557
Other accounts in national currency	49 000 001	10 000 000
Total	58 749 208	12 975 461

On other accounts in national currency, the amounts for overnight transactions and participation in NBT deposit auctions are represented.

	payment date	return date	Amount, TJS	Percent
Daily operations with NBT	30.12.22	03.01.23	9 000 000	10,00%
Participation in the NBT deposit auction	05.04.22	05.04.23	15 000 000	15,20%
Participation in the NBT deposit auction	20.12.22	20.12.23	20 000 000	14,95%
Participation in the NBT deposit auction	25.10.22	25.10.23	5 000 000	15,45%
Total			49 000 000	

5.1.2. FUNDS IN BANKS

	31.12.2022	31.12.2021
Correspondent account of banks - national currency	1 866	4 867
Correspondent account of banks - foreign currency	15	17
Correspondent account of banks outside the Republic of Tajikistan - foreign currency	3 329 444	2 764 701
Deposit with fixed period of non-bank credit institutions and micro-financing	-	3 000 000
Total	3 331 325	5 769 585
Total:	76 204 90	24 345 678

REQUIRED RESERVES IN THE NBT

	31.12.2022	31.12.2021
Receivable from the NBT - required reserves -national currency	334 499	246 446
Receivable from the NBT - required reserves -foreign currency	249 659	10 091
Total	584 158	256 537

5.3 INTERBANK CREDITS

Interbank credits consist of: 15 million TJS credit funds issued to OJSC Bank Eskhata on the basis of the interbank credit agreement No. 291222/0060-02 dated December 29, 2022 for a period of one year, as well as the amount of 10 million TJS issued to the CJSC Bank Arvand on the basis of the interbank credit agreement No. 17122/0054-01 as of November 17, 2022 for a period of one year.

	31.12.2022	31.12.2021
Interbank credits of banks in Tajikistan - national currency	25 000 000	-
Total	25 000 000	-

5.4 CREDITS ISSUED TO CUSTOMERS

	31.12.2022	31.12.2021
Credits to commercial organizations - national currency	207 956 668	154 491 155
Credits to agricultural enterprises - national currency	3 392 859	169 542
Credits to state-owned enterprises - national currency	-	1 423 927
Credits to entrepreneurs - national currency	35 635 265	12 860 638
Credits to natural persons - national currency	11 388 338	783 444
Deferred credits of commercial enterprises	4 748 391	9 878 273
Deferred credits of agricultural enterprises	-	7 518
Deferred credits to entrepreneurs	43 624	113 898
Deferred credits of individuals -- national currency	1 436	-
Credits in the litigation of business enterprises	371 595	7 947 220
Credits in the litigation of agricultural enterprises	-	1 546 674
Entrepreneurs' credits in the litigation -- national currency	3 465 880	6 934 080
Updated credits of commercial enterprises -national currency	19 957 032	21 042 563
Overdraft to individuals - national currency	2 213	3 230
PPL on credits of commercial enterprises	(14 475 019)	(18 346 308)
PPL on credits to agricultural enterprises	-	(1 575 235)
PPL on credits to entrepreneurs	(5 190 929)	(7 875 319)
PPL on credits to natural persons	(2 986)	-
Total	267 294 365	189 405 299

5.4.1 Changes in the PPL for credits

	31.12.2022	31.12.2021
PPL balance on credits at the beginning	27 796 863	37 500 223
Forming the PPL during the year	13 687 830	4 886 586
PPL recovery	(15 497 785)	(14 589 946)
Write-off of deferred credits	(6 317 974)	-
PPL balance on credits at the end of the year	19 668 934	27 796 863

5.4.2 Credits issued to customers

	31.12.2022	31.12.2021
Credits to commercial organizations - national currency	233 033 687	194 913 403
Credits to agricultural enterprises - national currency	3 392 858	1 423 927
Credits to entrepreneurs - national currency	39 144 769	20 078 157
Credits to natural persons - national currency	11 389 774	783 444
Overdraft for natural persons	2 213	3 230
Total credits	286 963 301	217 202 162
PPL on credits issued	(19 668 934)	(27 796 863)
Total credits issued to customers	267 294 367	189 405 299

5.4.3 Classification of credits by economic sectors

Sectors	31.12.2022		31.12.2021	
	Sum	as a percentage	Sum	as a percentage
Trade & Commerce	45 491 392	15,85%	27 465 706	12,65%
Construction	30 868 864	10,76%	13 281 268	6,11%
Consumer credit	11 391 987	3,97%	773 820	0,36%
Transport sector	4 131 755	1,44%	5 835 545	2,69%
Agriculture	14 916 076	5,20%	44 646 728	20,56%
Household services	16 636 409	5,80%	14 669 644	6,75%
Industry	163 526 818	56,99%	110 529 451	50,89%
Total	286 963 300	100%	217 202 162	100%
Reserves for credit portfolio devaluation	(19 668 934)		(27 796 863)	
Total credits issued	267 294 367	100%	189 405 299	100%

5.4.4. Analysis of credits to customers by deferred terms as of December 31, 2022

	Credits to agricultural enterprises	Credits to commercial organizations	Credits to entrepreneurs	Credits to natural persons	Total	Reserves for credit portfolio devaluation	Total credits less reserve
Standard	3 202 075	169 435 680	35 614 658	11 371 940	219 624 353	-	219 624 353
Under supervision	190 783	45 651 003	29 775	20 047	45 891 608	-	45 891 608
Non-standard	-	1 827 569	-	-	1 827 569	(1 113 397)	714 172
Doubtful	-	6 500 000	-	-	6 500 000	(5 435 766)	1 064 234
Bad	-	9 619 435	3 500 336	-	13 119 771	(13 119 771)	-
Total standard and deferred credits	3 392 858	233 033 687	39 144 769	11 391 987	286 963 301	(19 668 934)	267 294 367
Standard and deferred credits up to 8 days	3 202 075	169 435 680	35 614 658	11 371 940	219 624 353		
Overdue credits from 8 to 30 days	190 783	45 651 003	29 775	20 047	45 891 608		
Deferred credits from 31 to 60 days	-	1 827 569	-	-	1 827 569		
Deferred credits from 61 to 180 days	-	6 500 000	-	-	6 500 000		
Deferred credits over 180 days	-	9 619 435	3 500 336	-	13 119 771		
Total credits to customers	3 392 858	233 033 687	39 144 769	11 391 987	286 963 301		
Reserves for impairment of credits to customers	-	(16 168 598)	(3 500 336)	-	(19 668 934)		
Total credits to customers (net)	3 392 858	216 865 089	35 644 433	11 391 987	267 294 367		

5.4.5. Analysis of credits to customers by deferred terms as of December 31, 2021

	Credits to commercial enterprises	Credits to individual entrepreneurs	Credits to state-owned enterprises	Credits to natural persons	Total	Reserves for credit portfolio devaluation	Total credits after deduction of reserves
Standard	174 991 859	12 202 838	1 423 927	786 674	189 405 299	-	189 405 299
Nonstandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Dangerous	-	-	-	-	-	-	-
Bad	19 921 543	7 875 319	-	-	27 796 863	(27 796 863)	-
Total	194 913 403	20 078 157	1 423 927	786 674	217 202 162	(27 796 863)	189 405 299
Standard and deferred credits up to 8 days	174 991 859	12 202 838	1 423 927	786 674	189 405 299		
Overdue credits from 8 to 30 days	-	-	-	-	-		
Deferred credits from 31 to 60 days	-	-	-	-	-		
Deferred credits from 61 to 180 days	-	-	-	-	-		
Deferred credits over 180 days	19 921 543	7 875 319	-	-	27 796 863		
Total credits to customers	194 913 403	20 078 157	1 423 927	786 674	217 202 162		
Reserves for impairment of credits to customers	(19 921 543)	(7 875 319)	-	-	(27 796 863)		
Total credits to customers (net)	174 991 859	12 202 838	1 423 927	786 674	189 405 299		

5.4.6. Analysis of credits to customers by security as of December 31, 2022

	Credits to agricultural enterprises	Credits to commercial organizations	Credits to entrepreneurs	Credits to natural persons	Total	Reserves for credit portfolio devaluation	Total credits less reserve
Collateral provided	1 583 571	204 023 238	29 634 997	151 265	235 393 071	(15 973 903)	219 419 168
No collateral provided	181 433	11 680 622	811 846	6 002 805	18 676 706	(3 485 032)	15 191 675
Guarantee for natural persons	1 627 855	17 329 826	8 697 926	5 237 916	32 893 523	(210 000)	32 683 523
Total credits	3 392 859	233 033 686	39 144 769	11 391 987	286 963 300	(19 668 935)	267 294 365
Types of collateral							
Immovable property	1 583 571	204 023 238	29 570 083	151 265	235 328 157		
Deposit on the account	-	-	64 914	-	64 914		
Guarantee of natural persons	1 627 855	17 329 826	8 697 926	5 237 916	32 893 523		
Unsecured credits	181 433	11 680 622	811 846	6 002 805	18 676 706		
Total	3 392 859	233 033 686	39 144 769	11 391 987	286 963 300		

5.4.7. Analysis of credits to customers by security as of December 31, 2021

	Credits to commercial enterprises	Credits to individual entrepreneurs	Credits to state-owned enterprises	Credits to natural persons	Total	Provision for credit impairment	Total credits less reserve
Collateral provided	134 935 846	18 864 333	-	-	153 800 179	(18 063 386)	135 736 792
No collateral provided	59 977 556	1 213 825	1 423 927	585 777	63 201 086	(9 733 476)	53 467 609
Guarantee for natural persons	-	-	-	200 897	200 897	-	200 897
Total	194 913 403	20 078 157	1 423 927	786 675	217 202 162	27 796 863	189 405 299
Types of collateral							
Immovable property	134 935 846	18 864 333	153 800 179	18 063 386	135 736 792		
Guarantee for natural persons	-	200 897	200 897	-	200 897		
Unsecured credits	61 401 484	1 799 602	63 201 086	9 733 476	53 467 609		
Total	196 337 330	20 864 832	217 202 162	27 796 863	189 405 299		

5.4.8. Classification of credits issued in national currency by risk (TJS) in 2022

	Deferred credits (Total)	Standard	Non-standard	Doubtful	Dangerous	Bad
Credits to commercial organizations	17 947 004	-	-	1 827 569	6 500 000	9 619 435
Credits to entrepreneurs	3 500 336	-	-	-	-	3 500 336
Total	21 447 340	-	-	1 827 569	6 500 000	13 119 771
Provision for possible losses (PPL) (by %)		2%	5%	30%	75%	100%
PPL (TJS)	19 668 334	-	-	1 113 397	5 435 766	13 119 771

5.4.9. Classification of credits issued in national currency by risk (TJS) in 2021

	Deferred credits (Total)	Standard	Non-standard	Doubtful	Dangerous	Bad
Commercial enterprises	19 921 543	-	-	-	-	19 921 543
Individual entrepreneurs	7 875 319	-	-	-	-	7 875 319
Total	27 796 863	-	-	-	-	27 796 863
Provision for possible losses (PPL) (by %)		2%	5%	30%	75%	100%
PPL (TJS)	27 796 863	-	-	-	-	27 796 863

5.4.10. Credit analysis by geographical region

Name of cities and districts	Credit amount	as a percentage
The city of Dushanbe	79 929 720	27,85%
Bokhtar City	56 958 978	19,85%
City of Kulob	26 841 167	9,35%
Sughd Region	48 543 386	16,92%
Badakhshan Mountainous Autonomous Region (BMAR)	18 180 932	6,34%
Rasht District	698 541	0,24%
Republican Subordination Districts	55 810 575	19,45%
Total	286 963 300	100,00%

5.5 INTERESTS RECEIVABLE

	31.12.2022	31.12.2021
Accrued interest to be received in the national currency	3 829 821	731 376
PPL on accrued interest to be received in the national currency	(69 963)	(174 480)
Total	3 759 858	556 896

Interests receivable on credits issued to legal and natural persons are accrued.

5.6 INVESTING IN SECURITIES

	31.12.2022	31.12.2021
NBT bonds to maturity	123 931 463	200 225 594
Total	123 931 463	200 225 594

5.7 OTHER CURRENT ASSETS

	31.12.2022	31.12.2021
Employee debt	327 100	24 040
Office supplies	915 386	163 066
Prepaid expenses	1 003 443	427 888
Money transfer -- national currency	84 600	-
Money transfer -- foreign currency	16 388	-
Books	7 724	-
Additional tax advance	30717	-
Other advances	895 870	4 203 478
Total	3 281 228	4 818 471

Other current assets include assets with a period of no more than twelve months. They include receivables from employees, prepaid expenses, and advance payments to suppliers.

Name of debtors on advances:

	31.12.2022
LLC Bunyodkor-C	236 690
LLC Sapphir	149 359
LLC TajFinTech	509 821
Total	895 870

5.8 COLLATERAL FOR SALE

	31.12.2022	31.12.2021
Collateral received for sale	7 810 570	5 140 950
PPL on the received collateral for sale	(5 775 586)	(5 140 950)
Total	2 034 984	-

5.9 FIXED ASSETS

	31.12.2022	31.12.2021
Buildings and constructions	58 696 114	58 696 114
Equipment, furniture and transport	22 695 777	15 968 417
Accumulated depreciation of furniture, equipment and transport	(6 310 858)	(1 696 342)
Total	75 081 033	72 968 189

5.9.1 Changes in fixed assets

	Buildings and constructions	Vehicles	Office equipment	Furniture	Other fixed assets	Total
Initial value as of January 1, 2020	-	693 670	360 319	102 182	-	1 156 171
Accumulated depreciation as of January 1, 2020	-	(147 376)	(162 523)	(36 364)	-	(346 263)
Book value as of January 1, 2020	-	546 294	197 795	65 818	-	809 907
Inflow	-	-	22 485	-	-	22 485
Outflow (disposal)	-	-	-	-	-	-
Depreciation of fixed assets	-	(69 367)	(63 173)	(15 328)	-	(147 868)
Prime value as of January 1, 2020	-	693 670	382 804	102 182	-	1 178 656
Accumulated depreciation is 31.12.2021	-	(216 743)	(225 696)	(51 692)	-	(494 131)
Book value as of December 1, 2021	-	476 927	157 107	50 490	-	684 525
Inflow\purchase	58 696 114	553 291	11 004 867	1 631 886	1 634 847	73 521 005
Disposal of fixed assets	-	-	(35 130)	-	-	(35 130)
Write-off of depreciation of disposed fixed assets	-	-	31 032	-	-	31 032
Depreciation of fixed assets	-	(104 051)	(936 227)	(157 933)	(35 032)	(1 233 242)
Prime value as of December 1, 2021	58 696 114	1 246 961	11 352 541	1 734 068	1 634 847	74 664 531
Accumulated depreciation as of 31.12.2021	-	(320 793)	(1 130 891)	(209 625)	(35 032)	(1 696 342)
Book value as of December 1, 2021	58 696 114	926 168	10 221 649	1 524 443	1 599 816	72 968 189
Inflow\purchase	-	1 748 151	3 214 829	679 374	1 085 006	6 727 360
Disposal of fixed assets	-	-	-	-	-	-
Write-off of depreciation of disposed fixed assets	-	-	-	-	-	-
Calculation of depreciation of fixed assets	(1 173 922)	(405 472)	(2 494 245)	(319 580)	(221 297)	(4 614 516)
Prime value as of December 1, 2022	58 696 114	2 995 112	14 567 370	2 413 442	2 719 853	81 391 891
Accumulated depreciation is 31.12.2022	(1 173 922)	(726 265)	(3 625 137)	(529 206)	(256 328)	(6 310 858)
Book value as of December 1, 2022	57 522 192	2 268 847	10 942 233	1 884 236	2 463 525	75 081 033

5.10 INTANGIBLE ASSETS

	31.12.2022	31.12.2021
Intangible assets	5 040 150	3 067 475
Depreciation of intangible assets	(672 402)	(238 753)
Total	4 367 748	2 828 722

5.11 RIGHT OF LEASE AND IMPROVEMENTS

	31.12.2021	31.12.2021
Right to lease and improvements	631 730	141 925
Write-off of accumulated depreciation -- lease rights and improvements	(259 517)	(11 826)
Total	372 213	130 099

5.12 DEFERRED INCOME TAX

Assets on deferred income tax have originated as assets at the expense of the difference between the regular and temporary expenses, which reflects the difference between the income tax expense as stated in the income tax return and the statement of comprehensive income.

	31.12.2022	31.12.2021
Deferred income tax	-	67 905
Total	-	67 905

5.13 CUSTOMER SAVINGS

	31.12.2022	31.12.2021
Demand deposits of residents - national currency	2 223 650	700 293
Demand budget deposits of the Government - national currency	1 250 822	-
Demand deposits of residents - foreign currency	2 447 469	94 378
Residents' deposits - national currency	2 790 519	519 512
Residents' deposits - foreign currency	80 255	181 329
Time deposits of residents - national currency	6 389 000	6 390 000
Non-residents' deposits - national currency	731	700 293
Total	15 182 446	7 885 512

5.14 INTERESTS PAYABLE

	31.12.2022	31.12.2021
Accrued interest payable	80 384	151 719
Total	80 384	151 719

5.15 TAXES PAYABLE

	31.12.2022	31.12.2021
Income tax payable	1 566 457	4 129 147
Social tax payable	102 948	65 278
Other taxes to pay	46 373	51 784
Total	1 715 778	4 246 206

5.16 GENERAL RESERVE FOR ACTIVE ASSETS

	31.12.2022	31.12.2021
General reserve on active assets	6 938 046	4 913 046
Total	6 938 046	4 913 046

5.17 OTHER CURRENT LIABILITIES

	31.12.2022	31.12.2021
Other accounts payable - national currency	522 123	5 183 235
Other accounts payable - foreign currency	12 154	-
Settlement of credit institutions - foreign currency	77	-
Other accrued expenses payable	1 207 269	768 184
Reserves on unused holidays	514 747	337 944
Other liabilities	17 215	5 183 235
Total	2 273 585	6 289 363

5.18 CREDITS

The credit at the request of No.1 dated 12/14/2022 was raised at the expense of grant funds from the Asian Development Bank for the allocation of preferential credits to small and medium-sized entrepreneurs.

	31.12.2022	31.12.2021
Credits	50 000 000	-
Total	50 000 000	-

5.19 DEFERRED TAX LIABILITIES

	31.12.2022	31.12.2021
Deferred tax liabilities	210 313	-
Total	210 313	-

5.20 EQUITY

The bank's equity consists of paid-up capital, capital surplus, retained earnings (losses) and reserves for future operations and unforeseen circumstances.

	31.12.2022	31.12.2021
Paid share capital	438 696 114	380 000 000
Capital surplus	-	58 696 114
Retained earnings	34 055 344	33 421 429
Reserve for future banking operations	26 207 983	-
Contingency reserve	6 551 996	-
Total capital	505 511 437	472 117 544

Based on the Decree of the Government of the Republic of Tajikistan No. 247 dated May 21, 2022, the authorized capital (paid-up share capital - ordinary shares) was increased by 58,696,114 TJS at the expense of capital surplus.

NOTE 6. CONTINGENT LIABILITIES

The Bank's Management believes that there are no material liabilities that might have a significant negative effect on its financial position and performance in the foreseeable future.

LEGAL PROCEEDINGS

The Bank's management acknowledges that as of the reporting date there are 18 cases of litigation (in 2021 were 12 cases) on credit relations with customers. Claims are submitted by the Bank and currently pending in the Court and are partially satisfied and under consideration. The total amount of the claim is 11 898 825 (2021 was 4 227 564 89) TJS. Of the total amount of the claim, 6 179 160 TJS were satisfied by the court. The claim was not satisfied in the amount of 2 211 662 TJS and partially satisfied 1 349 644 TJS. Claims for the amount of 2 564 153 are in different conditions. According to the Bank's Management, the litigation will be resolved in favour of the Bank and therefore the Management has not created estimated reserves on the current disputes in the financial statements. A reserve fund is established for all credits.

CONTINGENT LIABILITIES OF TAXES

A tax legislation regarding the particular operations and, generally in the Bank's activity, is subject to different interpretations. For this reason, comments on tax calculations determined by the management as well as official documents confirming tax explanations are likely to be reviewed and amended by the tax authority. Based on the above opinion, there is a risk that tax authorities will additionally impose taxes for the audited period. The Bank's management acknowledges the potential tax losses based on an assessment of the true result of a tax inspection.

NOTE 7. SUBSEQUENT EVENTS

The Management acknowledges that other important events after the reporting period prior to the printing of the audit report did not take place to affect the financial position of the Bank.

NOTE 8. RISK MANAGEMENT POLICY

A risk management has important bases for the banking business and is an important element in the Bank's activities. The Bank's performance is largely dependent on a quality of credit risk assessment

procedures and management of risks. Risks are assessed by a potential assessment of the losses that the Bank may have.

A management of banking risks assumes an availability of procedures of their quantitative assessment, i. e. a likelihood of unfavorable events and a value of concomitant losses.

Risk exposure and its causes

The main risks inherent in the Bank's activities is a credit risk, liquidity risk, currency risk, interest rate risk, operating risk, and aggregate risk.

Causes of the risks are as follow:

unfavourable conditions for counter-agents to fulfill their assumed obligations;

- adverse movement of a market condition;

- ineffective organization of the Bank's activities as result of unfavourable external events.

Market risk

The Bank is subjected to the market risk which is related to open positions according to currency instruments and interests that are subject to general and specific risks of changes in the market. The Management sets limits on acceptable risk levels and monitors its compliance on a daily basis. However, the use of such a method cannot prevent losses beyond these limits in the event of significant changes in the market.

A credit risk is a risk of financial losses arising because of the Bank's borrower's default on its obligation. In the course of its activities the Bank is exposed to a credit risk which is related to the untimely repayment and impossibility and/or non-fully repayment of credits and accrued interests.

Subjection to risks is controlled by regular analysis of creditors' and possible borrowers' solvency to repay accrued interests and principal.

A subjection to risks is controlled by means of receiving collateral and guarantees. According to the credit policy instructions, the Bank observed the requirements to provide for a collateral depending on the borrowers' requested amount, periods and a borrower's credit history.

The Bank assesses the credit risks on an individual basis, that is, a risk of a borrower's failure to repay the principal debt and interests in due date fixed by terms and conditions of a contract.

A provision for impairment is recognised in the financial statements only for losses that were incurred as of the reporting date on the basis of objective evidence that impairment occurred after initial recognition. Due to differences in application of various methodologies, the incurred credit losses' amount estimated for the financial statements is usually lower than the amount determined based on the expected loss model.

Liquidity risk

Liquidity risk is the risk of problems in obtaining funds to return deposits and repay liabilities associated with financial instruments upon their actual payment term maturing.

The Bank feels a need for free cash on a daily basis to settle current liabilities, repay credits and other claims on financial instruments that can be repaid in cash. The Bank manages the liquidity for the purpose of providing cash at any time to repay liabilities related to cash flow as they mature. The main tool used by the Bank to control liquidity is an analysis of cash flow forecasts.

Interest rate risk

Interest rate risk is managed by means of an equilibration of the repayment terms of assets and liabilities. A perspective interest risk amount assessment on each instrument makes it possible to take measures to minimize its affect on profits, as decrease in incomes and direct losses may lead to the degradation of a capital adequacy index.

Risks of internal operational environment

An operational risk is a risk of losses arising because of failure in an internal control system functioning, malfunctioning of an electronic data processing system, inaccurate and/or deliberate wrongful acts of employees, and acts of God.

Risk Concentration

A risk concentration arises when several counteragents carry out similar kinds of activities, or they carry out their activities in the same geographical region, or the counteragents have analogous economic characteristics, and because of changes in economic, political and other conditions, have a similar influence on the ability of those counteragents to meet their contractual obligations. Risk concentrations reflect a relative sensitivity of the Organization's performance to the changes in conditions that have an influence on a specific sector or geographic region. The Bank's Management prioritizes the main segment of its activities within the Republic of Tajikistan. The Management should tighten supervision to make the employees to observe the Bank's internal policies and procedures.

ACCEPTABLE CRITERIA

CAPITAL ADEQUACY, ETC.

According to the provisions of the legislation of the banking sector, a number of acceptable standards for credit institutions have been adopted by the National Bank of Tajikistan, which must be followed. A capital adequacy of the Bank, among other elements, is controlled by the use of coefficients established by the Basel Agreement on capital since 1988 and also according to the standards of the National Bank of Tajikistan.

According to the NBT provisions, the capital adequacy ratio (K1.1) is 12%, the capital adequacy ratio (K1.2) is 10%, the capital adequacy ratio (K1.3) is 8%. According to the report submitted to the National Bank of Tajikistan as of December 31, 2022, the rate of the actual current liquidity figure made (K2.1) 646,29%, that the required rate makes 30%. According to the report submitted to the NBT, the rate of K1.1 - 105.12%, k1.2 - 71.80%, k1. 3 - 99. 52%. The rates of the common currency position (K6) differ from the requirements of acceptable rates.

NOTE 9. OPERATIONS WITH RELATED PARTIES

OPERATIONS WITH RELATED PARTIES

According to IAS 24 Disclosure of Information with Related Parties, parties are considered to be related if they are under common control, or if one of them has the ability to control the other party, or may have significant influence in making financial and operational decisions. When considering the mutual relations with all parties related, the economic content of such relationship is taken into account, not just their legal form.

As of December 31, 2022, no operations were conducted with related parties.

Date of publication approval of the report

On April 5, 2023, the Bank's Management approved the report for publication.



Chairman of the Board
Bobozoda H. J.



Chief accountant

Hotamov K. D.