KRESTON

AC

OPEN JOINT STOCK COMPANY "TAWHIDBANK"

Financial statements
for the year ended December 31, 2022

and independent auditors' report

CONTENT

OJSC "TAWHIDBANK"

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

The following statement, which should be read in conjunction with the independent auditors' responsibilities is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the Open Joint Stock Company "Tawhidbank" (the "Bank").

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

In preparing the financial statements, management is responsible for:

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

Management of the Bank is also responsible for:

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

The financial statements for the year ended December 31, 2022 were approved for issue on March 31, 2023 by the Management of the Bank.

On behalf of the Management of the Bank:

Zardov Sherali
Chief Executive Officer

March 31, 2023
Dushanbe, Republic of Tajikistan

Davlatov Farrukh
Chief Accountant

March 31, 2023
Dushanbe, Republic of Tajikistan

KRESTON AC

Republic of Tajikistan
Dushanbe, 734025
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INDEPENDENT AUDITORS' REPORT

To the Shareholders, Supervisory Board and Management of OJSC "Tawhidbank":

Qualified opinion

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

In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" paragraph the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (the "IFRS").

Basis for qualified opinion

As at December 31, 2022 in the statement of financial position the Bank presents Islamic finance receivables in the amount of 78,657 thousand somoni which includes allowance for expected credit losses on Islamic finance receivables in the amount of 114 thousand somoni. The Bank calculates allowance for expected credit losses on Islamic finance receivables according to regulation of the National Bank of Tajikistan, which differs from International Financial Reporting Standards approach. The Bank did not implement new model for measurement and recognition of expected credit losses of Islamic finance receivables according to IFRS 9 "Financial Instruments" (the "IFRS 9"). It was not practicable to perform alternative audit procedures for measurement and recognition of expected credit losses of Islamic finance receivables according to IFRS 9. As the result of these matters, we were unable to determine whether any adjustments might be necessary in respect of loans valuation as at December 31, 2022 for compliance with IFRS 9.

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

Emphasis of matter

Without further qualifying our opinion we draw attention to the following matters:

Due from banks

As at December 31, 2022, the Bank's statement of financial position in Note 13 presents "Amounts due from banks" in the amount of 4,444 thousand somoni, taking into account allowances for expected credit losses on amounts due from banks in the amount of 1,211 thousand somoni. It should be noted that of the above amounts, the share related to due from banks located in the Russian Federation is 1,397 thousand somoni, the allowance for expected credit losses on due from these banks will be 1,202 thousand somoni. The situation related to the current situation in Ukraine and the introduction of strict international sanctions against the Russian Federation began to develop very rapidly in February 2022. These circumstances led to the fact that international rating agencies revised the sovereign credit rating of the Russian Federation and Ukraine with a negative outlook. The downgrade is associated with significant risks for economic growth, a serious impact on exchange rates, the creditworthiness of countries and their economic entities. Taken together, this could have a significant impact on expected credit losses on amounts due from banks in the subjects of these countries that are affected by these factors. At the date of issue of the financial statements, the Bank was unable to assess the effect of the possible impact of these circumstances on the financial statements. The use of alternative audit procedures sufficient to calculate and recognize expected credit losses on due from banks in accordance with the updated credit ratings was not feasible. As a result of these circumstances, we were unable to determine what adjustments might be necessary in relation to the measurement of allowance of the due from banks for expected credit losses in order to comply with IFRS 9 Financial Instruments as at December 31, 2022.

Income Tax Declaration

In Note 11 "Income Tax" in the statement of profit or loss and other comprehensive income, the amount of income tax for the year ended December 31, 2022 is 3,168 thousand somoni. As of the date of approval of the financial statements, the Income Tax Declaration for the reporting period had not been approved by the tax authorities. The use of alternative audit procedures sufficient to verify the correctness of accounting for this item for the year ended December 31, 2022 was not feasible. As a result of these circumstances, we were unable to determine what adjustments might be necessary in relation to the calculation of income tax for the year ended December 31, 2022.

Islamic finance receivables and loans issued

On July 1, 2019, the Bank was renamed to "Tawhidbank" and since September 16, 2019, from the moment of obtaining a license, it has been operating as a full-fledged first Islamic Bank in Tajikistan. The Bank accepts deposits from the public, provides financial transactions based on the principles of the Shariah rules and regulations, carries out money transfers, carries out currency exchange operations and provides other banking services to its commercial clients.

The systematic transition from traditional banking to Islamic banking was completed on October 31, 2019. Specialists of the Islamic Corporation for Private Sector Development (ICD), which is part of the Islamic Development Bank Group, were involved to match the process of transition from a traditional bank to an Islamic bank and to match the conditions and correctness of Islamic finance products with the requirements of Islamic Banking and AAOIFI standards.

As part of the audit of the financial statements for the year ended December 31, 2022, an expert in the field of Islamic finance was engaged from Kreston Bishkek LLC (Kyrgyzstan). According to the results of the audit of the bank's Islamic financial operations for compliance with AAOIFI standards, no significant violations were revealed.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error; developing and performing audit procedures in response to these risks; Obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement as a result of fraud is higher than the risk of not detecting material misstatement as a result of an error, since fraud may include collusion, forgery, willful non-reflection or misrepresentation of data, or bypassing internal controls;
- Obtaining an understanding of the internal control system associated with the audit in order to develop audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures prepared by management;
- forming a conclusion on the appropriateness of management's use of the going concern assumption as the basis of accounting, and, based on the audit evidence obtained, a conclusion about whether there is a material uncertainty in connection with events or conditions, as a result of which there may be significant doubts about the Bank's ability to continue continuously its activities. If we conclude that a material uncertainty exists, we should draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are insufficient, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our auditor's report. However, future events or conditions may cause the Bank to no longer be able to continue as a going concern;
- evaluating the overall presentation of the financial statements, their structure and content, including disclosures, and evaluating whether the financial statements present the underlying transactions and events in a manner that achieves a fair presentation.

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

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

Dilovar Sherov
Director, «Kreston AC» LLC

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

March 31, 2023
Dushanbe, Republic of Tajikistan

OJSC "TAWHIDBANK"

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

(in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
Income from Islamic finance activities	5	8,093	3,643
Expenses from Islamic finance activities	5	(419)	(33)
NET INCOME FROM ISLAMIC FINANCE ACTIVITIES BEFORE THE FORMATION OF RESERVES FOR EXPECTED CREDIT LOSSES OF ISLAMIC FINANCE RECEIVABLES		**7,673**	**3,610**
Accrual of allowance for expected credit losses on Islamic finance activities		(154)	(97)
NET PROFIT FROM ISLAMIC FINANCE ACTIVITIES		**7,520**	**3,514**
Financial income	6	45	9
Financial expenses	6	(292)	(252)
NET FINANCIAL EXPENSES BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON OTHER FINANCIAL ASSETS		**(247)**	**(243)**
Recovery of allowance for expected credit losses on loans to customers		-	-
NET FINANCIAL (LOSS) / INCOME		(247)	(243)
Commission income	7	13,473	19,907
Commission expenses	7	(15,379)	(4,501)
Net gain on foreign exchange operations	8	36,391	6,693
Accrual of allowance for impairment losses on other assets	9	(932)	(2,612)
Other income, net	10	6,886	10,677
NET NON - FINANCIAL INCOME		40,438	30,163
Operating expenses	11	(31,163)	(28,223)
PROFIT BEFORE CORPORATE INCOME TAX EXPENSE		**16,548**	**5,210**
Corporate income tax expense	12	(3,168)	(1,726)
PROFIR FOR THE YEAR		**13,380**	**3,485**
Other comprehensive income:		-	-
TOTAL COMPREHENSIVE INCOME		**13,380**	**3,485**

On behalf of the Management of the Bank:

Zardov Sherali
Chief Executive Officer

March 31, 2023
Dushanbe, Republic of Tajikistan

Davlatov Farrukh
Chief Accountant

March 31, 2023
Dushanbe, Republic of Tajikistan

The notes on pages 13-49 form an integral part of the financial statements.
The independent auditors' report is on pages 4-7

OJSC "TAWHIDBANK"

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

	Notes	December 31, 2022	December 31, 2021
ASSETS			
Cash and cash equivalents	13	73,280	63,479
Due from banks	14	4,444	29,310
Islamic finance receivables	15	78,657	26,308
Investment in securities	16	35	35
Property and equipment	17	28,517	30,347
Right-of-use assets	18	1,639	1,416
Intangible assets	19	8,527	9,121
Deferred tax asset		2,296	3,005
Other assets	20	23,738	7,895
TOTAL ASSETS		**221,133**	**170,916**
LIABILITIES AND EQUITY			
LIABILITIES:			
Customer accounts	21	78,595	61,288
Due to banks and financial institutions	22	7,759	10,483
Lease liabilities	18	2,091	1,844
Other liabilities	23	33,686	7,979
		122,131	81,594
EQUITY			
Share capital	24	85,000	85,000
Reserve for future operations		3,008	3,008
Reserve for insurance		111	111
Contingency reserve		30	30
General reserve from profit		10,193	10,193
Retained earnings / (accumulated loss)		660	(9,020)
		99,002	89,322
TOTAL LIABILITIES AND EQUITY		**221,133**	**170,916**

On behalf of the Management of the Bank:

Zardov Sherali
Chief Executive Officer

March 31, 2023
Dushanbe, Republic of Tajikistan

Davlatov Farrukh
Chief Accountant

March 31, 2023
Dushanbe, Republic of Tajikistan

The notes on pages 13-47 form an integral part of the financial statements.
The independent auditors' report is on pages 4-7.

OJSC “TAWHIDBANK”

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

	Share capital	Capital surplus	General reserve from profit	Reserve for future operations	Reserve for insurance	Contingency reserve	Retained earnings/ (Accumulated deficit)	Total:
Balance as of December 31, 2020	**65,000**	**3,152**	**10,193**	**316**	**111**	**30**	**(8,812)**	**69,990**
Increase in share capital	20,000	-	-	-	-	-	-	20,000
Increase in reserves due to Retained earnings	-	-	-	2,692	-	-	(2,692)	-
Declared dividends	-	-	-	-	-	-	(1,000)	(1,000)
Withdrawal of capital	-	(3,152)	-	-	-	-	-	(3,152)
Total comprehensive income	-	-	-	-	-	-	3,484	3,484
Balance as of December 31, 2021	**85,000**	**-**	**10,193**	**3,008**	**111**	**30**	**(9,020)**	**89,332**
Increase in share capital	-	-	-	-	-	-	-	-
Increase in reserves due to Retained earnings	-	-	-	-	-	-	-	-
Declared dividends	-	-	-	-	-	-	(3,700)	(3,700)
Withdrawal of capital	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	13,380	13,380
Balance as of December 31, 2022	**85,000**	**-**	**10,193**	**3,008**	**111**	**30**	**660**	**99,002**

On behalf of the Management of the Bank:

Zardov Sherali
Chief Executive Officer

March 31, 2023
Dushanbe, Republic of Tajikistan

Davlatov Farrukh
Chief Accountant

March 31, 2023
Dushanbe, Republic of Tajikistan

The notes on pages 13-49 form an integral part of the financial statements.
The independent auditors' report is on pages 4-7

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

(in thousands of Tajik somoni)

	Notes.	For the year ended December 31, 2022	For the year ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expenses		16,548	5,210
Adjustments for:			
Depreciation of fixed assets and amortization of intangible assets	17,19	3,745	4,534
Depreciation of right of use assets	18	558	487
Change in expected credit losses of Islamic finance receivables		154	97
Change in expected credit losses Due from banks	9	713	287
Change in allowance on foreclosed assets	9	(57)	730
Change in allowance on other assets	9	276	1,595
Change in unused vacation provision	23	135	204
Loss on disposal of property and equipment	10	11	17
Exchange rate difference on operations with foreign currency		739	349
Net financial income		(7,427)	(3,367)
Cash flows from operating activities before changes in operating assets and liabilities		**15,395**	**10,143**
Changes in operating assets and liabilities:			
Decrease / (increase) in operating assets			
Due from banks		1,591	(1,945)
Islamic finance receivables		(53,242)	(18,128)
Other assets		(17,568)	11,197
Increase / (decrease) in operating liabilities:			
Customer accounts		18,088	18,972
Due to banks and financial institutions		(2,724)	6,812
Lease liabilities		(781)	800
Other liabilities		25,572	(1,637)
Cash (outflow)/inflow from operating activities before corporate income tax and finance income/(expenses)		**(13,669)**	**26,214**
Financial income received		8,138	3,652
Financial expenses paid		(711)	(285)
Corporate income tax paid		(1,730)	(1,307)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		**(7,972)**	**28,274**

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

	Notes.	For the year ended December 31, 2022	For the year ended December 31, 2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	17	(422)	(17,352)
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets	19	(133)	(12,653)
(Purchase)/sales of securities		-	-
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(555)**	**(30,005)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in share capital	24	-	20,000
Dividends paid		(3,700)	(1,000)
Decrease in additional paid-in capital		-	(3,152)
Repayment of lease liabilities		(534)	(412)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**(4,234)**	**15,436**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(12,761)**	**13,705**
Effect of exchange rate changes on the balance of cash held in foreign currencies		(4,355)	8,100
CASH AND CASH EQUIVALENTS, beginning of period	13	**90,567**	**68,762**
CASH AND CASH EQUIVALENTS, end of period	13	**73,451**	**90,567**

On behalf of the Management of the Bank:

Zardov Sherali
Chief Executive Officer

March 31, 2023
Dushanbe, Republic of Tajikistan

Davlatov Farrukh
Chief Accountant

March 31, 2023
Dushanbe, Republic of Tajikistan

The notes on pages 13-49 form an integral part of the financial statements.
The independent auditors' report is on pages 4-7

1. GENERAL INFORMATION

Based on the decision of the National Bank of Tajikistan No. 15 dated August 19, 1999 the Joint Stock Commercial Bank "Sohibkorbank" was registered as a diversified bank on August 24, 1999 with the aim of supporting entrepreneurship. According to this document Joint Stock Commercial Bank "Tojikbankbusiness" was reorganized into JSCB SE "Sohibkorbank" (according to the Charter of JSCB SE "Sohibkorbank" adopted on August 24, 1999). Based on the decision of Management of the National Bank of Tajikistan No. 147 dated September 15, 2000 JSCB SE "Sohibkorbank" was declared as full owner of this bank, all property and liabilities (of JSCB "Tojikbankbusiness") were transferred to JSCB SE "Sohibkorbank". Based on the decision of the National Bank of Tajikistan No. 106 dated May 17, 2002 and the Order of the JSCB "Sohibkorbank" No. 46 dated May 22, 2002, the Bank was reorganized into Open Joint Stock Company "Sohibkorbank" (hereafter, the Bank).

On July 1, 2019, the Bank was renamed into "Tawhidbank" and from September 16, 2019, from the moment of obtaining the license, it operates as a full-fledged first Islamic Bank in Tajikistan. The Bank accepts deposits from the public, provides financial transactions based on the principles of Shariah norms and rules, carries out money transfers, carries out currency exchange operations and provides other banking services to its commercial clients.

In accordance with the requirements of Islamic banking, AAOIFI standards and the Law of the Republic of Tajikistan "On Islamic Banking", the establishment of the Islamic Financial Services Committee (Shariah Council) in the organizational structure is a prerequisite for Islamic banks. A bank cannot function as an Islamic bank if there is no Committee in its organizational and administrative structure.

Thus, Tawhidbank has created a Committee for Islamic Financial Services in its structure in order to comply with the requirements of present legislation, the rules and principles of Sharia, as well as best practices.

The Islamic Financial Services Committee, as the governing body of the Bank, is responsible for making relevant decisions on Sharia issues.

The committee performs the following functions:
- solving issues related to the conformity of Shariah requirements, norms and principles, signing agreements and making decisions in operational activities;
- analysis and compliance of the decisions made and decisions to be made under contracts and agreements in accordance with the Shariah and AAOIFI standards;
- approval of Sharia law and issuance of fatwas for products, services, operations and transactions;
- definition of internal documents and procedures;
- management and estimation of donations usage;
- ensuring compliance with the principles of fairness in sharing of income and loss, as well as rights and obligations;
- consulting and clarification of issues related to Halal and Haram items;
- other empowerment and authority assigned to the Committee by the Supervisory Board.

The Bank is registered and located at the address: 10/17 N. Muhammad str., Dushanbe, the Republic of Tajikistan. As at December 31, 2022 and 2021 the Bank had 5 and 7 branches on the territory of the Republic of Tajikistan, respectively. As at December 31, 2022 and 2021 the Bank had 305 employees and 322 employees, respectively.

as a lessor, to the customer as lessee for the specified rental over a specific period. The duration of the lease term, as well as the basis for rental, are set and agreed in the lease agreement. The Bank possesses ownership of the asset throughout the lease term. The arrangement could end by transferring the ownership of the asset to the lessee upon completion by the lessee of it obligation during or at the end of the lease term.

Mudaraba

Mudaraba is a contractual arrangement whereby two or more parties undertake an economic activity. Mudaraba is a partnership in profit between capital and work. It may be conducted between an investment account holder as the provider of funds and the Bank as a Mudarib. The Bank announces its willingness to accept the funds of the investment account holder, the sharing of the profits being as agreed between the two parties and the losses being borne by the provider of the funds except if they were due to misconduct, negligence or violation of the conditions agreed upon by the Bank, in which case, such losses would be borne by the Bank.

Wakala

An agreement whereby the Investor provides a certain sum of money to an agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or percentage of the amount invested). The agent may be granted any excess over and above a certain pre-agreed expected rate of return as a performance incentive. The agent is obliged to return the invested amount in the case of the agent's negligence or violation of the terms and conditions of the Wakala.

Zakah

Zakah is a right which becomes due in certain types of wealth and disbursable to specific categories of recipients. It is an in rem duty when its conditions are satisfied.

Sukuk

Sukuk are certificates of equal value representing undivided common shares in ownership of tangible assets or in the ownership of a specific asset (leased or to be leased either existing or to be constructed in future), usufruct and services, or in the ownership of cash receivables of selling an existing-owned asset, or in the ownership of goods receivables, or in the ownership of the assets of Mudaraba or partnership companies. In all these cases, the Sukuk holders are the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the partnership or the Mudaraba.

Wa'ad Swap (Islamic derivative financial instrument)

Currency and profit rate swaps are promises to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or profit rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross- currency profit rate swaps).

Qard Hassan

Qard Hassan short term receivables are non-profit bearing financing receivables whereby the customer borrows funds for a specific time with an understanding that the same amount will be repaid at the end of the agreed period.

AAOIFI Standards

AAOIFI Standards - Accounting and Auditing Standards for Islamic Financial Institutions that are based on Sharia law and applicable to banking services

Shariah Committee

Shariah Committee - the Islamic Financial Services Committee as the organizational structure, which in other Islamic banks can be named as Shariah Committee

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Initial recognition and valuation of financial instruments

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

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

The Bank classifies financial assets in the following main categories:

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

Debt instruments

The classification and subsequent accounting of debt instruments depend on:

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

Business model

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

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

SPPI criteria

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

Financial assets measured at amortized cost:

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

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

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

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

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

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

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

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

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

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

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

Equity instruments

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

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

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

Reclassification

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

Derecognition of financial assets

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

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

Modification of contractual cash flows

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

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

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

If a modification results in increase of significant risks, then the effect of contract modification influences the calculation of expected credit losses.

Classification and subsequent accounting of financial liabilities

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

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

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

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

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

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

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

Offset of assets and liabilities

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

Derecognition of financial liabilities

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

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

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

Cash and cash equivalents

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

Due from banks

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

Derivatives

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

Islamic finance receivables

Islamic financing receivables in the statement of financial position include:

- Financing receivables measured at amortized cost are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortized cost using the effective profit method; and
- Financing receivables measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognized immediately in profit or loss, if applicable.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock financing), the arrangement is accounted for as a financing or advance

Income from financing receivables

Revenue is recognized on the above Islamic products as follows:

Murabaha

The profit is quantifiable and contractually determined at the commencement of the contract. Profit is recognized as it accrues over the life of the contract using an effective profit method on the balance outstanding.

Ijara

Income from «Ijara» is recognised on an accrual basis over the period of the contract.

Mudaraba

Income on «Mudaraba» financing is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Wakala

Estimated income from «Wakala» is recognized on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

Evaluation of impairment of loan portfolio in accordance with IFRS and NBT approaches

The Bank calculates allowance for expected credit losses on loan portfolio according to regulation of the National Bank of Tajikistan (the "NBT"), which differs from the International Financial Reporting Standards (the "IFRS") approach.

Impairment of Islamic financing receivables

Losses for impaired financing receivables are recognized promptly when there is objective evidence that impairment of a financing receivable or portfolio of financing receivables has occurred. Impairment allowances are calculated on individual financing receivable and on groups of financing receivables assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired financing receivables on the balance sheet is reduced through the use of impairment allowance accounts.

Individually assessed Islamic financing receivables

For all financing receivables that are considered individually significant, the Bank assesses on a case-by-case basis each quarter and more frequently when circumstances require whether there is any objective evidence of impairment. The criteria used by the Bank to determine that there is such objective evidence include:

- known cash flow difficulties experienced by the obligor;
- past due contractual payments of either principal or profit;
- breach of financing covenants or conditions;
- decline in the realizable value of the security;
- the probability that the obligor will enter bankruptcy or other financial realization; and
- a significant downgrading in credit rating by an external credit rating agency.

For those financing receivables where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- the Bank's aggregate exposure to the customer;
- the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service financing obligations;
- the amount and timing of expected receipts and recoveries;
- the likely dividend available on liquidation or bankruptcy;
- the extent of other creditors' commitments ranking ahead of, or pari passu with, the Bank and the likelihood of other creditors continuing to support the company;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding;
- the ability of the obligor to obtain, and make payments in, the currency of the financing if not denominated in local currency; and
- when available, the secondary market price of the financing.

Impairment losses are calculated by discounting the expected future cash flows of a financing receivable at its original effective profit rate and comparing the resultant present value with the financing receivable's current carrying amount. The impairment allowances on individually significant accounts are reviewed at least quarterly and more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively assessed Islamic financing receivables

Impairment is assessed on a collective basis in two circumstances:

- to cover losses which have been incurred but have not yet been identified on financing receivables subject to individual assessment; and
- for homogeneous groups of financing receivables that are not considered individually significant.

Property and equipment and intangible assets

Furniture, office equipment, vehicles and intangible assets are at historical cost less accumulated depreciation. Buildings are accounted at revalued cost, less accumulated depreciation and / or accumulated impairment losses, if any. Such cost includes the cost of acquiring or constructing buildings and borrowing costs in the case of long-term construction projects, if the recognition criteria are met.

An increase in value as a result of a revaluation is taken into account directly in equity, in the revaluation allowance of property and equipment, unless it compensates for the previous decrease in the value of this asset resulting from the revaluation and is recognized in the statement of profit or loss and other comprehensive income, in this case an increase is recognized in the statement of profit or loss and other comprehensive income. A decrease in value as a result of a revaluation is recognized in the statement of profit or loss and other comprehensive income, unless it reimburses a previous increase resulting from a revaluation recognized in the revaluation reserve of property and equipment.

Depreciation is charged on the carrying value of property and equipment and amortization of intangible assets in order to write off assets over their useful life. Accrual of depreciation and amortization is implemented using declining balance method using the following annual rates:

Buildings	7%
Furniture and office equipment	8%-20%
Vehicles	15%
Intangible assets	10%

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

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

Long-term assets held for sale

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

Taxation

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

Current income tax

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

Deferred tax

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

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

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

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

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

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

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

Contingent liabilities

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

Share capital

Share capital is recognized at initial cost.

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

General reserve

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

Pension liabilities

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

Recognition of income and expense

Recognition of commission income and expenses

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

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

Foreign currency exchange

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

Exchange rate

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

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

Areas of significant use of estimates and assumptions of management

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

Allowance for expected credit loss of loans and accounts receivable

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

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

The allowances for expected credit loss of financial assets in the financial statements have been determined on the basis of economic and political conditions. The Bank is unable to predict what kind of changes in economic and political conditions will take place in the country, and what kind of impact these changes may have on the adequacy of the allowance for expected credit loss of financial assets in future periods.

As at December 31, 2022 and 2021 the carrying amount of the allowance for expected credit losses on Islamic finance receivables amounted to 105 thousand somoni and 66 thousand somoni, respectively (Note 14 «Islamic finance receivables»).

Calculation of the fair value of unquoted securities

Due to the limited market tools and the number of observed transactions on the purchase and sale of securities in the Republic of Tajikistan, the Bank uses alternative methods for estimating the market value of securities at fair value through other comprehensive income or fair value through profit or loss. These estimates may differ from the market value of the securities if there was an active market or a transaction with a third party.

Leases

The Bank has lease agreements for various buildings. Prior to applying IFRS 16, the Bank classified each lease (in which it was a lessee) at the commencement date of the lease as a finance lease or as an operating lease. A lease is classified as a finance lease if substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the Bank; otherwise, the lease was classified as an operating lease. The finance lease was capitalized at the commencement date at the fair value of the leased property or, if less, at the present value of the minimum lease payments determined at the commencement date of the lease. The lease payments were apportioned between the interest (which was recognized as finance costs) and the reduction of the lease liability. In the case of operating leases, the value of the leased property was not capitalized and the lease payments were recognized as a lease expense in the income statement on a straight-line basis over the lease term. All advance lease payments and accrued lease payments were recognized in Advances and Other payables, respectively.

Following the adoption of IFRS 16, the Bank recognized lease liabilities that were previously classified as "operating leases" in accordance with the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments discounted using the Bank's incremental borrowing rate as at 1 January 2019. The weighted average rate for raising additional borrowed funds applied to leasing obligations as at 1 January 2019 was 16%. For leases previously classified as finance leases, the Bank recognized the carrying amount of the lease asset and lease liability immediately prior to transfer as the carrying amount of the right-of-use asset and lease liability at the date of initial application.

As a result of the application of IFRS 16, the Bank has adopted a uniform approach to recognizing and evaluating all leases under which the lessee is a lessee, except for short-term leases and leases of low-value assets. The Bank has recognized lease liabilities in respect of making lease payments and right-of-use assets, which represent the right to use the underlying assets.

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

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

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

New and revised IFRSs in issue but not yet effective

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

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

- *Amendments to IAS 16 "Property, plant and equipment"* - proceeds before intended use. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- *Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets"* onerous contracts - cost of fulfilling a contract. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- *The amendment to IFRS 9 "Financial instruments"* – clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf
- *IFRS 17 "Insurance contracts"* requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Applies to annual reporting periods begining on or ater Jafnuary 1, 2023
- *Amendments to IAS 1 "Presentation of Financial Statements"* clarified how an entity classifies debt and other financial liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
- *Disclosure of Accounting Policies (Amendments to IAS 1 "Presentstion of Financial Statements and IFRS Practice Statement 2)* requires entity to disclosure its material accounting policy information instead of its significant accounting policies. Amendments explain how an entity can identify material accounting policy information. In addition, *IFRS Practice Statement 2* has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
- *Amendments to IAS " Accounting Policies, Changes in Accounting Estimates and Errors"* replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. Amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
- *"Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (Amendments to IAS 12)* explains that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

5. INCOME FROM ISLAMIC FINANCE ACTIVITIES

Income and expenses from Islamic finance activities for the years ended December 31, 2022 and 2021 are as follows:

	For the year ended December 31, 2022	For the year ended December 31, 2021
Income from Islamic finance activities:		
Income from the Murabàha operation for individuals	5,126	2,896
Revenues from the Murabaha operation are commercial	2,446	442
Income from the Murabaha operation for entrepreneurs	521	305
	8,093	3,643
Expenses from Islamic financing activities:		
Deposits	419	33
	419	33

6. NET FINANCIAL (EXPENSES)/ INCOME BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCING AND LOANS ISSUED

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Financial income includes:		
Investments available for sale	-	-
Urgent placements	10	9
Other	35	-
	45	9
Financial expenses include:		
Rental obligations	292	252
Deposits	-	-
Other	-	-
	292	252
Чистый финансовый расход	**(247)**	**(243)**

7. COMMISSION INCOME AND EXPENSES

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Commission income		
Money transfer	3,958	3,727
Customer accounts	5,382	5,746
Other	4,133	10,434
	13,473	**19,907**
Commission expenses		
Cash service	-	3,337
Settlement transfers	-	986
Other	15,379	178
	15,379	**4,501**
	(1,906)	**15,406**

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

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

	For the year ended December 31, 2022	For the year ended December 31, 2021
Dealing operations, net	41,485	7,042
Foreign exchange differences, net	(5,094)	(349)
	36,391	6,693

9. ACCRUAL OF ALLOWANCE FOR IMPAIRMENT LOSSES AND EXPECTED CREDIT LOSSES

	On Assets in closed banks	On Accounts receiva-bles	On Due from banks	On money transfer	On foreclo-sed assets	On cash shortage	Total
December 31, 2020	14,430	3,648	211	4	1,835	1,528	21,656
Accrual	-	48	287	-	730	1,697	2,762
Recovery	-	-	-	-	-	(150)	(150)
Write-off	-	(63)	-	-	(40)	-	(103)
December 31, 2021	14,430	3,633	498	4	2,525	3,075	24,165
Accrual	-	400	713	-	-	161	1,274
Recovery	-	-	-	-	(57)	(285)	(342)
Write-off	-	(411)	-	-	(175)	-	(586)
December 31, 2022	14,430	3,622	1,211	4	2,293	2,951	24,511

10. OTHER INCOME, NET

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

	For the year ended December 31,2022	For the year ended December 31,2021
Other income		
Rent	190	169
Recovery of written-off assets	2,602	6,391
Other	4,105	4,319
	6,897	**10,879**
Other expenses		
Loss of disposal of fixed assets	11	17
Other	-	185
	11	**202**
	6,886	**10,677**

11. OPERATING EXPENSES

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

	For the year ended December 31,2022	For the year ended December 31,2021
Salary and bonuses	17,397	12,606
Depreciation and amortization	3,745	4,534
Social fund	3,302	3,108
Business trip	777	217
Security	760	605
Fuel	709	612
Communication	661	592
Depreciation of right-of-use assets	558	487
Legal and other professional services	525	1,344
Stationery	408	303
Advertisement	404	145
Taxes, other than income tax	377	725
Utility	340	325
Fixed assets maintenance	241	1,083
Unused vacation	135	204
Membership fees and payments	90	83
Representative	70	258
Donations and charitable contributions	27	21
Rent	-	335
Penalty	-	160
Other	637	476
	31,163	28,223

12. INCOME TAX EXPENSES

The Bank measures and records its current income tax payable and its tax base within assets and liabilities in accordance with the tax regulations of the Republic of Tajikistan, which may differ from IFRS. For the years ended December 31, 2022 and 2021 on the territory of the Republic of Tajikistan the income tax rate for legal entities was equal to 15% but not less than 1% of the gross revenue of the Bank.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

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

	For the year ended December 31,2022	For the year ended December 31,2021
Current income tax expenses	2,727	1,200
Adjustments from previous years	-	-
Accrual of deferred income tax expenses	441	526
Income tax expenses	3,168	1,726

13. CASH AND CASH EQUIVALENTS

As at December 31, 2022 and 2021 cash and cash equivalents of the Bank comprise of the following:

	December 31, 2022	December 31, 2021
Cash on hand	55,253	24,884
Current accounts at the National Bank of Tajikistan	18,027	38,595
	73,280	63,479

As at December 31, 2022 and 2021 cash and cash equivalents of the Bank presented in the statement of cash flows comprise of:

	December 31, 2022	December 31, 2021
Cash on hand and current accounts at the National Bank of Tajikistan	73,280	63,479
Correspondent accounts with other banks (Note 13	4,444	29,310
Obligatory reserve in the National Bank of Tajikistan	(4,273)	(2,222)
	73,451	90,567

14. DUE FROM BANKS

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

	December 31, 2022	December 31, 2021
Correspondent accounts in foreign currency	5,552	29,564
Correspondent accounts in national currency	103	244
Credit Union "Payment Center", LLC	-	-
Allowance for expected credit losses	(1,211)	(498)
	4,444	29,310

15. ISLAMIC FINANCE RECEIVABLES

On July 1, 2019, the Bank was renamed into "Tawhidbank" and from September 16, 2019, from the moment of obtaining the license, it operates as a full-fledged first Islamic Bank in Tajikistan. The Bank accepts deposits from the public, provides financial transactions based on the principles of Shariah norms and rules, carries out money transfers, carries out currency exchange operations and provides other banking services to its commercial clients. The transition from traditional banking to Islamic banking was completed on October 31, 2019.

The main product of the Bank's financing is "Commodity Murabaha". Murabaha is an agreement or the sale of goods purchased by the Bank at the request of a client. The Bank purchases the declared goods for the client and sells them at a margin on a deferred payment basis. The selling price of the goods to the client comprises of the purchase price, including direct costs plus the trade margin.

As at December 31, 2022 and 2021 accounts receivables under Hassan agreements and Commodity Murabaha comprise the following:

	December 31, 2022	December 31, 2021
Murabaha	74,820	25,118
Qard Hassan	3,951	1,296
Commissions receivable	-	-
Allowance for expected credit losses	(114)	(106)
	78,657	26,308

Concentration of receivables under Commodity Murabaha agreements

Receivables arise under Commodity Murabaha agreements which are made within the Republic of Tajikistan in the following industry sectors:

	December 31, 2022	December 31, 2021
Sector analysis		
Automotive sector	30,935	11,030
Mortgage	15,919	638
Consumer sector	8,100	7,001
Industry	7,695	-
Agricultural industry	6,555	1,377
Trading	5,132	4,128
Construction services	3,588	759
Household services	847	1,481
Allowance for expected credit losses	(114)	(106)
	78,657	26,308

	December 31, 2022	December 31, 2021
Analysis by type of collateral		
Vehicles	30,830	9,157
Real estate	20,452	6,441
Unsecured loans	13,853	7,195
Mixed provision	12,833	1,847
Others	803	1,774
Allowance for expected credit losses	(114)	(106)
	78,657	26,308

16. INVESTMENTS IN SECURITIES

Investments in securities are carried at fair value through other comprehensive income and are represented by shares of the company LLC "Bureau of Credit Histories Somonien".

The Bank's management has chosen the model for measuring equity securities at fair value through other comprehensive income due to infrequent transactions and the absence of an active market for these financial instruments.

17. PROPERTY AND EQUIPMENT

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

	Buildings	Furniture and office equipment	Vehicles	Total
Cost				
December 31, 2019	20,254	6,354	1,387	27,995
Additions	-	9,526	107	9,633
Disposals	-	(247)	-	(247)
December 31, 2020	20,254	15,633	1,494	37,381
Additions	14,770	2,582	-	17,352
Disposals	(9,570)	(1,093)	-	(10,663)
December 31, 2021	25,454	17,122	1,494	44,070
Additions	-	422	-	422
Transferred from inventory	-	1,220	-	1,220
Disposals	-	(592)	-	(592)
December 31, 2022	25,454	18,172	1,494	45,120
Accumulated depreciation				
December 31, 2019	10,910	1,562	409	12,881
Charge for the year	969	454	148	1,571
Disposal	-	(122)	(124)	(246)
December 31, 2020	11,879	1,894	433	14,206
Charge for the year	2,930	909	148	3,987
Disposal	(2,564)	(1,758)	(149)	(4,471)
December 31, 2021	12,245	1,045	432	13,722
Charge for the year	2,573	297	148	3,018
Disposal	-	(137)	-	(137)
December 31, 2022	14,818	1,205	580	16,603
Net book value				
December 31, 2022	10,636	16,967	914	28,517
December 31, 2021	13,209	16,077	1,062	30,348
December 31, 2020	8,375	13,739	1,061	23,175

As of December 31, 2022 and 2021, there were no fixed assets that were pledged as collateral for obligations.

As of December 31, 2022 and 2021, there were no fixed assets received as grant.

18. LEASES

As at December 31, 2022 and 2021 right of use assets and lease liabilities of the Bank comprise of the following:

Right-of-use assets	December 31, 2022	December 31, 2021
Buildings	1,639	1,416
	1,639	1,416

Lease liabilities	December 31, 2022	December 31, 2021
Current	852	526
Non-current	1,239	1,318
	2,091	1,844

	Right-of-use assets	Lease liabilities
January 1, 2019	3,386	3,386
Increase	290	290
Depreciation expenses	(428)	-
Financial expense	-	561
Payments	-	(728)
December 31, 2019	3,248	3,509
Increase		
Depreciation expenses	(545)	
Financial expense	-	238
Payments	-	(691)
December 31, 2020	2,703	3,056
Increase (decrease)	(800)	(800)
Depreciation expenses	(487)	
Financial expense	-	252
Payments	-	(664)
December 31, 2021	1,416	1,844
Increase (decrease)	781	781
Depreciation expenses	(558)	
Financial expense	-	292
Payments	-	(826)
December 31; 2022	1,639	2,091

19. INTANGIBLE ASSETS

As at December 31, 2022 and 2021 intangible assets of the Bank comprise of the following:

	Intangible assets
Cost	
December 31, 2019	6,232
Additions	195
Disposal	(424)
December 31, 2020	6,003
Additions	12,653
Disposal	(8,256)
December 31, 2021	10,400
Additions	133
Disposal	-
December 31, 2022	10,533
Accumulated amortization	
December 31, 2019	586
Charge for the year	146
Disposals	-
December 31, 2020	732
Charge for the year	547
Disposals	-
December 31, 2021	1,279
Charge for the year	727
Disposals	-
December 31, 2022	2,006
Net book value	
December 31, 2022	8,527
December 31, 2021	9,121
December 31, 2020	5,271

As of December 31, 2022 and 2021, the Bank did not have fully depreciated intangible assets. As of December 31, 2022 and 2021, there were no intangible assets that were pledged as collateral for obligations.

20. OTHER ASSETS

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

	December 31, 2022	December 31, 2021
Other financial assets		
Assets in closed banks	14,430	14,430
Financial instruments at fair value through profit or loss	6,121	1,130
Account receivable	5,999	4,305
Accounts receivable from money transfer system	2,909	1,765
Other financial assets	2,951	3,075
Allowance for expected credit losses	(21,007)	(21,142)
Total financial assets	11,403	3,563
Other non-financial assets		
Prepaid expenses	5,778	3,611
Income tax prepayments	5,551	253
Inventories	898	397
Other	108	71
Allowance for impairment losses	-	-
Total non-financial assets	12,335	4,332
	23,738	7,895

As described in Note 9, as at 31 December 2022, the allowance for expected credit losses on other financial assets consists of TJS 14,430 thousand from accounts with closing banks (December 31, 2021: TJS 14,430 thousand), TJS 3,622 thousand. TJS from receivables (December 31, 2021: TJS 3,633 thousand), TJS 4 thousand from money transfer systems (December 31, 2021: TJS 4 thousand) and TJS 2,951 thousand from cash shortages (December 31, 2021: 3,075 thousand somoni).

21. CUSTOMER ACCOUNTS

As of 31 December 2022, and 2021 customer funds are presented as follows:

	December 31, 2022	December 31, 2021
Current accounts of legal entities	48,730	39,064
Time deposits	10,535	21,412
Savings deposits	19,329	811
Commission fees charges	1	1
	78,595	61,288

22. DUE TO BANKS AND FINANCIAL INSTITUTIONS

As at December 31, 2022 and 2021 due to banks and financial institutions of the Bank comprise of:

	December 31, 2022	December 31, 2021
Term placements	-	-
Correspondent accounts	7,759	10,483
Interbank settlements	-	-
	7,759	10,483

23. OTHER LIABILITIES

As of December 31, 2022 and 2021 other liabilities of the Bank amounted to 33,686 and 7,979 thousand somoni, respectively.

24. SHARE CAPITAL

As of December 31, 2022 and 2021, the paid-in registered share capital was 85,000 and 65,000 thousand somoni. According to the Bank's charter, the share capital consists of 8,500 ordinary shares. Ordinary shares have a par value of 10 thousand somoni per share.

As of 31 December 2022, and 2021 the share capital of the Bank is presented as follows:

	December 31, 2022	Share	December 31, 2021	Share
Hasanzoda Muhiddin	20,000	23.53%	20,000	23.53%
Sohibov Narzullo Sharipovich	10,949	12.88%	10,949	12.88%
Dostiev Mansurjon Kholmurodovich	10,800	12.71%	10,800	12.71%
Khairullo Asadullo	10,800	12.71%	10,800	12.71%
Kahorov Fatkhullo Zainuloevich	10,800	12.71%	10,800	12.71%
Sharifzoda Mahmadzarif Rahmon	10,800	12.71%	10,800	12.71%
Representative office "GMZ Industries LTD"	10,851	12.77%	10,851	12.77%
Oripov Najib Karimovich	-	-	-	-
	85,000	100.00%	85,000	100.00%

25. CONTINGENT FINANCIAL LIABILITIES

Commitments for capital expenditure

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

Loan related commitments, guarantees and other financial contracts

In the normal course of business, the Bank provides its customers a variety of financial instruments that are accounted on off-balance sheet accounts and have different degrees of risk.

Operating lease commitments

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

Legal proceedings

From time to time in the Bank's customers and counterparties claim against the Bank and the Bank claims against customers. From time to time, the Bank has been and continues to be the object of court proceedings and court decisions that, individually or in aggregate, have not had a significant negative impact on the Bank. Management believes that the final obligation, if any, in connection with these claims and complaints will not have a material adverse effect on the financial position or the results of the future financial and economic activities of the Bank.

Taxation

Commercial legislation of the Republic of Tajikistan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Bank's business activities, was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest. Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. The management of the Bank believes that it has accrued all tax amounts due and therefore no allowance has been made in the financial statements.

Economic environment

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

Operating environment

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

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

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

26. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. In the statement of financial position as at December 31, 2022 and 2021 the following amounts were represented which arose due to transactions with related parties:

	December 31, 2022		December 31, 2021	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Customer accounts	-	78,595	-	61,288

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

	December 31, 2022		December 31, 2021	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Operating expenses:				
Remuneration for key management personnel	1,206	17,397	874	12,606
Contributions to the social fund of the Republic of Tajikistan	232	3,302	219	3,108

Operations with related parties are presented below:

	Counterparty	Relations
LIABILITIES		
Customer accounts	-	-
PROFIT AND LOSS		
Key management personnel remuneration	Chairman of the Board, Members of the Supervisory Board, Management	

27. REGULATORY MATTERS

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

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

	December 31, 2022	December 31, 2021
Движение капитала первого уровня		
At the beginning of the year	89,322	69,990
Increase through FA investment	-	14,770
Increase due to investment in C/F	-	5,230
Declared dividends	(3,700)	(1,000)
Withdrawal of capital / items "excess capital"	-	(3,152)
Net loss for the year	13,380	3,484
At the end of the year	**99,002**	**89,322**

	December 31, 2022	December 31, 2021
Composition of regulatory capital:		
Tier 1 capital		
Bank's shareholders' equity	99,002	89,322
Less: net book value of intangible assets	(8,527)	(23,891)
Total Tier 1 capital	90,475	65,431
Tier 2 capital		
Revaluation reserve for property and equipment	-	-
Subordinated loans	-	-
Total Tier 2 capital	90,475	65,431
Less: non-current investments in shares	35	35
Total regulatory capital	180,985	130,897
Risk-weighted assets (RWA)	**157,372**	**102,374**
Total assets	**221,133**	**170,916**

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

Amount and ratio of capital	Ratio for Capital Adequacy purposes	Minimum Required Ratio
As at December 31, 2022		
Capital adequacy ratio K1.1	115%	12%
Capital adequacy ratio K1.2	82%	10%
As at December 31, 2021		
Capital adequacy ratio K1.1	128%	12%
Capital adequacy ratio K1.2	77%	10%
As at December 31, 2020		
Capital adequacy ratio K1.1	174%	12%
Capital adequacy ratio K1.2	105%	10%

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

28. CAPITAL RISK MANAGEMENT

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

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

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

The Bank's overall capital risk management policy remains unchanged from 2022.

29. RISK MANAGEMENT POLICES

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

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

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

Credit risk

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

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

The Bank has developed policies and procedures to manage credit risk, which includes questions on limiting portfolio concentration and the creation of the credit committee, which monitors the credit risk. The Bank's credit policy is reviewed and approved by the Board of Directors. The Bank structures the levels of credit risk by setting limits to the size of the risk taken in relation to one borrower or group of borrowers, as well as by sector of economy. The Bank conducts daily monitoring of the actual risks in relation to the established limits.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet obligations related to payment of commission and principal amount, and by changing these lending limits when such necessity is arisen. Exposure to credit risk is also regulated by obtaining collateral and corporate and personal guarantee, however, portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual reviews.

Operational risk

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

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

Maximum exposure

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

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

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

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	2022 Net exposure after offset and collateral
FINANCIAL ASSETS:					
Cash and cash equivalents	73,280	-	73,280	-	73,280
Due from banks	4,444	-	4,444	-	4,444
Islamic finance receivables	78,657	-	78,657	(64,804)	13,853
Investment securities	35	-	35	-	35
Other assets	11,403	-	11,403	-	11,403

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	2021 Net exposure after offset and collateral
FINANCIAL ASSETS:					
Cash and cash equivalents	63,479	-	63,479	-	63,479
Due from banks	29,310	-	29,310	-	29,310
Islamic finance receivables	26,308	-	26,308	(19,113)	7,195
Investment securities	35	-	35	-	35
Other assets	3,564	-	3,564	-	3,564

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

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

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

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

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

The following table details the credit ratings of financial assets held by the Bank.

	AAA - A3	BAA1-BA3	B1-B3	CAA1-C	Not rated	Total 2022
FINANCIAL ASSETS:						
Cash and cash equivalents	-	-	-	-	73,280	73,280
Due from banks	589	1,640	1,741	474	-	4,444
Islamic finance receivables	-	-	-	-	78,657	78,657
Investment securities	-	-	-	-	35	35
Other assets	-	-	-	-	11,403	11,403

	AAA - A3	BAA1-BA3	B1-B3	CAA1-C	Not rated	Total 2021
FINANCIAL ASSETS:						
Cash and cash equivalents	-	-	-	-	63,479	63,479
Due from banks	675	2,143	25,968	524	-	29,310
Islamic finance receivables	-	-	-	-	26,308	26,308
Investment securities	-	-	-	-	35	35
Other assets	-	-	-	-	3,564	3,564

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

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

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

		Financial assets past due but not impaired					
	Current not impaired assets	Less than 3 months	3 - 6 months	6 months - 1 year	More 1 year	Impaired financial assets	Total 2022
Cash and cash equivalents	73,280	-	-	-	-	-	73,280
Due from banks	4,444	-	-	-	-	-	4,444
Islamic finance receivables	78,657	-	-	-	-	(114)	78,543
Investment securities	35	-	-	-	-	-	35
Other assets	11,403	-	-	-	-	-	11,403

		Financial assets past due but not impaired					
	Current not impaired assets	Less than 3 months	3 - 6 months	6 months - 1 year	More 1 year	Impaired financial assets	Total 2021
Cash and cash equivalents	63,479	-	-	-	-	-	63,479
Due from banks	29,310	-	-	-	-	-	29,310
Islamic finance receivables	26,308	-	-	-	-	(106)	26,202
Investment securities	35	-	-	-	-	-	35
Other assets	3,564	-	-	-	-	-	3,564

Geographical concentration

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

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

	Republic of Tajikistan	Other	2022 Total
FINANCIAL ASSETS:			
Cash and cash equivalents	73,280	-	73,280
Due from banks	103	4,341	4,444
Islamic finance receivables	78,657	-	78,657
Investment securities	35	-	35
Other assets	11,403	-	11,403
TOTAL FINANCIAL ASSETS	163,478	4,341	167,819
FINANCIAL LIABILITIES:			
Due to banks and financial institutions	7,759	-	7,759
Customer accounts	78,595	-	78,595
Lease liabilities	2,091	-	2,091
Other liabilities	20,408	-	20,408
TOTAL FINANCIAL LIABILITIES	108,853	-	108,853

	Republic of Tajikistan	Other	2021 Total
FINANCIAL ASSETS:			
Cash and cash equivalents	63,479	-	63,479
Due from banks	5,950	23,360	29,310
Islamic finance receivables	26,308	-	26,308
Investment securities	35	-	35
Other assets	3,564	-	3,564
TOTAL FINANCIAL ASSETS	99,336	23,360	122,696
FINANCIAL LIABILITIES:			
Due to banks and financial institutions	10,483	-	10,483
Customer accounts	61,288	-	61,288
Lease liabilities	1,844	-	1,844
Other liabilities	5,812	-	5,812
TOTAL FINANCIAL LIABILITIES	79,427	-	79,425

Liquidity risk

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

Management controls this risk by maturity analysis, determining the Bank's strategy for the next fiscal period. Current liquidity is managed by the Finance Director, who supports the current level of liquidity sufficient to minimize liquidity risk.

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

	Average rate	less than 1 month	1 – 3 months	3 months-1 year	1-5 years	more than 5 years	undefined	2022 Total
FINANCIAL ASSETS:								
Islamic finance receivables	22%	202	2,256	21,405	50,536	4,258	-	78,657
Total financial assets, commission bearing		202	2,256	21,405	50,536	4,258	-	78,657
		73,280	-	-	-	-	-	73,280
Cash and cash equivalents		4,444	-	-	-	-	-	4,444
Due from banks		35	-	-	-	-	-	35
Investment securities		11,403	-	-	-	-	-	11,403
Other assets								
		89,364	2,256	21,405	50,536	4,258	-	167,819
TOTAL FINANCIAL ASSETS								
FINANCIAL LIABILITIES:		-	488	1,186	17,496	158	59,267	78,595
Customer accounts	11%	-	488	1,186	17,496	158	59,267	78,595
Total financial liabilities, commission bearing		7,759	-	-	-	-	-	7,759
Due to banks and financial institutions		2,091	-	-	-	-	-	2,091
Lease liabilities		20,408	-	-	-	-	-	20,408
Other liabilities								
		30,258	488	1,186	17,496	158	59,267	108,853
TOTAL FINANCIAL LIABILITIES								
		59,106	1,768	20,219	33,040	4,100	(59,267)	58,966
Difference between financial assets and liabilities		202	1,768	20,219	33,040	4,100	(59,267)	62
Difference between commission bearing financial assets and liabilities		202	2,256	21,405	50,536	4,258	-	78,657

	Weighted average rate	less than 1 month	1 – 3 months	3 months-1 year	1-5 years	more than 5 years	undefined	2021 Total
FINANCIAL ASSETS:								
Islamic finance receivables	22%	35	148	7,150	18,975	-	-	26,308
Total financial assets, commission bearing		35	148	7,150	18,975	-	-	26,308
Cash and cash equivalents		63,479	-	-	-	-	-	63,479
Due from banks		29,310	-	-	-	-	-	29,310
Investment securities		35	-	-	-	-	-	35
Other assets		3,564	-	-	-	-	-	3,564
TOTAL FINANCIAL ASSETS		96,423	148	7,150	18,975	-	-	122,696
FINANCIAL LIABILITIES:								
Customer accounts	11%	60,526	34	655	65	8	-	61,288
Total financial liabilities, commission bearing		60,526	34	655	65	8	-	61,288
Due to banks and financial institutions		10,483	-	-	-	-	-	10,483
Lease liabilities		1,844	-	-	-	-	-	1,844
Other liabilities		5,812	-	-	-	-	-	5,812
TOTAL FINANCIAL LIABILITIES		78,665	34	655	65	8	-	79,427
Difference between financial assets and liabilities		17,758	114	6,496	18,910	(8)	-	43,269
Difference between commission bearing financial assets and liabilities		(60,492)	114	6,496	18,910	(8)	-	(34,980)

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

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

Market risk

Market risk includes risk of changes in commission rate, currency risk and other price risks faced by the Bank. In 2022 there was no change in the composition of these risks and methods for assessing and managing risks in the Bank. The Bank is not exposed to financial rate risk since the Bank does not attract funds on floating rate. In case of attracting funds with a floating rate, risks will be managed by the Bank by maintaining the necessary ratio between financing at fixed and floating rates.

Currency risk

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

The Bank concludes agreements on various derivative financial instruments including foreign exchange swaps, and collateral loans with commercial banks to insure against currency risk. The result for the year ended December 31, 2022 in the statement of profit or loss and other comprehensive income has been recognized as a loss on exchange rate differences and similar transactions in the amount of 36,391 thousand somoni (2021: loss in the amount of 6,693 thousand somoni).

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

	TJS	USD	EUR	RUR	CNY	2022 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	42,529	12,783	60	17,908	-	73,280
Due from banks	318	128	2,868	980	150	4,444
Islamic finance receivables	64,739	13,918	-	-	-	78,657
Investment securities	35	-	-	-	-	35
Other assets	-	11,403	-	-	-	11,403
Cash and cash equivalents						
TOTAL FINANCIAL ASSETS	107,621	38,232	2,928	18,888	150	167,819
FINANCIAL LIABILITIES:						
Due to banks and financial institutions	525	7,233	1	-	-	7,759
Customer accounts	30,808	46,101	45	1,641	-	78,595
Lease liabilities	2,091	-	-	-	-	2,091
Other liabilities	20,408	-	-	-	-	20,408
TOTAL FINANCIAL LIABILITIES	53,832	53,334	46	1,641	-	108,853
Open currency position	53,789	(15,102)	2,882	17,247	150	58,966
The effect of derivatives held for risk management	-	-	-	-	-	-
NET POSITION	53,789	(15,102)	2,882	17,247	150	58,966

	TJS	USD	EUR	RUR	CNY	2021 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	47,516	11,910	94	3,959	-	63,479
Due from banks	-	28,697	150	462	1	29,310
Islamic finance receivables	26,061	247	-	-	-	26,308
Investment securities	35	-	-	-	-	35
Other assets	-	3,564	-	-	-	3,564
Cash and cash equivalents						
TOTAL FINANCIAL ASSETS	73,612	44,418	244	4,421	1	122,696
FINANCIAL LIABILITIES:						
Due to banks and financial institutions	135	10,347	1	-	-	10,483
Customer accounts	60,648	640	-	-	-	61,288
Lease liabilities	1,844	-	-	-	-	1,844
Other liabilities	5,812	-	-	-	-	5,812
TOTAL FINANCIAL LIABILITIES	68,439	10,987	1	-	-	79,427
Open currency position	5,173	33,431	243	4,421	1	43,269
The effect of derivatives held for risk management	-	-	-	-	-	-
NET POSITION	5,174	33,431	243	4,421	1	43,271

Accounting classification and fair values

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

	Valued at amortized cost	Valued at fair value through profit and loss	Valued at fair value through OCI	Total carrying amount	Fair value
FINANCIAL ASSETS:					
Cash and cash equivalents	73,280	-	-	73,280	73,280
Due from banks	4,444	-	-	4,444	4,444
Islamic finance receivables	78,657	-	-	78,657	78,657
Investments in securities	-	-	35	35	35
Other assets	11,403	-	-	11,403	11,403
TOTAL FINANCIAL ASSETS	167,784	-	35	167,819	167,819
FINANCIAL LIABILITIES:					
Customer accounts	7,759	-	-	7,759	7,759
Due to banks and financial institutions	78,595		-	78,595	78,595
Lease liabilities	2,091	-	-	2,091	2,091
Other liabilities	20,408	-	-	20,408	20,408
TOTAL FINANCIAL LIABILITIES	101,094	-	-	108,853	108,853

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

	Valued at amortized cost	Valued at fair value through profit and loss	Valued at fair value through OCI	Total carrying amount	Fair value
FINANCIAL ASSETS:					
Cash and cash equivalents	63,479	-	-		63,479
Due from banks	29,310	-	-	-	29,310
Loans to customers	26,308				26,308
Investments in securities	-	-	35	-	35
Other assets	3,564	-	-	-	3,564
TOTAL FINANCIAL ASSETS	122,661	-	35	-	122,696
FINANCIAL LIABILITIES:					
Customer accounts	10.483	-	-		10.483
Due to banks and financial institutions	61,288		-		61,288
Lease liabilities	1,844	-	-		1,844
Other liabilities	5,812	-	-		5,812
TOTAL FINANCIAL LIABILITIES	79,427	-	-	-	79,427

Fair value of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

	Level 1	Level 2	Level 3	December 31, 2022 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	73,280	-	-	73,280
Due from banks	103	-	-	4,444
Islamic finance receivables	-	78,657	-	78,657
Investments in securities	-	-	35	35
Other assets	-	-	11,403	11,403
TOTAL FINANCIAL ASSETS	73,383	78,657	11,438	167,819
FINANCIAL LIABILITIES:				
Customer accounts	7,759		-	7,759
Due to banks and financial institutions	-	78,595	-	78,595
Lease liabilities	-	-	2,091	2,091
Other liabilities	-	-	20,408	20,408
TOTAL FINANCIAL LIABILITIES	7,759	78,595	22,499	108,853

	Level 1	Level 2	Level 3	December 31, 2021 Total
FINANCIAL ASSETS:				
Cash and cash equivalents	63,479	-	-	63,479
Due from banks	29,310	-	-	29,310
Islamic finance receivables	-	26,308	-	26,308
Investments in securities	-	-	35	35
Other assets	-	-	3,564	3,564
TOTAL FINANCIAL ASSETS	92,789	26,308	3,599	122,696
FINANCIAL LIABILITIES:				
Customer accounts	61,288	-	-	61,288
Due to banks and financial institutions	-	10,483	-	10,483
Lease liabilities	-	-	1,844	1,844
Other liabilities	-	-	5,812	5,812
TOTAL FINANCIAL LIABILITIES	61,288	10,483	7,656	79,427

Currency rate sensitivity

Following table presents a sensitivity analysis of the Bank to 10% increase and decrease the USD to TJS in 2022 and 2021. Based on the current economic environment in Tajikistan management of the Bank believes that 10% reduction of USD to TJS exchange rate is a realistic change. 10% is a level of sensitivity which is used by companies internally when reporting foreign currency risk to key management personnel of the Bank, and is an estimate by management as of possible changes in exchange rates. Sensitivity analysis applies only to outstanding foreign currency balances available at the end of the period for conversion of which actual end-of-the-period exchange rate changed by 10% is used.

Impact on net income, based on the nominal value of the asset as at December 31, 2022 and 2021 is represented below:

	December 31, 2022		December 31, 2021	
	Official exchange rate, +10%	Official exchange rate, -10%	Official exchange rate, +10%	Official exchange rate, -10%
Impact on profit and loss	3,823	(3,823)	3,843	(3,843)

Limitations of sensitivity analysis

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

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

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

30. SEGMENT REPORTING

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

31. EVENTS AFTER REPORTING DATE

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