JOINT-STOCK COMPANY
«ZIRAAT BANK UZBEKISTAN»

Financial statements for the year ended 31 December 2023
and Independent auditor's opinion
(Translated from Russian language)

Content

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Independent Auditor's opinion

To shareholders and the Supervisory Board of JSC «Ziraat Bank Uzbekistan»

Opinion

We have audited the financial statements of Joint-Stock Company "Ziraat Bank Uzbekistan" (hereinafter referred to as the "Bank"), which consist of the statement of financial position as at 31 December 2023 and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date and the notes to the financial statements, including a summary of key accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects the financial position of the Bank as at 31 December 2023, as well as its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Key audit matters

Key audit matters are matters that, in our professional judgment, were the most significant for our audit of the financial statements for the current period. These issues were considered in the context of our audit of the financial statements as a whole and in the formation of our opinion on these statements, and we do not express a separate opinion on these issues.

Key audit matters	*What audit procedures were performed regarding the key audit matter*
Provision for credit losses on loans to customers, as well as on credit related commitments	
Due to the materiality of the provision for impairment of loans and advances to customers and credit related liabilities for the financial position of the Group, as well as due to the complexity and necessity to apply judgments in estimating expected credit losses in accordance with the new IFRS 9 Financial Instruments This issue is one of the key audit questions.	In the process of our audit, we paid special attention to the following: assessment of credit risk models and assumptions used to determine key parameters for provisioning and expected credit losses on a portfolio; assessment of management's judgments regarding the identification of a significant increase of credit risk on a portfolio basis.
The calculation of expected credit losses includes valuation techniques that use significant unobservable input data and factors, such as internal credit ratings, as well as comprehensive statistical modeling and expert judgment. These methods are used to determine the probability of default based on available historical data and external information.	We evaluated the rationality of the credit risk factors and the thresholds chosen by management to determine a significant increase in credit risk on a portfolio basis.
Information on the provision for expected credit losses in respect of loans and advances to customers, as well as credit related commitments presented in Notes 6 and 30 to the financial statements.	When testing the impairment calculated on a portfolio basis, we analyzed the underlying statistical models, key input data and assumptions, as well as forward-looking information used to calculate expected credit losses. We reviewed the results of a Bank that was subsequently tested on the models used for IFRS 9.

Other information

The Bank's financial statements for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 March 2023.

Management is responsible for other information. Other information includes information contained in the annual report, but does not include the consolidated financial statements and our audit report about it.

Our view of the financial statements does not apply to other information, and we will not provide conclusion with assurance of any form regarding this information.

In a view of conducting our audit of the financial statements, our responsibility is to review other information and consider whether there are significant discrepancies between other information and the financial statements or our knowledge gained during the audit and whether other information contains other significant distortion.

If, based on the work we have carried out, we conclude that other information contains a material misstatement, we must report this fact.

Responsibility of the Management and Those Charged with Corporate Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with IFRS and for such internal control system as management determines is necessary to enable the preparation of the consolidated financial statements that is free from material misstatements, due to fraud or errors.

In preparing the financial statements, management is responsible for assessing the ability of the Bank to continue as a going concern, disclosing, as applicable, matters relating 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.

The management and those charged with governance are responsible for overseeing the preparation of the financial statements of the Bank.

Auditor's responsibility for auditing financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on 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 conducted in accordance with International Standards on Auditing, we apply professional judgment to retain professional skepticism throughout the audit. In addition, we perform the following:

- identify and assess the risks of material misstatement of consolidated financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of non-detection of material as a result of unfair acts is higher than the risk of not detecting a significant distortion as a result of an error, since unfair acts may include conspiracy, fraud, intentional omission, misrepresentation of information or actions bypassing the internal control system;

- get an understanding of the internal control system that is relevant to the audit, in order to develop audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system;

- assess the proper nature of the accounting policies applied and the reasonableness of accounting estimates and the corresponding disclosure of information prepared by management;

- make a conclusion about the legitimacy of management's use of the assumption of business continuity, and on the basis of the obtained audit evidence - the conclusion whether there is a significant uncertainty in connection with events or conditions that may raise significant doubts in the ability of the Bank to continue its business continuously. If we conclude that there is significant uncertainty, we must draw attention to our disclosure in the consolidated financial statements, or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence received before the date of our audit report. However, future events or conditions may lead to the Bank losing the ability to continue its business continuously;

- assess the presentation of the consolidated financial statements in general, its structure and content, including disclosure of information, as well as whether the financial statements present the underlying operations and events in a manner that ensures their reliable representation;

- obtain sufficient appropriate audit evidence relating to the financial information of the organization or activities within the Bank in order to express an opinion on the financial statements. We are responsible for the management, control and conduct of the Bank's audit. We remain fully responsible for our audit opinion.

We collaborate with persons responsible for corporate governance, including, among other things, information on the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify in the course of the audit.

We also provide the Management and those responsible for corporate governance with a statement that we have complied with all relevant ethical requirements regarding independence and informed these individuals about all relationships and other issues that can reasonably be considered to affect the independence of the auditor. And if it is required - on appropriate precautions.

From those questions that we brought to the attention of the Management and to those responsible for corporate governance, we identify issues that were most essential to the audit of the consolidated financial statements for the current period and, therefore, are considered as key audit issues. We describe these issues in our audit report, except when public disclosure of information on these matters is prohibited by law or regulation. In extremely rare cases, we conclude that information on any matter should not be communicated in our report, since it can be reasonably assumed that the negative consequences of communicating such information will exceed the socially significant benefits.

Jamshid Karimov

Chief Executive Officer

Qualification certificate of the auditor for conducting bank audits No. 19 dated 28 December 2021, issued by the Central Bank of the Republic of Uzbekistan.

Grant Thornton LLC

25 March 2024
Tashkent, Uzbekistan

Confirmation of management's responsibility for the preparation and approval of the financial statements for the year ended 31 December 2023

Management is responsible for the preparation of financial statements that present fairly, in all material respects, the financial position of the Joint-Stock Company "Ziraat Bank Uzbekistan" as of 31 December 2023, as well as profit reports or losses and other comprehensive income, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards (hereinafter - "IFRS").

In preparing the financial statements, management is responsible for:

• ensuring the correct selection and application of accounting policy principles;

• presentation of information, including accounting policy data, in a form that ensures the relevance, reliability, comparability and comprehensibility of such information;

• disclosure of additional information in cases where compliance with the requirements of IFRS is insufficient for users to understand the impact that certain transactions, as well as other events or conditions have on the financial position and the financial results of the Bank's activities; and

• assessment of the Bank's ability to continue operating in the foreseeable future.

Management is also responsible for:

• development, implementation and maintenance of an effective and reliable internal control system in Banks;

• accounting in a form that allows you to disclose and explain the Bank's transactions, as well as providing reliable information about the financial position of the Bank at any date and ensuring compliance of financial statements with IFRS requirements;

• accounting in accordance with the legislation and accounting standards of the Republic of Uzbekistan;

• taking all reasonably possible measures to ensure the safety of the Bank's assets; and

• prevention and detection of fraud and other violations

The Bank's financial statements for the year ended 31 December 2023 were approved by the Board of the Bank on 25 March 2024.

On behalf of the Bank's Management

Volkan Guldurmez
Chairman of the Board of the Bank

Khamidulla Sabirov
Chief Accountant of the Bank

25 March 2024

(in thousands UZS)

Statement of financial position

	Notes	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	7	1 139 755 060	806 029 181
Mandatory reserves in CBU	8	40 573 600	30 097 142
Due from other banks	9	94 883 145	62 995 599
Loans and advances to customers	10	1 571 461 748	1 074 607 495
Investment financial assets	11	413 821	31 058 488
Advance income tax payments		1 561 473	-
Deferred tax asset	24	5 726 210	5 566 074
Fixed assets and intangible assets	12	79 590 710	51 801 576
Non-current assets held for sale	13	16 107 376	-
Other assets	14	6 214 813	3 485 887
Total assets		**2 956 287 956**	**2 065 641 442**
Liabilities			
Due to other banks	15	334 312 044	322 916 484
Customer funds	16	2 000 463 660	1 314 503 443
Other borrowings	17	132 625 231	8 240 652
Income tax liabilities		-	2 264 024
Other liabilities	18	34 272 494	17 868 497
Total liabilities		**2 501 673 429**	**1 665 793 100**
Equity			
Share capital	19	373 146 049	305 303 965
Retained earnings and funds		81 468 478	94 544 377
Total equity		**454 614 527**	**399 848 342**
Total liabilities and equity		**2 956 287 956**	**2 065 641 442**

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

Volkan Guldurmez
Chairman of the Board of the Bank

Khamidulla Sabirov
Chief Accountant of the Bank

25 March 2024

Financial statements for the year ended 31 December 2023 (in thousands UZS)

Statement of profit and loss and other comprehensive income

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income calculated at the effective interest rate	20	254 126 039	172 340 053
Other interest incomes	20	33 750	291 611
Interest expense calculated at the effective interest rate	20	(121 970 567)	(66 655 331)
Net interest income		**132 189 222**	**105 976 333**
Recovery/(Provision) for credit losses on debt financial assets	7,9,10	(20 193 836)	(2 866 806)
Net interest income after provision for credit losses		**111 995 386**	**103 109 527**
Fee and commission income	21	30 793 505	24 232 308
Commission expenses	21	(9 558 279)	(7 068 891)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency		32 962 215	23 496 079
Recovery / (creation) of a provision for credit losses on credit related commitments	18	(459 537)	(3 802 199)
Creation of a provision for other assets		(2 706 462)	(83 813)
Other operating income	22	2 084 027	1 850 356
Administrative and other operating expenses	23	(89 045 643)	(54 503 587)
Income before tax		**76 065 212**	**87 229 780**
Income tax expenses	24	(17 728 391)	(18 930 690)
Net income for the year		**58 336 821**	**68 299 090**
Other comprehensive income:		-	-
Total comprehensive income for the year		**58 336 821**	**68 299 090**

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

Volkan Guldurmez
Chairman of the Board of the Bank

Khamidulla Sabirov
Chief Accountant of the Bank

25 March 2024

The notes on pages from 11 to 67 are an integral part of these financial statements

(in thousands UZS)

Statement of changes in equity

	Share capital	Retained earnings and funds	Total equity
Balance as at 1 January 2023	**269 708 810**	**63 713 873**	**333 422 683**
Net income for the year	-	68 299 090	68 299 090
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**68 299 090**	**68 299 090**
Increase in share capital	35 595 155	-	35 595 155
Dividends paid	-	(37 468 586)	(37 468 586)
Balance as at 31 December 2022	**305 303 965**	**94 544 377**	**399 848 342**
Net income for the year	-	58 336 821	58 336 821
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**58 336 821**	**58 336 821**
Increase in share capital	67 842 084	-	67 842 084
Dividends paid	-	(71 412 720)	(71 412 720)
Balance as at 31 December 2023	**373 146 049**	**81 468 478**	**454 614 527**

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

Volkan Guldurmez
Chairman of the Board of the Bank

Khamidulla Sabirov
Chief Accountant of the Bank

25 March 2024

(in thousands UZS)

Statement of cash flows

	For the year ended 31 December 2023	For the year ended 31 December 2022
Cash flow from operating activities		
Interest received	247 163 274	171 261 434
Interest paid	(121 500 611)	(58 314 822)
Fee and Commission received	30 795 705	24 907 842
Commissions paid	(9 225 998)	(9 365 026)
Net income from operations in foreign currency	(32 962 215)	-
Other operating income received	2 084 027	1 759 921
Staff costs	(37 715 266)	(26 531 456)
Administrative and other operating expenses	(51 330 377)	(19 436 875)
Income tax paid	(19 450 000)	(19 349 025)
Cash flow from operating activities before changes in operating assets and liabilities	**7 858 539**	**64 931 993**
Net (increase) / decrease in operating assets		
Mandatory reserves in CBU	(10 476 458)	(6 826 727)
Due from other banks	(31 887 546)	229 229 606
Loans and advances to customers	(496 854 253)	(222 844 881)
Other assets	(18 836 302)	(1 731 675)
Net increase / (decrease) in operating liabilities		
Due to other banks	11 395 560	88 171 088
Customer funds	685 960 217	322 984 381
Other borrowings	124 384 579	5 350 609
Other liabilities	16 403 997	6 875 210
Net cash flow from operating activities	**287 948 333**	**486 139 604**
Cash flow from investing activities		
Purchase of investment securities	-	(31 195 000)
Repayment of investment securities	31 195 000	42 000 000
Acquisition of fixed assets and intangible assets	(22 485 985)	(30 517 872)
Proceeds from sale of fixed assets	72 803	90 417
Net cash flow from investing activities	**8 781 818**	**(19 622 455)**

(in thousands UZS)

Statement of cash flows (Continue)

	For the year ended 31 December 2023	For the year ended 31 December 2022
Cash flows from financial activities Dividends paid	(3 570 636)	(1 873 431)
Net cash flow from financial activities	**(3 570 636)**	**(1 873 431)**
The effect of changes in exchange rates on cash and cash equivalents	41 020 187	5 081 510
The effect of expected credit losses on cash and cash equivalents	(453 823)	(141 253)
Net change in cash and cash equivalents	**333 725 879**	**469 583 975**
Cash and cash equivalents at the beginning of the reporting year	806 029 181	336 445 206
Cash and cash equivalents at the end of the reporting year	**1 139 755 060**	**806 029 181**

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

Volkan Guldurmez
Chairman of the Board of the Bank

Khamidulla Sabirov
Chief Accountant of the Bank

25 March 2024

Notes to the financial statements

1 Primary activity

The Bank was established in 1993 in the form of a closed joint-stock company. In August 2014, the Bank was re-registered and renamed a joint-stock company in accordance with the legislation of the Republic of Uzbekistan. On 31 November 2017, T.c. Ziraat Bankasi A.S. (Turkey), as a result of a transaction for the purchase and sale of shares of UTBANK JSC, completely bought out a 50% stake from Agrobank and became the full owner of the Uzbek-Turkish Bank. On 25 December 2017, the Central Bank of the Republic of Uzbekistan registered a new edition of the bank's Charter with a new brand name for Joint–Stock Companies "Ziraat Bank Uzbekistan" (hereinafter - the Bank).

The shareholder of the Bank with 100% of the share capital is T.C. Ziraat Bankasi A.S. (Turkey).

The Bank is registered in the Republic of Uzbekistan for banking activities in accordance with the updated banking license No.1 dated 25 December 2021, issued by the Central Bank of the Republic of Uzbekistan (hereinafter - the "CBU").

The main activity of the Bank is the implementation of commercial banking operations, operations with securities, foreign currency, the provision of loans and guarantees. The Bank accepts deposits from the public and provides loans, makes payments on the territory of the Republic of Uzbekistan and abroad, as well as provides other banking services to legal entities and individuals.

The Bank participates in the state deposit insurance program approved by the Law of the Republic of Uzbekistan No. 360-II "On the Guarantee of Protection of Deposits of Citizens in Banks" dated 5 April 2002, which guarantees payment of 100% of deposits, regardless of the amount of the deposit in case of a license withdrawal from the Bank.

As of 31 December 2023, the Bank carries out banking activities through its head office and has one branch in Tashkent, as well as 5 Banking Services Centers in the Republic of Uzbekistan (2022: 1 branch, 3 BSC).

The legal address of the Bank's Head office: 100043,15/A-B-V Bunyodkor Street, Chilanzar district, Tashkent, Republic of Uzbekistan.

The total number of employees as of 31 December 2023 was 182 people (2022: 164 people).

2 The economic environment in which the Bank operates

The economy of the Republic of Uzbekistan continues to show some features of developing market. The government develops the legislative, tax and regulatory framework necessary in a market economy, and undertakes significant economic and social changes. Further economic development of the Republic of Uzbekistan mostly depends on the effectiveness of economic measures, financial mechanisms and monetary policy adopted by the Government, as well as the development of the tax, regulatory and political system.

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

As reform process has not yet been completed, operations carried out in Uzbekistan are fraught with risks, which is not typical for economically developed countries. Among them, in particular, the non-convertibility of UZS in most countries outside the Republic of Uzbekistan, low level of liquidity in the debt securities market and the capital market, as well as continuing inflation.

As of the reporting date and later, some restrictions imposed by government authorities in the Republic of Uzbekistan due to the COVID-19 pandemic have been lifted, and the Bank is observing a recovery in business activity in the Republic of Uzbekistan. However, the level of continuing uncertainty about the future development of the situation due to the COVID-19 pandemic and the possible impact on the Bank remain high. To support clients in the current economic conditions, the Bank offered to restructure existing loans and issued new loans under government support programs, as well as under various restructuring programs for clients not covered by government support programs, expanded the list of products and services provided through digital service channels. Management is taking all necessary measures to ensure the sustainability of the Bank's operations and to provide support to customers and employees, but the future impact of the current economic environment is difficult to predict and management's current expectations and estimates may differ from actual results.

According to the decision of the Central Bank of Uzbekistan, from 17 March 2023, the refinancing rate has decreased from 15 percent to 14 percent.

The state of the economy of the Republic of Uzbekistan is characterized by relatively inflation rates. During 2023, the inflation rate was 8.8 percent (2022: 12.3 percent).

The dynamics of GDP remains in the positive zone, and GDP growth at the end of 2023 amounted to 6,0 percent compared to 2022, while at the end of 2022, GDP growth was 5,7 percent.

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

3 Principles of presenting financial statements

3.1 Applicable standards

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

The Bank maintains records in accordance with the requirements of the current legislation of the Republic of Uzbekistan. These consolidated financial statements have been prepared based on these accounts with the adjustments necessary to bring it in compliance with IFRS in all material respects.

3.2 Functional and presentation currency

The national currency of the Republic of Uzbekistan is the "Uzbek soum" (hereinafter - UZS). The Uzbek soum was chosen as the functional currency, as well as the currency in which these consolidated financial statements are presented.

All consolidated financial statements have been rounded to the nearest thousand.

3.3 Currency operations

Foreign currencies, especially the US dollar (USD) and the Euro, play a significant role in determining the economic parameters of many business transactions in the Republic of Uzbekistan. The table below shows the rates of Uzbek soum against the US dollar and Euro, established by the Central Bank of Uzbekistan:

Date	USD	EURO
31 December 2023	12 338,77	13 731,82
31 December 2022	11 225,46	11 961,85

4 Important assessment and professional judgement

The preparation of consolidated financial statements in accordance with IFRS requires management to apply judgments, assumptions and estimations that affect the application of accounting policies and the recognition of assets and liabilities, income and expenses in the consolidated financial statements. To determine the carrying amount of assets and liabilities, estimated values and associated assumptions based on historical experience and other applicable factors are necessary. Despite the fact that the estimated values based on the most complete knowledge of the management of the current situation; the actual results may ultimately differ significantly from the accepted estimates.

The Bank makes estimates and assumptions that affect the amounts of assets and liabilities recorded in the consolidated financial statements in the next financial year. Estimations and assumptions continually analyzed based on management experience and other factors, including expectations regarding future events that management believes are reasonable in the light of current circumstances. Management also uses professional judgment and evaluation in the process of applying accounting policies. The professional judgment that has the most significant effect on the amounts recognized in the consolidated financial statements and the estimates that may result in significant adjustments to the carrying amount of assets and liabilities during the next financial year include:

Going concern

These consolidated financial statements reflect the current management's assessment of the Bank of impacts that affect the operations and financial position of the Bank. The future development of the economy of the Republic of Uzbekistan largely depends on the effectiveness of the measures taken by the Government of the Republic of Uzbekistan and other factors, including legislative and political events, which are not controlled by the Bank. The Bank's management is not in a position to predict the impact of these factors on the financial condition in the future. The accompanying consolidated financial statements did not include adjustments related to this risk.

Classification of financial assets

An assessment of business models that apply to assets, and an assessment of whether the contractual terms of a financial asset are solely a payment of principal and interest on principal, is disclosed in Note 6.

Measurement of estimated provision for expected credit losses

Measurement of the estimated provision for expected credit losses for financial assets measured at amortized cost and fair value through other comprehensive income (FVTOCI) is an area that requires complex models and significant assumptions about future economic conditions and credit behavior (for example, probability of default of counterparties and losses arising). A number of significant judgments are also required when applying accounting requirements to measure expected credit losses, such as:

- Defining criteria for a significant increase in credit risk;
- Selection of suitable models and assumptions for measuring expected credit losses;
- Determining the number and relative weights of possible future scenarios for each type of product/market and the corresponding expected credit losses;
- Creation of groups of similar financial assets for estimating expected credit losses.

The number of factors is influencing to the estimation of provision for credit losses on financial instruments. These factors are set out below:

- Remittances and the corresponding estimate of the provision for credit losses between stage 1 (12-months expected credit losses) and stage 2 (expected credit losses for the entire life span - unimpaired assets), or stage 3(expected lifetime credit losses – impaired assets), due to the fact that the balances experienced a significant increase (or decrease) in credit risk within one Stage. Another reason is depreciation during the period with a consequent increase (or decrease) from expected credit losses for 12 months to expected credit losses for the entire life;

- Creation of additional estimated provisions for newly recognized or purchased financial instruments during the period, as well as their recovery in respect of financial instruments whose recognition has been discontinued during the period;
- The effect on the estimate of expected credit losses of changes in indicators of the probability of default, debt at the time of default and loss in case of default during the period resulting from regular updating of the initial data of the models;
- The effect on changes in claims on contractual interest on the estimate of expected credit losses, taking into account the effect of time since expected credit losses are estimated on the basis of the current present value;
- Financial assets that were de-recognized during the period and write off / restore of the estimated provisions relating to assets that were written off / restored during the period;
- Sale of subsidiaries and reclassification into assets for discontinued operations and assets held for sale;
- The impact of changes in exchange rates when recalculating assets denominated in foreign currency and other movements.

Information on input data, assumptions, valuation methods and judgments used in measuring expected credit losses is described in detail in Notes 6 and 30.

Definitions of terms related to the estimated expected credit losses are given in Note 30.

Fair value of financial instruments

The fair value of financial instruments for which there is no quotation in an active market is determined using various valuation techniques. If valuation techniques are used to determine the fair value (for example, models), they are approved and regularly reviewed by qualified staff independent of the department/unit using these techniques. All models are certified before they are used; models are also adjusted to reflect actual and comparative market prices. In the framework of the permissible model, only observable data are used, however, such areas as credit risk (both own and counterparty risk), variability and correlation require management to make estimates. Changes in the assumptions related to these factors may affect the fair value recorded in the consolidated financial statements. See Note 28.

5 Transition to new or revised standards and interpretations

The following amendments to standards became effective for the Bank effective 1 January 2023, but did not have a significant impact on the Bank.

IFRS 17 "Insurance Contracts", including amendments

IFRS 17 replaces IFRS 4 "Insurance Contracts" and applies to all types of insurance contracts (for example, non-life insurance contracts, direct insurance and reinsurance), regardless of the type of organizations that conclude them. These amendments did not affect the financial statements, as the Bank's operations fall within the scope of the standard.

Amendments to IFRS (IAS) 1 "Presentation of Financial Statements" and Practical Recommendations No. 2 on the application of IFRS "Formation of Judgments on Materiality"

The amendments to IAS 1 and Practical Recommendations No. 2 on the Application of IFRS require organizations to disclose information about their significant accounting policies instead of the most significant accounting policies, and explain how to apply the concept of materiality in relation to accounting policy disclosures. The adoption of these amendments did not lead to changes in the disclosure of accounting policies in the financial statements, as the Bank's accounting practices met the new requirements.

Amendments to IFRS (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of Accounting Estimates

Amendments to IAS 8 introduce the definition of "accounting estimates" and clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. They also explain how organizations use calculation methods and input data to measure accounting estimates. These amendments did not affect the Bank's financial statements.

Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities that arise from a single transaction

The amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that result in equal taxable and deductible temporary differences, such as leases and obligations to decommission items of property, plant and equipment, i.e. if these temporary differences in their expanded form are equal, The amendments require recognition of both deferred income tax liabilities and assets. As the Bank's current accounting policy is consistent with these amendments, they did not affect its financial statements.

Amendments to IFRS (IAS) 12 "Income Taxes": International Tax Reform – Pillar 2 Model Rules

Amendments to IAS 12 provide for the following:

• mandatory temporary exemption from accounting for deferred taxes arising from the introduction of the Pillar 2 model Rules into legislation; and

• disclosure requirements that will help users of the financial statements of an organization subject to the new legislation to better understand how it is affected by the income tax provided for by this legislation in accordance with Pillar 2, including before its entry into force.

The amendment on mandatory temporary exemption, the application of which must be disclosed, takes effect immediately. The remaining disclosure requirements apply to annual reporting periods beginning on or after 1 January 2023, but do not apply to interim periods ending on or before December 31, 2023. These amendments had no impact on the Bank's financial statements.

The Bank has not prematurely applied standards, interpretations or amendments that have been issued but have not yet entered into force.

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

6 Key principles of accounting policy

6.1 Standards that have been released but not effective yet

Standards that have not entered into force for the annual reporting periods ending 31 December 2023	Effective for annual reporting periods from or after
• Amendments to IAS 1 Classification of liabilities as current or non-current	1 January 2024
• Amendments to IAS 1 Non-current liabilities with covenants	1 January 2024
• Amendments to IFRS 16 Lease liabilities on sale and resale	1 January 2024
• Amendments to IAS 7 and IFRS 7: Vendor financing arrangements	1 January 2024
• Amendments to IAS 21: Limitations on convertibility of currencies	1 January 2025

The Bank expects that the adoption of the standards listed above will have no material impact on the Bank's financial statements and financial position in the period of initial application.

6.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the main market or, if there is none, in the most profitable market to which the Bank has access to indicated date. The fair value of the liability reflects the risk of default.

To the extent possible, the Bank estimates the fair value of the instrument using quoted prices for the instrument in an active market. The market is recognized as active if quotes are easily accessible and reflect actual and regular transactions between independent market participants.

In the absence of current quotes in an active market, the Bank uses valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods selected include all factors that market participants would take into account in the circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price, that is, the fair value of the consideration paid or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is not supported by current quoted prices in an active market for a similar asset or liability and is not based on valuation techniques using only observable inputs, the financial instrument is initially measured at fair value adjusted so as to defer recognition of the difference between the transaction price and fair value. After initial recognition, this difference is subject to amortization in profit or loss over the life of the instrument, but not later than when the valuation is fully supported by observable inputs or when the transaction is completed.

If the transaction price in an inactive market differs from the fair value of current market transactions in the observed market for the same instrument or is based on a valuation technique whose initial parameters include only information from observed markets, the Bank will immediately recognize the difference between the transaction price and fair value (“First Day earnings”) in profit or loss. If unobservable information is used, the difference between the transaction price and the value determined on the basis of the model is recognized in profit or loss only if the source data becomes observable or if the financial instrument is derecognized.

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

6.3 Effective interest rate (discount method)

The effective interest rate method is the adjustment of all future cash flows expected for a financial asset or financial liability to the fair value at the date the asset or liability is incurred at a discount rate.

The discounting method is used by the Bank to determine the amortized cost of financial instruments.

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

Cash flows for financial assets and liabilities are discounted on the basis of future cash flows expected at the actual contract rate and the corresponding discount rate determined on the basis of the discount rate

If cash flows on a financial instrument are expected for more than one period (interest income or expenses are charged more than once on certain dates during the entire term of the financial instrument, and / or repayment of the principal amount is carried out in parts), the calculation of future cash flows, the discount rate and discounted amounts of data flows is carried out for each such period. The current present value of a financial instrument at the date of its occurrence in this case represents the sum of the discounted future flows of the instrument for each period.

The effective interest rate applies to the gross book value of the financial instrument. The effective interest rate adjusted for credit risk is applied to the acquired or created credit impaired financial assets. This rate applies to the amortized cost of acquired or created impaired assets from the date of initial recognition.

For financial assets that subsequently become credit-impaired, the effective interest rate also applies to the amortized cost. If subsequently the credit risk on the credit impaired financial asset is reduced to such an extent that the asset ceases to be such, from the next reporting period the effective interest rate is applied to the gross book value of the financial instrument.

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

6.4 Amortized cost of a financial instrument

The amortized cost of a financial instrument at the end of each reporting period is a measure calculated at the amortized cost of this instrument at the end of the previous reporting period plus / minus the depreciation, which is the difference between the cash flows for this reporting period, calculated at the effective interest rate, and in fact received or paid cash flows during this period.

When determining the amount of depreciation, cash flows for a financial instrument include:

- the movement of the issued / received amount of principal debt;
- interest income or expense;
- additional fees received / paid at the time of issuing / raising a loan (such as fees for arranging and issuing a loan, reviewing a loan application, opening and servicing a loan account, etc.) or issuing a debt obligation (for example, bonds);
- other commissions subject to a reliable estimate, the payment of which is a prerequisite for issuing a loan / issuance of an obligation or will be made on a regular basis according to the terms of the contract.

Interest income and expenses on financial instruments recorded at initial recognition at actual costs are recognized in the income statement based on the actual contract rate.

If a financial instrument determines a new fair value for its initial recognition, the calculation and recognition of interest income or expenses is based on the market interest rate used to determine the new fair value of the financial instrument, which subsequently becomes the effective interest rate for the instrument.

For floating rate financial instruments, the effective interest rate for cash flow discounting is used until the next date of the floating rate revision at market rates before the maturity date of the financial instrument.

Interest income and expenses on financial instruments, the calculation of the amortized cost of which is carried out by discounting flows at the effective interest rate, are calculated on the basis of the new initial value of the financial instrument at the effective interest rate.

6.5 Financial assets and liabilities

Classification of financial instruments

In accordance with IFRS 9 financial assets are classified as subsequently measured:

- At amortized cost;
- At fair value through other comprehensive income;
- At fair value through profit or loss - depending on:
  - the business model used to manage financial assets;
  - characteristic of a financial asset related to the cash flows provided in the contract.

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

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

- the financial asset is held within the business model, the purpose of which is to withhold to ob tain the cash flows provided by the contract;
- the contractual terms provide for the receipt on certain dates of cash flows, which are exclusively payments to the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

Cash flows that are exclusively payments on account of the principal amount of the debt and interest on the outstanding portion of the principal amount of the debt are characterized by the following features:

- the principal amount of the debt is the fair value of the financial asset at initial recognition;
- interest includes only reimbursement for the time value of money, for credit risk in respect of the principal amount of debt remaining outstanding for a certain period of time, and for other ordinary risks (for example, liquidity) and costs (in particular, administrative) associated with lending.

In some cases, the element of the time value of money contains compensation for other risks and costs, i.e. is modified. In this case, the Bank conducts a qualitative or, if necessary, quantitative assessment of the significance of the effect of the modified element of the time value of money.

Financial assets are measured at fair value through other comprehensive income while fulfilling the following conditions:

- the financial asset is held within the framework of a business model, the purpose of which is to keep both the cash flows stipulated in the contract and the sale of financial assets;
- the contractual terms provide for the receipt on certain dates of cash flows, which are exclusively payments to the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

Financial assets are measured at fair value through profit or loss if they are acquired as part of a business model that aims to sell, and if they do not meet the criteria for valuation at amortized cost or at fair value through other comprehensive income.

In accordance with IFRS 9 **financial liabilities are classified as subsequently measured at amortized cost**, except for:

- financial liabilities at fair value through profit or loss;

- financial liabilities that arise when the transfer of a financial asset does not meet the requirements for de-recognition or when the principle of accounting for continuing participation is applied;
- financial guarantee contracts;
- commitments to provide loans at an interest rate below the market;
- contingent consideration resulting from a business combination.

Estimation of business model

The Bank assesses the purpose of the business model in which the asset is held at the portfolio level of financial instruments, as this best reflects the way the business is managed and how the information is presented to management. Analyzed information includes:

- Policies and objectives established for portfolio management, as well as the implementation of these policies in practice. In particular, whether the management strategy is focused on obtaining interest income stipulated by the contract, maintaining a certain structure of interest rates, ensuring that the maturity of financial assets matches the maturity of financial liabilities used to finance these assets, or realizing cash flows through the sale of assets.
- How portfolio performance is assessed and how this information is communicated to the management of the Bank;
- Risks that impacts on the performance of the business model (and financial assets held under this business model), and how these risks are managed;
- How remuneration is given to managers responsible for managing the portfolio (for example, whether this remuneration depends on the fair value of the specified assets or on the cash flows from the assets provided by the contract);
- Frequency, volume and timing of sales in past periods, the reasons for such sales, as well as expectations regarding future sales. However, information on sales levels is not considered in isolation, but as part of a single holistic analysis of how the Bank's stated goal of managing financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading, or that are managed and whose performance is measured on the basis of fair value, are measured at fair value through profit or loss, since they are not held neither for the purpose of obtaining the contractual cash flows nor for the purpose of cash flow contract and sale of financial assets.

An assessment of whether contractual cash flows are solely payment of principal and interest.

For the purposes of this assessment, "principal" is defined as the fair value of a financial asset upon initial recognition. "Interest" is defined as reimbursement for the time value of money, for credit risk in respect of the principal amount outstanding for a certain period of time, and for other major risks and costs associated with lending (for example, liquidity risk and administrative costs), and include profit margins.

In assessing whether the contractual cash flows are solely payments of the principal and interest on the outstanding amount of the principal (the "SPPI criterion"), the Bank analyzes the contractual terms of the financial instrument. This includes an assessment of whether a provision on a financial asset provides for a condition that can change the time or amount of the cash flows under the contract so that the financial asset does not satisfy the requirement being analyzed.

In conducting the assessment, the Bank takes into account:

- Conditional events that may change the timing or amount of cash flows;
- Conditions that have a leverage effect;
- Terms of early repayment and prolongation of the validity period;
- Conditions that limit the Bank's claims to cash flows from certain assets (for example, non-recourse assets);
- Conditions that result in a change in compensation for the time value of money — for example, a revision of interest rates on a periodic basis.

The Bank determined that for a portfolio of long-term loans issued at a fixed interest rate, at which the Group has the right to revise the interest rate in the event of a change in the refinancing rate set by the

CBU, and for which borrowers have the right to either agree to the revised rate or repay the loan at nominal value reduced by the amount of payments on account of the principal amount of the debt and increased by the amount of accrued but unpaid interest, without penalties, the contractual flows provided by the contracts funds represent solely payments of principal and interest, since this right leads to a change in interest rate in such a way that interest represents a reimbursement for the time value of money, credit risk, other main risks associated with lending, and costs associated with the principal amount remaining outstanding. Therefore, the Bank considers these loans as variable rate loans at its core.

General principles for the initial valuation of financial instruments

Financial instruments (financial assets and financial liabilities) are recognized in the accounting records of the Bank if it becomes a party to the contract for this financial instrument.

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

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

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

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

The new fair value of a financial instrument for its initial recognition is determined by the method of discounting. Based on the market interest rate and represents the fair value of this instrument at the date of its occurrence, i.e. the present value of all future (expected) cash flows for this instrument at the date of its occurrence, discounted at the market interest rate for the given or similar financial instrument. The difference between the actual costs at the date of the financial instrument and its new initial value, depending on the reason for its occurrence, may be recognized in equity, the statement of profit or loss or other assets/liabilities of the Bank.

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

- from well-known interest rates published or posted in information systems at www.cbu.uz (official website of the Central Bank of the Republic of Uzbekistan) or public authorities and authorities on the Internet;
- from the refinancing rate of the Central Bank of Uzbekistan for the relevant period.

In particular, when determining the market rate under consumer lending agreements, the Bank uses information published by the CBU on the total value of consumer credit, defining the range of market rates as: upper limit of the range - rate of the value of the consumer loan; and lower limit of the range - refinancing rate of the CBU for the corresponding period

Reclassification

The classification of financial assets after initial recognition does not change, except in the period following how the Bank changes its business model for managing financial assets. The Bank should reclassify financial assets only if it has changed the business model used to manage these financial assets.

It is expected that such changes will occur extremely rarely. Such changes should be determined by the top management of the Bank as a result of external or internal changes and should be significant for the Bank's activities and obvious to external parties. Accordingly, a change in the purpose of the Bank's business model can occur if and only when the Bank starts or stops carrying out an activity significant in relation to its operations; for example, in the case of the acquisition, disposal or termination of a specific activity by the Bank.

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

De-recognition of financial instruments

De-recognition of a financial asset is made only when:

- the contractual rights to cash flows from this financial asset expire or
- the Bank transfers a financial asset, and such transfer satisfies de-recognition requirements.

In the event of a significant modification of a financial asset, the Bank de-recognizes the company and recognizes a new asset. Criteria for material modification the Bank determines as:

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

A financial liability is de-recognized only if it is redeemed, that is, when the obligation specified in the contract has been fulfilled, canceled or expired.

Under the transfer of a financial asset means:

- the transfer of contractual rights to receive cash flows from this financial asset to another party or
- maintenance of contractual rights to receive cash flows from a financial asset while simultaneously assuming contractual obligations to pay these funds to one or more beneficiaries under the contract.

When a financial asset is transferred, the extent of the risks and rewards of ownership of the financial asset is assessed. In this case:

- if the Bank transfers substantially all the risks and rewards associated with owning a financial asset, it derecognizes the financial asset and recognizes separately as assets or liabilities those rights and obligations that are created or retained during the transfer;
- if the Bank retains substantially all the risks and rewards of ownership of a financial asset, it continues to recognize the financial asset;
- if the Bank does not transfer and substantially retain all the risks and rewards associated with owning a financial asset, it should determine whether control over the financial asset remains. In this case:
    - if the Bank does not retain control, it derecognizes the financial asset and recognizes separately as an asset or liability those rights and obligations that are created or retained during the transfer;
    - if the Bank maintains control, it continues to recognize the financial asset to the extent that it continues to participate in this financial asset.

Upon de-recognition, the difference between the carrying amount of a financial asset transferred to the other party (estimated at the date of de-recognition) and the amount of funds received or receivable in exchange for the specified asset minus any liabilities incurred is recorded in the income statement and losses for the reporting period.

Significant change in the terms of a financial liability (regardless of the reasons for this change), including the exchange of liabilities with substantially different conditions is taken into account as the redemption of the old obligation and the recognition of a new one, reflecting the difference between them in the statement of income. A significant change is recognized in which the current discounted value of cash flows in accordance with the new conditions differs from the current discounted value of the remaining cash flows of the initial financial liability by 10% or more.

Upon de-recognition, the difference between the carrying amount of a financial liability extinguished or transferred to another party, including the corresponding underestimated part of the actual costs, and the amount of compensation paid for it shall be reflected in the statement of profit or loss for the reporting period.

Impairment

The Bank recognizes a provision for expected credit losses on the following financial instruments not at fair value through profit or loss:

- loans to customers;
- debt investment securities;
- net investment in finance lease;
- issued financial guarantee contracts; and
- issued loan commitments.

The Bank recognizes provisions for expected credit losses in an amount equal to the expected credit losses for the entire term, except for the following instruments for which the amount of the provision will be equal to 12-month expected credit losses:

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

The Bank believes that a debt security has a low credit risk if its credit rating corresponds to the generally accepted definition of investment grade in the world.

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

Estimation of expected credit losses

Expected credit losses are estimates of credit losses, weighted by the degree of probability of a default occurring. They are assessed as follows:

- **in respect of financial assets that are not credit impaired as of the reporting date**: as the present value of all expected cash shortfalls (that is, the difference between the cash flows owed by the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- **in respect of financial assets that are credit-impaired at the balance sheet date**: as the difference between the gross book value of the assets and the present value of estimated future cash flows;
- **in respect of the unused part of the loan commitments**: as the present value of the difference between the contractual cash flows that are due to the Bank under the contract if the borrower uses his right to receive the loan and the cash flows that the Bank expects to receive, issued; and
- **In respect of financial guarantee contracts**: as the present value of the expected payments to the contract holder to compensate for the credit loss incurred by him minus the amounts that the Bank expects to reimburse.

Restructured financial assets

In case of revising or modifying, by agreement of the parties, the terms of a financial asset, or replacing an existing financial asset with a new one due to the financial difficulties of the borrower, an assessment is made to determine whether this financial asset is de-recognized, and the expected credit losses are estimated as follows:

- If the expected restructuring does not result in de-recognition of an existing asset, then the expected cash flows for the modified financial asset are included in the calculation of the amounts of cash shortfall in the existing asset.

- If the expected restructuring will lead to de-recognition of an existing asset, then the expected fair value of the new asset is considered as the final cash flow of the existing asset at the time of its de-recognition. This amount is included in the calculation of the cash shortfall on an existing financial asset, which is discounted for the period from the expected date of de-recognition to the reporting date using the original effective interest rate on the existing financial asset.

Credit impaired financial assets

At each reporting date, the Bank evaluates financial assets at amortized cost and debt financial assets and at fair value through other comprehensive income for their credit impairment. A financial asset is "credit impaired" when it is defaulted.

Submission of a provision for expected credit losses

The provisions for credit losses are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a decrease in the gross book value of these assets;
- loan commitments and financial guarantee agreements: generally, as a reserve;
- if the financial instrument contains both a claimed and unclaimed component, and the Bank cannot determine expected credit losses on the loan commitment made separately from the expected credit losses on the already claimed part (loan issued): the Bank represents the aggregate loss allowance for both components. The cumulative amount is presented as a decrease in the gross book value of the claimed part (loan disbursed). Any excess of the loss allowance over the gross book value of the loan issued is presented as a reserve; and
- debt instruments measured at fair value through other comprehensive income: an allowance for losses is not recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the allowance for losses is disclosed and recognized in the composition of the reserve of changes in fair value.

Write-offs

Loans and debt securities are written off (partially or in full) when there are no reasonable expectations of their recovery. As a rule, this is the case when the Bank determines that the borrower has no assets or sources of income that can generate cash flows in an amount sufficient to repay the amounts of debt to be written off. However, with regard to written-off financial assets, the Bank may continue to carry out debt collection activities in accordance with the policy on reimbursement of receivables.

Cash and cash equivalents

Cash and cash equivalents are items that are easily converted into a certain amount of cash and are subject to minor changes in value. Cash and cash equivalents include all interbank deposits, overnight deposits and reverse repurchase agreements with other banks with an initial maturity of up to one business day. Funds for which there are restrictions on use for a period of more than three months at the time of submission are excluded from cash and cash equivalents in both the statement of financial position and the statement of cash flows. Cash and cash equivalents are carried at amortized cost, since (i) they are held to receive contractual cash flows and these cash flows are solely payments on the principal amount of the debt and interest and (ii) they are not classified as fair value. value through profit or loss. The conditions established solely by law (for example, provisions on the conversion of debt into equity in some countries) do not affect the results of the SPPI test, unless they are included in the terms of the contract and would apply even if the legislation later changed.

Cash payments or receipts presented in the statement of cash flows represent a transfer of cash and cash equivalents by the Bank, including those accrued or credited to the Bank's current accounts of the Bank's counterparties, such as interest income on a loan or principal amount, collected by debiting funds from the client's current account, interest payments or loans issued to the client's current account, representing cash or cash equivalent from the client perspective.

Mandatory reserves in CBU

Mandatory reserves in CBU are carried at amortized cost and represent funds deposited in CBU at which no interest is calculated and which are not intended to finance the daily operations of the Bank.

Consequently, they are excluded from the composition of cash and cash equivalents for the purposes of drawing up statement of cash flows.

Bank Card Payments

The initial recognition of incomplete settlements with bank cards occurs when a legal right to receive or a legal obligation to pay money in accordance with the terms of the contract arises. Pending bank card payments are stated at amortized cost.

Due from other banks

Due from other banks are accounted for when the Bank provides cash to counterparty banks in the form of advance payments. Due from other banks are carried at amortized cost if (i) they are held to receive the contractual cash flows and these cash flows are exclusively payments to the principal and interest, and (ii) they are not categorized at fair value through profit or loss.

Loans and advances to customers

Loans and advances to customers presented in the statement of financial position include:

- loans and advances to customers, measured at amortized cost; they are initially measured at fair value, taking into account the additional direct costs of the transaction, and then at amortized cost using the effective interest rate method;
- loans and advances to customers, assessed by the SSIA on a mandatory basis; such loans are measured at fair value with immediate recognition of changes in their value in profit or loss;
- finance lease receivables.

When the Bank acquires a financial asset and simultaneously concludes an agreement to resell the asset (or substantially the same asset) at a fixed price on a future date, the agreement is treated as a loan or advance payment, and the underlying asset is not recognized in the financial statements of the Bank.

Property received for non-payment

Property received for non-payment represents financial and non-financial assets received by the Bank in settling overdue loans. These assets are initially recognized at fair value upon receipt and included in fixed assets, other financial assets, investment property or stocks in other assets, depending on their nature and the Bank's intentions to recover these assets, and are subsequently revalued and accounted for in accordance with accounting policies for these asset categories.

If property received for non-payment results in the acquisition of control over the business, the business combination is accounted for using the acquisition method, with the fair value of the settled loan being the acquisition cost. For shares acquired as property for default, accounting policies for associates apply when the Bank acquires significant influence, but does not acquire control. The cost of the associate is equal to the fair value of the loan settled through the acquisition of the pledged shares.

Investment in debt securities

Based on the business model and cash flow characteristics, the Bank classifies investments in debt securities as valuation at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss. Debt securities are carried at amortized cost, if they are held to receive contractual cash flows, these cash flows are solely payments on the principal amount of the debt and interest and are not defined as being measured at fair value through profit or loss on a voluntary basis so that reduce the accounting discrepancy.

Debt securities are recorded under the FVTOCI, if they are held to receive contractual cash flows and for sale, they are solely payments on the principal amount of the debt and interest, and they are not defined as at fair value through profit or loss. Interest income on these assets is calculated using the effective interest method and is recognized in profit or loss. Estimated allowance for impairment losses determined on the basis of the expected credit loss model is recognized in profit or loss for the year. All other changes in the carrying amount are recorded in other comprehensive income. Upon derecognition of a debt security, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss.

If debt investment investments do not qualify for recognition at amortized cost or at fair value through other comprehensive income, they are recorded at fair value through profit or loss. The Bank may also unconditionally attribute investments in debt securities to the category estimated at fair value through profit or loss upon initial recognition, if using this opportunity significantly reduces the accounting mismatch between financial assets and liabilities recognized or measured using different accounting methods.

Equity Investments

Financial assets that meet the definition of capital from the issuer's point of view, that is, instruments that do not contain a contractual obligation to pay cash and indicate the presence of a residual share in the issuer's net assets, are considered by the Bank as investments in equity securities. Investments in equity securities are measured at fair value through profit or loss, unless the Bank unconditionally chooses to classify equity investments as those measured at fair value through other comprehensive income upon initial recognition. The Bank's policy is to classify equity investments as being measured at fair value through other comprehensive income, when these investments are held for purposes other than receiving investment income. If the fair value through other comprehensive income is selected, the gains and losses from the fair value revaluation are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, including on retirement. Impairment losses and their recovery, if any, are not estimated separately from other changes in fair value. Dividends are still recognized in profit and loss when the Bank's right to receive payments is established, unless they are a return on investment, and not income on such investments.

Derivative financial instruments

Derivative financial instruments, including forward and futures contracts, option contracts and swaps, are carried at their fair value. All derivatives are recorded as assets if the fair value of these instruments is positive and as liabilities if their fair value is negative. Changes in the fair value of foreign exchange derivative financial instruments are included in the statement of income on "Income less expenses / (expenses less income) on operations with foreign currency, currency derivatives and foreign currency revaluation". Changes in the fair value of derivatives with precious metals are attributed to "Income less expenses / (expenses less income) from operations with precious metals, derivative financial instruments with precious metals and from revaluation of accounts in precious metals"; changes in the fair value of derivative instruments with securities, interest rate derivatives and other derivative financial instruments - by "Income less expenses / (expenses less income) on transactions with other derivative financial instruments".

Fixed assets

Fixed assets are stated at cost or at revalued amounts, as described below, less accumulated depreciation and provision for impairment (if any).

Gains and losses arising from the disposal of fixed assets are determined on the basis of their residual value and recorded under operating expenses of the statement of comprehensive income.

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

Construction in progress is carried at cost less impairment allowance.

Upon completion, assets are transferred to property, plant and equipment and are stated at book value at the time of transfer. Construction in progress is not subject to depreciation until the asset is put into operation.

Intangible assets

Intangible assets of the Bank, other than goodwill, have a certain useful life and mainly include capitalized software, as well as intangible assets acquired as a result of business combinations (for example, customer base and trademark). Acquired and recognized intangible assets are capitalized based on the costs incurred to acquire and implement these assets. Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and any accumulated impairment loss. Intangible assets are amortized based on the straight-line method and are assessed for impairment if there are signs of impairment of these assets.

Amortization

Depreciation of an item of property, plant and equipment begins when it is commissioned. Depreciation is charged on a straight-line basis over the following useful lives:

- Buildings - 20 years;
- Office and computer equipment - from 3 to 10 years;
- Vehicles - 5 years;
- Intangible assets - 5 years.

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

At the end of the useful life of the asset, the residual value of the asset is the estimated amount that the Bank would have received at the moment if the asset was sold, less the estimated costs of disposal, if the condition and age of the asset were consistent with the age and condition that the asset would have end of useful life. The residual value of assets and their useful lives are reviewed and, if necessary, adjusted at the end of the reporting period.

Financial leases

In a financial lease, all the risks and rewards of ownership of the asset are transferred. If the Bank is a lessor, the Bank recognizes lease receivables in an amount equal to the net investment in the lease, starting from the date of commencement of the lease term. Financial income is calculated according to a scheme reflecting a constant periodic rate of return on the present value of the net investment. Initial direct costs are included in the cost upon initial recognition of lease payments. Net investments in financial leases are recorded as loans and advances to customers.

Financial lease liabilities

When the Bank acts as a tenant and all risks and benefits associated with ownership are transferred to the Bank, assets leased are recorded in property, plant and equipment from the date the leases arise at the lowest fair value of the assets leased and the present value. Minimum rental payments. Each rental payment relates in part to the repayment of the obligation and partly to financial expenses in order to ensure a constant interest rate on the amount of the balance of the lease finance debt. The corresponding rental obligations, net of future finance charges, are included in other borrowed funds. Interest expense is recognized in profit or loss for the year over the term of the lease using the effective interest method. Assets acquired under a finance lease are depreciated over their useful lives or, if the Bank is not sufficiently confident, that it will acquire ownership by the end of the lease term, over a shorter lease term.

Terminated activity

Discontinued operations are a component of the Bank that has been sold or classified as held for sale, and: a) is a separate significant line of business or geographical area of business; (b) is part of a single, coordinated plan for the disposal of a separate significant line of business or geographic region of business; or (c) is a subsidiary acquired solely for the purpose of resale. Revenues from discontinued operations are recorded separately from continuing operations, with corresponding repeated disclosures of comparative information.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

Termination of financial liabilities

The recognition of financial liabilities is terminated in the event of their redemption (i.e., when the obligation specified in the contract is fulfilled or terminated, or the term of its fulfillment expires).

Financial liabilities classified as at fair value through profit or loss

The Bank may identify certain liabilities as being measured at fair value through profit or loss upon initial recognition. The gains and losses on such liabilities are presented in profit or loss, except for the amount of changes in fair value associated with changes in the credit risk of this liability (defined as the amount that does not relate to changes in market conditions resulting in market risk). Which is reflected in other comprehensive income and is not subsequently reclassified to profit or loss. This is possible if such a representation does not create or exacerbate the accounting discrepancy. In this case, the profits and losses related to changes in the credit risk of the liability are also recognized in profit or loss.

Due to banks

Due to banks are recorded from the time the Bank issues cash or other assets by counterparty banks. Amounts due to banks are non-derivative financial liabilities and are carried at amortized cost or at the FVTPL.

Customers deposits

Deposits of individuals and corporate customers include non-derivative financial liabilities to individuals and corporate customers (including government agencies and companies controlled by the state) and are carried at amortized cost or according to the FVTPL.

Debt securities issued

Debt securities issued include promissory notes, deposit and savings certificates, and other debt instruments issued by the Bank. Debt securities in issue, with the exception of equity participation notes and debt participation notes described below, are carried at amortized cost. If the Bank buys back its own debt securities issued, they are excluded from the statement of financial position, and the difference between the present value of the liability and the amount paid is included in Other net operating income as part of the statement of income.

Other borrowings

Other borrowings are represented by syndicated loans attracted by the Bank in the financial markets, as well as trade finance transactions. Other borrowed funds are carried out at amortized cost or at FVTPL.

Loan commitments

The Bank issues loan commitments. Such liabilities represent irrevocable obligations or liabilities whose recall is possible only in response to significant adverse changes. Such liabilities are initially recorded at fair value, confirmed, as a rule, by the amount of the consideration received. This amount is amortized on a straight-line basis over the life of the obligation, with the exception of the loan commitment, in case there is a likelihood that the Bank will enter into a specific loan agreement and will not plan the implementation of the loan within a short period after it is granted. Such fees and commission received associated with the loan commitment is recorded as deferred income and is included in the carrying amount of the loan upon initial recognition. At the end of each reporting period, liabilities are estimated as: (i) the unamortized balance of the amount at the time of initial recognition plus; (ii) the amount of the provisional reserve determined based on the model of expected credit loss, if the obligation is not to provide a loan at an interest rate lower than the market, then the amount of the liability equal to the greatest of these two sums. The carrying value of loan commitments is an obligation. For contracts that include a loan and unused liability, if the Bank is unable to separately identify expected credit losses for the unused loan component and for the credit component, expected credit losses for the unused liability are recognized together with the provision for expected credit losses. Expected credit losses in excess of total expected credit losses over the gross carrying amount of the loan are recognized as a liability.

Financial guarantees

Financial guarantees require the Bank to make certain payments to reimburse the guarantee holder for losses incurred if the specified debtor did not make a timely payment on the original or modified terms of the debt instrument.

Financial guarantees are initially recorded at fair value, confirmed, as a rule, by the amount of the consideration received. This amount is amortized on a straight-line basis over the life of the guarantee. At the end of each reporting period, liabilities are estimated at the largest of (i) the amount of the estimated provision for losses under the guarantee, determined using the model of expected credit losses, and (ii) the remaining unamortized balance of the amount recorded at initial recognition. In addition, in respect of receivables for interest, which is recorded as an asset in the statement of financial position, an estimated reserve for expected credit losses is recognized.

Performance guarantees

Performance guarantees are contracts providing for the receipt of compensation if the other party to the contract does not fulfill the obligation specified in the contract. Such agreements, in addition to credit risk, transfer the non-financial risk of non-fulfillment of the contractual obligation. Performance guarantees are initially recorded at fair value, confirmed, as a rule, by the amount of the consideration received. This amount is amortized on a straight-line basis over the term of the agreement. At the end of each reporting period, performance guarantee contracts are valued at the largest of the amounts of (i) the unamortized balance of the initial recognition amount; and (ii) the amount of damages for the liability determined on the basis of the model of expected losses. If the Bank has the contractual right to apply to the client for reimbursement of the sums paid to settle the contracts of guarantee of fulfillment of obligations, these amounts should be recognized as an asset after the transfer of compensation to the beneficiary under the guarantee. These payments are recognized as fees and commission received in profit or loss.

Settlements with suppliers and other payables

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

Equity

Ordinary and non-redeemable shares are recognized as an equity. Expenses for payment of services to third parties directly related to the issue of new shares, except for cases of a business combination, are recorded in equity as a decrease in the amount received as a result of this issue. The excess of the fair value of the funds received over the nominal value of the shares issued is recorded as additional capital.

Dividends

Dividends are recognized as liabilities and are deducted from the amount of capital at the end of the reporting period only if they were declared before the end of the reporting period inclusive. Information about dividends is disclosed in a note about events that occurred after the end of the reporting period, if they were announced after the end of the reporting period. Payment of dividends and other distribution of profits is carried out on the basis of the net profit of the current year according to the accounting statements prepared in accordance with the legislation of the Republic of Uzbekistan.

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

Earnings per share

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

Interest income and expenses calculated using the effective interest method

Interest income and expense for all debt instruments measured at amortized cost and measured at fair value through other comprehensive income are recorded on an accrual basis using the effective interest method. Such a calculation includes in interest income and expenses all commissions and payments paid and received by the parties to the contract and constituting an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions related to the effective interest rate include commissions received or paid by an organization in connection with the formation or acquisition of a financial asset or the issuance of a financial liability (for example, fees for credit rating, valuation or accounting of guarantees, or collateral, for setting the terms of the instrument and for processing of transaction documents).

Commissions for a liability received by the Bank for providing a loan at market rates are an integral part of the effective interest rate if there is a likelihood that the Bank will enter into a specific loan agreement and does not plan to sell the loan within a short period after it is granted. The Bank does not classify a loan commitment as a financial liability at fair value through profit or loss.

With respect to credit assets impaired or financial assets created or acquired, the effective interest rate is the rate that discounts the expected cash flows (including initial expected credit losses) to a fair value upon initial recognition (usually corresponding to the purchase price). As a result, the effective interest rate is adjusted for credit risk.

Interest income is calculated using the effective interest rate on the gross book value of financial assets, except:

- financial assets that have become impaired (Stage 3) and for which interest income is calculated using the effective interest rate to their amortized cost (minus the allowance for expected credit losses);
- created or acquired credit-impaired financial assets for which the initial effective interest rate adjusted for credit risk is applied to the amortized cost.

Fees and commission received and paid

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

An agreement with a client that results in the recognition of a financial instrument in the financial statements of the Bank may be partially in the scope of IFRS 9 and partly in the scope of IFRS 15. In this case, the Bank first applies the requirements of IFRS 9, to highlight and take into account the part of the contract that relates to the scope of IFRS 9, and then apply IFRS 15 to the remaining part.

The Bank recognizes other fees and commission received at the time or as it fulfills its obligation to perform under the contract through the provision of a service to the client.

Other interest income and expenses

Other interest income and expenses are interest income and expenses related to debt instruments estimated at the FVTPL and are recorded on an accrual basis using the nominal interest rate.

Taxation

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

Current tax amounts are funds payable to the budget or returned from the budget due to current or previous taxable profits or losses. In the case of permission to issue financial statements prior to the filing of the relevant tax returns, the tax amounts reflected in it are based on estimates.

Deferred income tax is calculated using the balance sheet assets and liabilities method for all taxable losses and temporary differences between the taxable base of assets and liabilities and their carrying amount for financial statements.

Deferred tax amounts are assessed at tax rates that actually entered into force at the end of the reporting period or that are expected to be applied during the period of recovery of temporary differences or use transferred from previous periods of tax losses. Deferred tax assets and liabilities are set off against each other if there is a legally enforceable right to set off current tax assets and liabilities. Deferred tax assets in respect of deductible temporary differences and tax losses are recorded to the extent that it is probable that sufficient taxable profit will be earned against which the indicated deductions may be used. Management judgment is required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the likely timing and amount of future taxable profits, as well as future tax planning strategies. Deferred tax amounts are assessed at tax rates that actually entered into force at the end of the reporting period or that are expected to be applied during the period of recovery of temporary differences or use transferred from previous periods of tax losses. Deferred tax assets and liabilities are set off against each other if there is a legally enforceable right to set off current tax assets and liabilities. Deferred tax assets in respect of deductible temporary differences and tax losses are recorded to the extent that it is probable that sufficient taxable profit will be earned against which the indicated deductions may be used. Management judgment is required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the likely timing and amount of future taxable profits, as well as future tax planning strategies.

In addition, in the Republic of Uzbekistan there are various operating taxes applicable to the Bank. These taxes are recorded in the statement of comprehensive income as part of operating expenses.

Netting

Financial assets and liabilities are mutually offset, and the statement of financial position reflects the net present value only when there is a statutory right to offset the recorded amounts, as well as the intention to either offset or realize the asset and settle the liability simultaneously. The right to set-off (a) should not be conditional on a future event and (b) should be legally binding in all of the following circumstances: (i) in the ordinary course of business, (ii) in the event of default and (iii) in case of insolvency or bankruptcy.

Employee remuneration and social security contributions

On the territory of the Republic of Uzbekistan, the Bank makes deductions on the unified social tax. These deductions are also recorded on an accrual basis. The unified social tax includes contributions to the Pension Fund. The Bank does not have its own pension scheme. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued as the Bank provides relevant services.

Segment information

Operating segments are allocated on the basis of internal reports on the components of the Bank that are regularly reviewed by the chief executive officer who is responsible for making decisions on operational activities in order to allocate resources to the segments and evaluate the results of their operations.

The Bank estimates information about reportable segments in accordance with IFRS. The reporting operating segment is distinguished when one of the following quantitative requirements is met:

- its revenue from sales to external customers and from operations with other segments is at least 10 percent of the total revenue - external and internal - of all operating segments; or
- the absolute figure of profit or loss is at least 10 percent of the largest of (i) the cumulative profit of all operating segments that did not show a loss, and (ii) the cumulative loss of all operating segments that showed a loss; or
- its assets comprise at least 10 percent of the total assets of all operating segments.
- its assets and liabilities represent at least 10 percent of total capital.

In case the total revenue from external sales shown by the operating segments is less than 75 percent of the organization’s revenue, additional operating segments are highlighted as reporting ones (even if they do not meet the quantitative criteria above) until the reported segments will include at least 75 percent of the Bank's revenue.

Foreign currency

Transactions in foreign currencies are initially translated into the functional currency at the exchange rate of the CBU as at the date of the transaction. Gains and losses arising from the translation of transactions in foreign currencies are recorded in the statement of comprehensive income in the income row, less costs from revaluation of foreign currency. Non-monetary items recorded at actual value in a foreign currency are translated using the exchange rate of the CBU as at the date of the transaction. Non-monetary items recorded at fair value in a foreign currency are translated at the exchange rate at the date when the fair value was determined.

At the date of the financial statements, the assets and liabilities of the Bank, the functional currency of which differs from the presentation currency of the Bank, are translated into UZS at the exchange rate at the reporting date, and their income statements are translated at the weighted average annual rate. The exchange differences arising from this translation are reflected in other comprehensive income. Upon the disposal of a subsidiary or associate whose functional currency differs from the presentation currency of the Bank, the total amount recognized in other comprehensive income attributable to this entity is reclassified from other comprehensive income to profit or loss of the reporting period.

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

Gold, silver and other precious metals are recorded in accordance with the purchase rates officially established by the CBU. Changes in the purchase prices of the Central Bank of Uzbekistan are recorded as exchange differences in income less expenses from revaluation of foreign currency in the statement of comprehensive income.

7 Cash and cash equivalents

	31 December 2023	31 December 2022
Cash and cash equivalents measured at amortized cost	1 139 755 060	806 029 181
Cash and cash equivalents measured at fair value through profit or loss	-	-
Total cash and cash equivalents	**1 139 755 060**	**806 029 181**

Cash and cash equivalents measured at amortized cost

	31 December 2023	31 December 2022
Cash on hand	121 584 681	69 883 085
Current account balances in CBU	363 113 775	341 885 694
Current account balances in other banks	506 040 653	255 640 382
Term deposits in other banks placed up to 90 days	150 166 438	139 316 684
Provision for credit losses	(1 150 487)	(696 664)
Total cash and cash equivalents measured at amortized cost	**1 139 755 060**	**806 029 181**

As of 31 December 2023, the Bank has balances on accounts and deposits in one bank, in which the cash balances exceed 10% of the Bank's capital. The total amount of these funds amounted to 340 913 950 thousand UZS(in 2022: 397 149 363 thousand UZS).

The table below provides an analysis of the credit quality of cash and cash equivalents measured at amortized cost based on credit ratings as at 31 December 2023. A description of the Bank's credit risk classification system is provided in Note 30. The carrying amount of cash and cash equivalents balances as at 31 December 2023 in the table below also represents the Bank's maximum exposure to credit risk for these assets:

	Minimal credit risk	Low credit risk	Average credit risk	Total
Current account balances in CBU	-	363 113 775	-	363 113 775
Current account balances in other banks	420 596 146	40 533 323	44 911 184	506 040 653
Term deposits in other banks placed up to 90 days	-	150 166 438	-	150 166 438
Provision for credit losses	(33 494)	(753 337)	(363 656)	(1 150 487)
Total cash and cash equivalents measured at amortized cost, excluding cash on hand	**420 562 652**	**553 060 199**	**44 547 528**	**1 018 170 379**

The carrying amount of cash and cash equivalents balances as at 31 December 2022 in the table below also represents the Bank's maximum exposure to credit risk for these assets:

	Minimal credit risk	Low credit risk	Average credit risk	Total
Current account balances in CBU	-	341 885 694	-	341 885 694
Current account balances in other banks	224 113 074	23 236 400	7 906 476	255 255 950

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

Term deposits in other banks placed up to 90 days	-	54 316 684	85 000 000	139 316 684
Provision for credit losses	(18 676)	(440 815)	(237 173)	(696 664)
Total cash and cash equivalents measured at amortized cost, excluding cash on hand	**224 094 398**	**418 997 963**	**92 669 303**	**735 761 664**

The table below shows a reconciliation of the incoming balances of the provision for losses on current accounts with other banks accounted for at amortised cost, broken down by the relevant categories.The approach to estimation of expected credit losses is disclosed in Note 30.

	Stage 1	**Total**
Balance as at 1 January 2022	**555 411**	**555 411**
Creation of a provision for credit losses	141 253	**141 253**
Balance as at 31 December 2022	**696 664**	**696 664**
Creation of a provision for credit losses	453 823	453 823
Balance as at 31 December 2023	**1 150 487**	**1 150 487**

8 Mandatory reserves in CBU

As of 31 December 2023 and 31 December 2022, the balance of required reserves with the CBU is 40 573 600 thousand UZS and 30 097 142 thousand UZS, respectively.

Obligatory reserves with the CBU include non-interest bearing provisions for impairment of assets and customer deposits. In accordance with the legislation of the Republic of Uzbekistan, the Bank is required to maintain mandatory reserve deposits with the CBU on a permanent basis, which do not accrue interest and form part of the Bank's liabilities with limited withdrawability.

9 Due from other banks

	31 December 2023	**31 December 2022**
Due from other banks measured at amortized cost	94 883 145	62 995 599
Due from other banks at fair value through profit or loss	-	-
Total due from other banks	94 883 145	62 995 599

Due from other banks measured at amortized cost

	31 December 2023	**31 December 2022**
Term deposits with other banks, placed for more than 90 days	95 000 000	63 095 979
Allowance for credit losses	(116 855)	(100 380)
Total due from other banks measured at amortized cost	**94 883 145**	**62 995 599**

The carrying amount of balances due from other banks as at 31 December 2023 also reflects the Bank's maximum exposure to credit risk on these assets:

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

	Low credit risk	Average credit risk	**Total**
Term deposits with other banks, placed for more than 90 days	95 000 000	-	95 000 000
Allowance for credit losses	(116 855)	-	(116 855)
Total due from other banks measured at amortized cost	**94 883 145**	**-**	**94 883 145**

The carrying amount of balances due from other banks at December 31, 2022 also reflects the Bank's maximum exposure to credit risk on these assets:

	Low credit risk	Average credit risk	**Total**
Term deposits with other banks, placed for more than 90 days	43 095 979	20 000 000	63 095 979
Allowance for credit losses	(48 890)	(51 490)	(100 380)
Total due from other banks measured at amortized cost	**43 047 089**	**19 948 510**	**62 995 599**

The table below provides a reconciliation of the incoming balances of the allowance for losses on due from other banks carried at amortized cost, by category. The approach to estimation of expected credit losses is disclosed in Note 30.

	Stage 1	**Total**
Balance as at 1 January 2022	**600 892**	**600 892**
Recovery of allowance for credit losses	(500 512)	(500 512)
Balance as at 31 December 2022	**100 380**	**100 380**
Provision for credit losses	16 475	16 475
Balance as at 31 December 2023	**116 855**	**116 855**

As of 31 December 2023 and 2022, there are no overdue balances with other banks measured at amortized cost and no impairment indicators thereon.

10 Loans and advances to customers

	31 December 2023	**31 December 2022**
Loans and advances to customers measured at amortized cost	1 571 461 748	1 074 607 495
Loans and advances to customers at fair value through profit or loss	-	-
Total loans and advances to customers	**1 571 461 748**	**1 074 607 495**

Loans and advances to customers measured at amortized cost

The concentration of loans by economic sector is shown below:

	31 December 2023	**31 December 2022**
Industry	941 980 601	564 128 249
Trade	370 357 906	342 084 301
Services	119 547 168	94 928 426

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

Individuals	84 602 954	48 092 180
Construction	64 605 289	36 189 148
Transportation and communications	11 487 550	3 094 211
Agriculture and food industry	25 528 716	24 415 839
Provision for credit losses	(46 648 436)	(38 324 859)
Total loans and advances to customers measured at amortized cost	**1 571 461 748**	**1 074 607 495**

The structure of the risk concentration of the client loan portfolio by economic sector as of 31 December 2023 is presented below:

	Gross book value	Provision for credit losses	Book value
Industry	941 980 601	(17 249 774)	924 730 827
Trade	370 357 906	(10 292 566)	360 065 340
Services	119 547 168	(7 522 897)	112 024 271
Individuals	84 602 954	(5 239 234)	79 363 720
Construction	64 605 289	(2 339 952)	62 265 337
Agriculture and food industry	25 528 716	(3 898 905)	21 629 811
Transportation and communications	11 487 550	(105 108)	11 382 442
Total loans and advances to customers measured at amortized cost	**1 618 110 184**	**(46 648 436)**	**1 571 461 748**

The structure of the risk concentration of the client loan portfolio by economic sector as of 31 December 2022 is presented below:

	Gross book value	Provision for credit losses	Book value
Industry	564 128 249	(18 143 038)	545 985 211
Trade	342 084 301	(11 383 945)	330 700 356
Services	94 928 426	(6 361 291)	88 567 135
Individuals	48 092 180	(581 132)	47 511 048
Construction	36 189 148	(564 390)	35 624 758
Agriculture and food industry	24 415 839	(1 131 933)	23 283 906
Transportation and communications	3 094 211	(159 130)	2 935 081
Total loans and advances to customers measured at amortized cost	**1 112 932 354**	**(38 324 859)**	**1 074 607 495**

As of 31 December 2023, the Bank has customer loan balances for three borrowers (2022: one) in which loan balances exceed 10% of the Bank's capital. The amount of this loan is 281 825 965 thousand UZS (2022: 44 431 612 thousand UZS).

The tables below present an analysis of the credit quality of loans to customers measured at amortised cost provided by the Bank as at 31 December 2023. A description of the terms 12-month expected credit losses, expected lifetime credit losses is provided in Note 30. The credit quality analysis of loans presented in the tables below is based on the borrowers' credit quality scale developed by the Bank.

Summary 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal credit risk	1 306 135 045	57 752 537	34 518 605	1 398 406 187
Low credit risk	70 662 571	10 493 098	38 123 710	119 279 379
Medium credit risk	26 903 794	27 210 615	12 915 034	67 029 443
High credit risk	4 841 271	3 937 885	24 616 019	33 395 175

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

Total gross book value loans and advances to customers	**1 408 542 681**	**99 394 135**	**110 173 368**	**1 618 110 184**
Provision for credit losses	(11 575 475)	(11 209 910)	(23 863 051)	(46 648 436)
Total loans and advances to customers	**1 396 967 206**	**88 184 225**	**86 310 317**	**1 571 461 748**

Legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal credit risk	1 260 335 077	56 750 985	32 228 128	1 349 314 190
Low credit risk	40 052 213	8 933 063	36 978 083	85 963 359
Medium credit risk	25 886 380	26 727 493	12 587 880	65 201 753
High credit risk	4 811 545	3 897 184	24 319 199	33 027 928
Total gross carrying amount of loans to legal entities	**1 331 085 215**	**96 308 725**	**106 113 290**	**1 533 507 230**
Provision for credit losses	(8 608 879)	(10 431 884)	(22 368 439)	(41 409 202)
Total loans to legal entities	**1 322 476 336**	**85 876 841**	**83 744 851**	**1 492 098 028**

Individuals	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal credit risk	45 799 968	1 001 552	2 290 477	49 091 997
Low credit risk	30 610 358	1 560 035	1 145 627	33 316 020
Medium credit risk	1 017 414	483 122	327 154	1 827 690
High credit risk	29 726	40 701	296 820	367 247
Total gross carrying amount of loans to individuals	**77 457 466**	**3 085 410**	**4 060 078**	**84 602 954**
Provision for credit losses	(2 966 596)	(778 026)	(1 494 612)	(5 239 234)
Total loans to individuals	**74 490 870**	**2 307 384**	**2 565 466**	**79 363 720**

The tables below provide an analysis of the credit quality of loans to customers measured at amortised cost provided by the Bank as at 31 December 2022. The credit quality analysis of loans presented in the tables below is based on the borrowers' credit quality scale developed by the Bank.

Summary 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal credit risk	504 990 132	74 648 260	8 884 685	588 523 077
Low credit risk	317 919 196	18 516 472	4 047 153	340 482 821
Medium credit risk	101 320 359	18 462 866	10 557 666	130 340 891
High credit risk	15 377 771	3 767 590	24 837 334	43 982 695
Defaulted assets	-	-	9 602 870	9 602 870
Total gross book value loans and advances to customers	**939 607 458**	**115 395 188**	**57 929 708**	**1 112 932 354**
Provision for credit losses	(6 506 999)	(1 379 666)	(30 438 194)	(38 324 859)
Total loans and advances to customers	**933 100 459**	**114 015 522**	**27 491 514**	**1 074 607 495**

Legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**

Minimal credit risk	486 400 286	73 621 776	8 617 589	568 639 651
Low credit risk	296 503 508	17 044 612	3 897 443	317 445 563
Medium credit risk	98 341 019	18 173 858	10 358 338	126 873 215
High credit risk	14 539 562	3 629 938	24 832 861	43 002 361
Defaulted assets	-	-	8 879 384	8 879 384
Total gross carrying amount of loans to legal entities	**895 784 375**	**112 470 184**	**56 585 615**	**1 064 840 174**
Provision for credit losses	(6 310 200)	(1 312 723)	(30 120 804)	(37 743 727)
Total loans to legal entities	**889 474 175**	**111 157 461**	**26 464 811**	**1 027 096 447**

Individuals	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Minimal credit risk	18 589 846	1 026 484	267 096	19 883 426
Low credit risk	21 415 688	1 471 860	149 710	23 037 258
Medium credit risk	2 979 340	289 008	199 328	3 467 676
High credit risk	838 209	137 652	4 473	980 334
Defaulted assets	-	-	723 486	723 486
Total gross carrying amount of loans to individuals	**43 823 083**	**2 925 004**	**1 344 093**	**48 092 180**
Provision for credit losses	(196 799)	(66 943)	(317 390)	(581 132)
Total loans to individuals	**43 626 284**	**2 858 061**	**1 026 703**	**47 511 048**

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

Analysis of the movement in the allowance for credit losses for 2023 for loans to customers measured at amortized cost:

Summary 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 31 December 2022	**6 506 999**	**1 379 666**	**30 438 194**	**38 324 859**
Transfer to Stage 1	2 067 996	(1 051 232)	(1 016 764)	-
Transfer to Stage 2	(808 023)	808 023	-	-
Transfer to Stage 3	(397 474)	60 168	337 306	-
Net expense from creation/(reversal) of allowance for credit losses within one stage	4 205 977	10 013 285	(5 895 685)	8 323 577
- including new loans issued	*10 502 314*	*4 588 302*	*12 999 032*	*28 089 648*
Balance as at 31 December 2023	**11 575 475**	**11 209 910**	**23 863 051**	**46 648 436**

Legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 31 December 2022	**6 310 200**	**1 312 723**	**30 120 804**	**37 743 727**
Transfer to Stage 1	1 914 021	(1 039 224)	(874 797)	-
Transfer to Stage 2	(805 059)	805 059	-	-
Transfer to Stage 3	(379 276)	61 002	318 274	-
Net expense from creation/(reversal) of allowance for credit losses within one stage	1 568 993	9 292 324	(7 195 842)	3 665 475
- including new loans issued	*7 853 305*	*3 820 252*	12 022 296	*23 695 853*
Balance as at 31 December 2023	**8 608 879**	**10 431 884**	**22 368 439**	**41 409 202**

Individuals	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 31 December 2022	**196 799**	**66 943**	**317 390**	**581 132**
Transfer to Stage 1	153 975	(12 008)	(141 967)	-
Transfer to Stage 2	(2 964)	2 964	-	-
Transfer to Stage 3	(18 198)	(834)	19 032	-
Net expense from creation/(reversal) of allowance for credit losses within one stage	2 636 984	720 961	1 300 157	4 658 102
- including new loans issued	*2 649 009*	*768 050*	*976 736*	*4 393 795*
Balance as at 31 December 2023	**2 966 596**	**778 026**	**1 494 612**	**5 239 234**

Analysis of the movement in the allowance for credit losses for 2022 for loans to customers measured at amortized cost:

Summary 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	**945 717**	**5 139 362**	**17 765 118**	**23 850 197**
Transfer to Stage 1	4 770 631	(4 770 467)	(164)	-
Transfer to Stage 2	(131 918)	1 239 746	(1 107 828)	-
Transfer to Stage 3	(96 296)	(4 798)	101 094	-

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

Net expense from creation/(reversal) of allowance for credit losses within one stage	1 018 865	(224 177)	13 679 974	14 474 662
- including new loans issued	*9 680 666*	*2 228 289*	29 496 978	*41 405 933*
Balance as at 31 December 2022	**6 506 999**	**1 379 666**	**30 438 194**	**38 324 859**

Legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	**940 531**	**5 137 920**	**17 580 986**	**23 659 437**
Transfer to Stage 1	4 769 805	(4 769 804)	(1)	-
Transfer to Stage 2	(131 529)	1 239 357	(1 107 828)	-
Transfer to Stage 3	(95 821)	(4 780)	100 601	-
Net expense from creation/(reversal) of allowance for credit losses within one stage	827 214	(289 970)	13 547 046	14 084 290
- including new loans issued	*9 494 779*	*2 218 655*	*29 325 190*	*41 038 624*
Balance as at 31 December 2022	**6 310 200**	**1 312 723**	**30 120 804**	**37 743 727**

Individuals	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	**5 186**	**1 442**	**184 132**	**190 760**
Transfer to Stage 1	826	(663)	(163)	-
Transfer to Stage 2	(389)	389	-	-
Transfer to Stage 3	(475)	(18)	493	-
Net expense from creation/(reversal) of allowance for credit losses within one stage	191 651	65 793	132 928	390 372
- including new loans issued	*185 887*	*9 634*	*171 788*	*367 309*
Balance as at 31 December 2022	**196 799**	**66 943**	**317 390**	**581 132**

All loans were granted to companies operating in the Republic of Uzbekistan.

Information on credit quality of loans as of 31 December 2023 is as follows:

	Loans to legal entities	**Loans to individuals**	**Total**
Unexpired	1 445 776 338	81 796 377	1 527 572 715
Overdue;			
- with a payment delay of less than 30 days	36 578 677	982 923	37 561 600
- with a delay in payment for a period of 30 to 90 days	22 351 034	886 650	23 237 684
- with a delay in payment for a period of 90 to 180 days	28 213 687	-	28 213 687
- with a payment delay of more than 180 days	587 494	937 004	1 524 498
Total gross book value loans and advances to customers	**1 533 507 230**	**84 602 954**	**1 618 110 184**
Provision for credit losses	(41 409 202)	(5 239 234)	(46 648 436)
Total loans and advances to customers	**1 492 098 028**	**79 363 720**	**1 571 461 748**

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

Information on the credit quality of loans as of 31 December 2022 is as follows:

	Loans to legal entities	Loans to individuals	Total
Unexpired	997 263 518	48 007 210	1 045 270 728
Overdue;			
- with a payment delay of less than 30 days	17 380 157	80 401	17 460 558
- with a delay in payment for a period of 30 to 90 days	10 478 076	-	10 478 076
- with a delay in payment for a period of 90 to 180 days	14 639 082	-	14 639 082
- with a payment delay of more than 180 days	25 079 341	4 569	25 083 910
Total gross book value loans and advances to customers	**1 064 840 174**	**48 092 180**	**1 112 932 354**
Provision for credit losses	(37 743 727)	(581 132)	(38 324 859)
Total loans and advances to customers	**1 027 096 447**	**47 511 048**	**1 074 607 495**

11 Investment financial assets

	31 December 2023	31 December 2022
Securities measured at amortised cost	-	30 981 488
Securities classified as measured at fair value through other comprehensive income – equity instruments	413 821	77 000
Total investment financial assets	**413 821**	**31 058 488**

Investment securities measured at amortised cost

	31 December 2023	31 December 2022
Bonds of the CBU	-	30 981 488
Total investment securities measured at amortised cost	-	**30 981 488**

The table below provides an analysis of credit risk for debt securities measured at amortised cost as at 31 December 2022, for which an estimated reserve for expected credit losses is recognized based on credit risk levels.

	Low credit risk	Total
Bonds of the CBU	30 981 488	30 981 488
Total investment securities measured at amortised cost	**30 981 488**	**30 981 488**

Investment securities classified as measured at fair value through other comprehensive income – equity instruments

	31 December 2023	31 December 2022
Credit bureau KATM LLC	413 821	77 000

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

Securities designated at fair value through other comprehensive income - equity instruments	**413 821**	**77 000**

12 Fixed assets and intangible assets

Below is the information on the movement of fixed assets and intangible assets as at 31 December 2023:

	Building and construction	Office and computer equipment	Assets in the form of right of use	Vehicles	Total fixed assets	Intangible assets	Total
Residual value as at 31 December 2022	**9 833 748**	**18 502 275**	**7 554 214**	**1 615 926**	**37 506 163**	**14 295 413**	**51 801 576**
Initial cost							
Balance as at 31 December 2022	**13 620 851**	**27 549 883**	**8 838 929**	**2 627 263**	**52 636 926**	**16 460 810**	**69 097 736**
Receipts	-	12 115 154	19 704 838	835 950	32 655 942	9 534 881	42 190 823
Disposal and write-off	-	(159 212)	(1 065 431)	(102 440)	(1 327 083)	-	(1 327 083)
Balance as at 31 December 2023	**13 620 851**	**39 505 825**	**27 478 336**	**3 360 773**	**83 965 785**	**25 995 691**	**109 961 476**
Accumulated depreciation							
Balance as at 31 December 2022	**3 787 103**	**9 047 608**	**1 284 715**	**1 011 337**	**15 130 763**	**2 165 397**	**17 296 160**
Depreciation	1 053 872	8 455 966	771 675	517 020	10 798 533	3 530 352	14 328 885
Disposal and write-off	-	(159 212)	(1 065 431)	(29 637)	(1 254 280)	-	(1 254 280)
Balance as at 31 December 2023	**4 840 975**	**17 344 362**	**990 959**	**1 498 720**	**24 675 016**	**5 695 749**	**30 370 765**
Residual value as at 31 December 2023	**8 779 876**	**22 161 463**	**26 487 377**	**1 862 053**	**59 290 769**	**20 299 942**	**79 590 711**

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

	Building and construction	Office and computer equipment	Assets in the form of right of use	Vehicles	Total fixed assets	Intangible assets	Total
Residual value as at 1 January 2022	**9 430 221**	**7 541 112**	**5 485 071**	**199 552**	**22 655 956**	**1 892 544**	**24 548 500**
Initial cost							
Balance as at 1 January 2022	**12 526 134**	**13 354 523**	**6 311 113**	**1 070 216**	**33 261 986**	**3 143 445**	**36 405 431**
Receipts	1 094 717	14 445 931	2 527 816	1 557 047	19 625 511	13 420 177	33 045 688
Disposal and write-off	-	(250 571)	-	-	(250 571)	(102 812)	(353 383)
Balance as at 31 December 2022	**13 620 851**	**27 549 883**	**8 838 929**	**2 627 263**	**52 636 926**	**16 460 810**	**69 097 736**
Accumulated depreciation							
Balance as at 1 January 2022	**3 095 913**	**5 813 411**	**826 042**	**870 664**	**10 606 030**	**1 250 901**	**11 856 931**
Depreciation	691 190	3 484 768	458 673	140 673	4 775 304	1 017 308	5 792 612
Disposal and write-off							

Balance as at 31 December 2022	**3 787 103**	**9 047 608**	**1 284 715**	**1 011 337**	**15 130 763**	**2 165 397**	**17 296 160**
Residual value as at 31 December 2022	**9 833 748**	**18 502 275**	**7 554 214**	**1 615 926**	**37 506 163**	**14 295 413**	**51 801 576**

13 Non-current assets held for sale

	31 December 2023	31 December 2022
Property received through repayment of the loan and other assets	18 411 376	-
Provision for impairment	(2 304 000)	-
Total non-current assets held for sale	**16 107 376**	-

14 Other assets

	31 December 2023	31 December 2022
Other financial assets		
Commission income receivable	123 496	125 696
Incomplete bank card payments	801 718	908 153
Less provision for credit losses	(115 262)	(108 686)
Total other financial assets	**809 952**	**925 163**
Other non-financial assets		
Prepayments for services	4 355 194	610 844
Prepayments for equipment and goods	1 293 981	1 902 301
Calculations on taxes, except for income tax	-	31 609
Accounts receivable from employees	18 117	24 158
Other non-financial assets	157 905	8 725
Less provision for impairment of other non-financial assets	(420 336)	(16 913)
Total other non-financial assets	**5 404 861**	**2 560 724**
Total other assets	**6 214 813**	**3 485 887**

The table below provides a reconciliation of opening balances of provision for credit losses on other financial assets, disaggregated by category. An approach to measuring expected credit losses is disclosed in Note 30.

	Stage3	Stage2	Stage 1	Total
Provision for expected credit losses as at 31 December 2022	**7 184**	**226**	**101 276**	**108 686**
Net creation / (recovery) of provision for expected credit losses	9 759	187	(3 370)	6 576
Provision for expected credit losses as at 31 December 2023	**16 943**	**413**	**97 906**	**115 262**

	Stage3	Stage2	Stage 1	Total
Provision for expected credit losses as at 1 January 2022	**38 523**	**19**	**86 444**	**124 986**
Net creation / (recovery) of provision for expected credit losses	(31 339)	207	14 832	(16 300)
Provision for expected credit losses as at 31 December 2022	**7 184**	**226**	**101 276**	**108 686**

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

15 Due to other banks

	31 December 2023	31 December 2022
Funds of other banks measured at amortised cost	334 312 044	322 916 484
Funds of other banks measured at fair value through profit or loss	-	-
Total funds of banks	**334 312 044**	**322 916 484**

Funds of other banks measured at amortised cost

	31 December 2023	31 December 2022
Term deposits of banks	286 052 860	295 598 824
Correspondent accounts and overnight deposits of banks	41 586 372	14 681 279
Getting loans from other banks	6 672 812	12 636 381
Total funds of banks measured at amortised cost	**334 312 044**	**322 916 484**

As of 31 December 2023, the Bank has a balance of funds in three banks, which the cash balance exceeds 10 percent of the Bank's capital. The amount of this obligation will amount to 257 849 660 thousand UZS, or 77.1 percent of the total amount of term deposits of credit institutions.

As of 31 December 2022, the Bank has a balance of funds in three banks, which the cash balance exceeds 10 percent of the Bank's capital. The amount of this obligation will amount to 173 325 956 thousand UZS, or 53.7 percent of the total amount of term deposits of credit institutions.

16 Customers funds

	31 December 2023	31 December 2022
State and public organizations		
Demand deposits	324 259	1 591 430
Other legal entities		
Demand deposits	930 000 552	498 081 614
Term deposits	100 417 001	131 486 306
Individuals		
Demand deposits	79 952 154	80 771 915
Term deposits	889 769 694	602 572 178
Total customer funds	**2 000 463 660**	**1 314 503 443**

Below is the distribution of customer funds by sectors of the economy:

	31 December 2023	31 December 2022
Individuals	969 721 848	683 344 093
Services	367 503 018	155 743 865
Industry	284 685 210	298 738 237
Construction	33 768 745	118 605 859
Agriculture and food industry	284 777 959	38 369 345
Transportation and Communications	20 263 919	4 399 697
Trade	17 597 607	11 188 089

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

Other	22 145 354	4 114 258
Total customer funds	**2 000 463 660**	**1 314 503 443**

In accordance with the legislation of the Republic of Uzbekistan, the Bank is obliged to repay the amount of the individual's deposit at the first request of the depositor. In cases where a fixed-term deposit is returned to the depositor at his request before the expiration of the term, interest on the deposit is paid in the amount corresponding to the amount of interest paid by the Bank on demand deposits, unless a different interest rate is stipulated by the agreement.

17 Other borrowings

	31 December 2023	31 December 2022
Other borrowed funds measured at amortised cost	132 625 231	8 240 652
Other borrowed funds measured at fair value through profit or loss	-	-
Total other borrowed funds	**132 625 231**	8 240 652

Other borrowed funds measured at amortised cost

	31 December 2023	31 December 2022
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	132 625 231	8 240 652
Total other borrowed funds measured at amortised cost	**132 625 231**	8 240 652

18 Other liabilities

	31 December 2023	31 December 2022
Other financial liabilities		
Accounts payable	23 820 073	8 853 138
Accrued expenses for the payment of remuneration to staff	2 340 234	2 249 957
Total other financial liabilities	**26 160 307**	**11 103 095**
Other non-financial liabilities		
Provision for credit losses on credit related commitments and provision for other liabilities	4 122 065	3 662 528
Financial lease liabilities	1 286 757	954 476
Taxes payable, excluding income tax	2 703 365	2 148 398
Total other non-financial liabilities	**8 112 187**	**6 765 402**
Total other liabilities	**34 272 494**	**17 868 497**

The movement of the provision for credit losses on credit related commitments and other contingent liabilities is presented below:

	Guarantees issued	Loan commitments and unused credit lines	Total
Provision for credit losses on credit related commitments and provision for other contingent liabilities as at 31 December 2022	**3 647 763**	**14 765**	**3 662 528**
Net provision/(reversal) for expected credit losses	418 844	40 693	459 537
Provision for credit losses on credit related commitments and provision for other contingent liabilities as of 31 December 2023	**4 066 607**	**55 458**	**4 122 065**

	Guarantees issued	Loan commitments and unused credit lines	Total
Provision for credit losses on credit related commitments and provision for other contingent liabilities as at 1 January 2022	**1 560 021**	**214**	**1 560 235**
Net provision/(reversal) for expected credit losses	2 087 742	14 551	2 102 293
Provision for credit losses on credit related commitments and provision for other contingent liabilities as of 31 December 2022	**3 647 763**	**14 765**	**3 662 528**

19 Share capital and capital introduced

The declared, issued and fully paid share capital includes the following components:

	The number of shares, pieces	Ordinary shares, in thousands UZS	Total
1 January 2022	**230 520 350**	**269 708 810**	**269 708 810**
Issue of new shares	30 423 209	35 595 155	35 595 155
31 December 2022	**260 943 560**	**305 303 965**	**305 303 965**
Issue of new shares			
31 December 2023	57 984 687	67 842 084	67 842 084

All ordinary shares have a par value of 1,170 UZS per share. Each share is entitled to one vote.

As at 31 December 2023 and 2022, the Bank has no preferred shares.

According to Article 13 of the Law of the Republic of Uzbekistan "On Banks and Banking Activity" the minimum amount of the Bank's authorized capital shall be three hundred fifty billion soums from 1 April 2024 and five hundred billion soums from 1 January 2025.

According to the decision of the general meeting of shareholders dated 20 June 2023, it was decided to pay dividends in the amount of 71 412 720 thousand UZS. This amount after payment of dividend tax was used to increase the share capital in the amount of 67 842 084 thousand UZS.

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

20 Interest income and expense

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income calculated at the effective interest rate		
Cash and cash equivalents	11 691 775	1 744 384
Due from other banks	57 256 511	38 040 715
Loans and advances to customers	181 747 255	128 004 019
Investment financial assets	3 430 498	4 550 935
Total interest income calculated at the effective interest rate	**254 126 039**	**172 340 053**
Other interest incomes		
Loans and advances to customers	33 750	291 611
Total other interest incomes	**33 750**	**291 611**
Interest expense calculated at the effective interest rate		
Due to other banks	16 873 874	10 385 193
Customer funds	102 186 828	54 381 516
Lease obligations	1 104 624	1 008 626
Other borrowed funds	1 805 241	879 996
Total interest expense calculated at the effective interest rate	**121 970 567**	**66 655 331**
Net interest income	**132 189 222**	**105 6 333**

21 Commission income and expenses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Commission income		
Customer transactions with foreign currency	10 981 937	9 666 135
Settlement operations	10 524 708	9 841 529
Bank Card operations	3 585 048	2 374 730
Commissions on documentary transactions and other credit obligations	2 995 357	1 020 239
Cash operations	2 664 717	869 050
Currency conversion and exchange fees	6 687	446 649
Other	35 051	13 976
Total commission income	**30 793 505**	**24 232 308**
Commission expenses		
Settlement operations	3 716 071	3 068 821
Operations with bank cards	2 398 512	584 453
Transactions with foreign currency	2 340 955	944 002
Collection services	819 703	218 828
Commissions on documentary operations and other credit related commitments	142 769	152 876
Commissions on operations with securities	31 668	28 999
Other	108 601	2 070 912
Total commission expenses	**9 558 279**	**7 068 891**
Net commission income	**21 235 226**	**17 163 417**

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

22 Other operating income

	For the year ended 31 December 2023	For the year ended 31 December 2022
Rental income from fixed assets	1 071 429	986 087
Dividends	673 642	463 345
Proceeds from sale of pledged property	97 673	90 417
Other	241 283	310 507
Total other operating income	**2 084 027**	**1 850 356**

23 Administrative and other operating expenses

	For the year ended 31 December 2023	For the year ended 31 December 2022
Salary and bonuses	31 238 823	22 399 655
Other employee rewards	3 956 344	2 827 934
Single social payment	2 526 140	1 976 901
Staff costs	**37 721 307**	**27 204 490**
Depreciation	14 328 885	5 792 611
Membership fee	8 474 346	5 429 906
Charity and sponsorship expenses	5 740 100	25 000
Maintenance software	4 965 110	2 426 461
Security	3 950 532	2 774 222
Other taxes other than income tax	2 495 408	2 010 706
Repair	1 943 881	2 362 373
Stationery	1 809 607	889 474
Travel expenses	1 406 713	1 009 814
Rent	1 169 972	221 589
Professional services	1 048 290	1 870 448
Hospitality expenses	976 814	673 430
Advertisement	801 122	267 894
Communication	687 572	589 910
Utilities	407 369	328 664
Vehicle maintenance costs	346 544	215 898
Insurance	207 833	46 005
Fines and penalties	14 803	100 000
Other	549 435	264 692
Total other operating expenses	**51 324 336**	**27 299 097**
Total staff costs and other operating expenses	**89 045 643**	**54 03 587**

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

24 Income tax

Components of income tax expense

Income tax expense includes the following components:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Current income tax expense	17 888 527	20 377 321
Deferred taxation	(160 136)	(1 446 631)
Income tax expense for the year	**17 728 391**	**18 930 690**

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

The income tax rate applicable to the majority of the Bank's profits is corporate income tax (20 percent).

The following is a comparison of theoretical tax expenses with actual tax expenses:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Income before tax	**76 065 212**	**87 229 780**
Theoretical tax deductions at the statutory rate - 20%	15 213 042	17 445 956
Tax effects of income or expenses that are not deductible for tax purposes:		
- expenses that do not reduce the tax base	2 515 349	1 484 734
Income tax expense for the year	**17 728 391**	**18 930 690**

Deferred tax analysis by type of temporary differences

Differences between IFRS and tax legislation of the Republic of Uzbekistan lead to the emergence of temporary differences between the book value of assets and liabilities for the purpose of preparing consolidated financial statements and for the purpose of calculating income tax.

The tax consequences of the movement of these temporary differences for 2023 are detailed below:

	31 December 2023	Restored / (allocated) to profit and loss account	31 December 2022
Tax effects of temporary differences that reduce / (increase) the tax base			
Cash and cash equivalents	140 791	(25 173)	115 618
Due from other banks	23 371	(80 181)	(56 810)
Loans and advances to customers	3 126 917	554 979	3 681 896
Fixed assets and intangible assets	908 583	(627 566)	281 017
Other assets	29 490	141 471	170 961
Other liabilities	1 497 057	(123 665)	1 373 392
Net deferred tax assets	**5 726 210**	**(160 136)**	**5 566 074**
Recognized deferred tax assets	5 726 210	(103 326)	5 622 884
Recognized deferred tax liabilities	-	(56 810)	(56 810)
Net deferred tax (liability) / assets	**5 726 210**	**(160 136)**	**5 566 074**

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

The tax consequences of the movement of these temporary differences for 2023 are detailed below.

	31 December 2022	Restored / (allocated) to profit and loss account	1 January 2022
Tax effects of temporary differences that reduce / (increase) the tax base			
Cash and cash equivalents	115 618	(15 459)	100 159
Due from other banks	(56 810)	176 988	120 178
Loans and advances to customers	3 681 896	(1 417 324)	2 264 572
Fixed assets and intangible assets	281 017	686 308	967 325
Other assets	170 961	(145 087)	25 874
Other liabilities	1 373 392	(732 057)	641 335
Net deferred tax (liability) /assets	**5 566 074**	**(1 446 631)**	**4 119 443**
Recognized deferred tax assets	5 622 884	(1 503 441)	4 119 443
Recognized deferred tax liabilities	(56 810)	56 810	-
Net deferred tax (liability) / assets	**5 566 074**	**(1 446 631)**	**4 119 443**

25 Earnings per share

Basic earnings per share are calculated by dividing the net income on ordinary shares to the weighted average number of ordinary shares outstanding during the year less the average number of ordinary shares repurchased by the Bank from shareholders.

The Bank does not have ordinary shares potentially diluting earnings per share. Thus, diluted earnings per share equal basic earnings per share.

	For the year ended 31 December 2023	For the year ended 31 December 2022
Income for the year attributable to ordinary shareholders	58 336 821	68 299 090
Net income for the period attributable to shareholders (thousand UZS)	**58 336 821**	**68 299 090**
Weighted average number of ordinary shares outstanding during the period (pcs)	276 395 523	243 196 688
Basic and diluted earnings / (loss) per ordinary share (pcs / UZS)	**211,06**	**280,84**

26 Contingent financial liabilities

26.1 Insurance

The Bank did not provide full insurance of fixed assets, insurance in case of business interruption, or in respect of third party liability in terms of property or environmental damage arising from equipment malfunction or in connection with the Bank's core business. Until the Bank is able to obtain adequate insurance coverage, there is a risk that the loss or damage to its assets could have a material adverse effect on the Bank 's operations and financial condition.

26.2 Legal issues

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the possible liabilities (if any) arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Bank.

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

26.3 Tax legislation

Tax and customs legislation, as well as legislation in the sphere of currency regulation of the Republic of Uzbekistan, admit the possibility of different interpretations and are subject to frequent changes. Moreover, the regulations issued by various government bodies may contradict each other. Management's interpretation of the legislation applied to the operations and the relevant authorities may challenge activities of the Bank. The Uzbek tax authorities may take a tougher stance in interpreting legislation and assessing accruals, and there is a possibility that operations and activities that have not been challenged in the past will be challenged. As a result, significant amounts of additional taxes, penalties and interest may be assessed. Tax periods remain open for review by the relevant tax authorities for tax payments for five calendar years. previous year for which the audit is carried out. In some cases, checks may cover longer periods.

The management of the Bank believes that its interpretation of the relevant legislation is correct and that the Bank's tax, currency and customs positions will be confirmed. Accordingly, as at 31 December 2023 and at 31 December 2022, management did not form a reserve for potential tax liabilities. The Bank estimates that there are no potential tax liabilities, with the exception of unlikely.

26.4 Credit commitment

The main purpose of these tools is to ensure the provision of funds to customers as needed. Guarantees and guarantee letters of credit, which represent irrevocable obligations of the Bank to make payments in the event that a client fails to fulfill its obligations to third parties, have the same level of credit risk as loans. Documentary and commodity letters of credit, which are written obligations of the Bank to make payments on behalf of clients within the agreed amount when certain conditions are met, are secured by appropriate supplies of goods or cash deposits and, accordingly, have a lower level of risk than direct lending.

In addition to credit-related obligations, the Bank issues guarantees of proper performance of obligations. Guarantees of proper performance of obligations are insurance contracts that provide for compensation in the event of the inability of the other party to fulfill the contractual obligation. Such contracts, in addition to credit risk, transfer non-financial risk of default. The risk under contracts for ensuring proper performance of obligations is the probability of an insured event occurring (that is, non-fulfillment of contractual obligations by the other party). The main risks of the Bank are significant changes in the frequency and amount of payments arising under such agreements, as compared with the forecast. The Bank uses historical data and statistical methods to predict the amount of such payments. Claims should be sent before the expiration of the contract, and most claims are subject to settlement in the short term. This enables the Bank to provide a high degree of confidence with respect to the planned payments and, consequently, future cash flows. The Bank manages such risks by constantly monitoring the level of payments for such products and is able to adjust commission fees in the future based on the experience of changing insurance claims payments on claims. The Bank has a process for processing claims for insurance claims for claims that provides for the right to review claims and reject falsified or non-compliant claims.

The table below provides credit commitments and guarantees for the proper performance:

	31 December 2023	31 December 2022
Guarantees issued	158 260 410	101 447 318
Loan commitment	20 191 188	2 332 166
Letters of credit	123 779 549	82 702 089
Total credit commitments before deducting provision for credit losses	**302 231 147**	**186 481 573**
Less provision for credit losses	(4 122 065)	(3 662 528)
Total credit commitments	**298 109 082**	**182 819 045**

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Movements in the allowance for credit losses on credit related commitments are presented in Note 18.

27 Related party transactions

For the purposes of compiling these consolidated financial statements, the parties are considered related if one of them has the ability to control the other or have a significant influence on the other party's financial and operational decisions, as set out in IAS 24 "Related Party Disclosures". When considering all possible relationships with related parties, the economic content of such relationships, and not only their legal form, is taken into account.

In the normal course of business, the Bank conducts transactions with its main shareholders, managers, and other parties. These operations include settlements, loans, deposit taking, guarantees, financing of trade operations and foreign currency transactions. According to the Bank's policy, all transactions with related parties are carried out under the same conditions as transactions with independent parties.

The balances of assets and liabilities with related parties at the reporting date are as follows:

	31 December 2023		31 December 2022	
	Shareholders	**Other related parties**	**Shareholders**	**Other related parties**
Assets				
Cash and cash equivalents	7 225 175	-	460 413	726 462
Loans and advances to customers	-	442 688	-	125 249
Liabilities				
Due to other banks	94 016 285	188 444 509	33 955 889	211 299 077
Amounts due to customers	-	425 688	-	1 309 272
Credit related commitments	914 735	-	1 801 890	-

The following are accrued income and expenses with related parties for the period:

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	Shareholders	**Other related parties**	**Shareholders**	**Other related parties**
Income and expenses				
Interest income calculated at the effective interest rate	-	90 517	326 005	17 669
Interest expense calculated at the effective interest rate	(2 521 142)	(10 990 663)	(2 050 447)	(8 302 015)
Administrative and other operating expenses	-	(5 242 046)	-	(4 656 131)
- Remuneration of key management personnel	-	(5 242 046)	-	(4 656 131)

28 Fair value

Fair value is defined as the price at which an instrument can be exchanged as part of a current transaction between interested parties wishing to close a transaction on market terms, with the exception of a forced sale or liquidation. The best confirmation of the fair value is the quotation of a financial instrument in an active market. Since for the majority of financial instruments the Bank does not have a liquid market, their fair value should be determined based on the existing market conditions and specific risks associated with a specific instrument. The estimates presented below may not correspond to the amounts that the Bank p is able to receive upon the market sale of the entire available package of a specific instrument.

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The Bank uses the following hierarchy to determine and disclose the fair value of financial instruments depending on the valuation methodologies:

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

The table below shows the analysis of assets recorded in the consolidated financial statements at fair value, by level of assessment hierarchy as at 31 December 2023:

	Level 1	Level 2	Level 3	Book value
Financial assets measured at fair or revalued value				
Investment financial assets	**-**	**-**	**413 821**	**413 821**
Securities classified as measured at fair value through other comprehensive income – equity instruments	-	-	413 821	413 821

The table below provides an analysis of assets accounted for at fair value by levels of the valuation hierarchy as at 31 December 2022:

	Level 1	Level 2	Level 3	Book value
Financial assets measured at fair or revalued value				
Investment financial assets	**-**	**-**	**77 000**	**77 000**
Securities classified as measured at fair value through other comprehensive income – equity instruments	-	-	77 000	77 000

The table below shows an analysis of assets measured at amortized cost, recorded at fair value in consolidated financial statements, broken down by levels of assessment hierarchy as at 31 December 2023:

	Level 1	Level 2	Level 3	Book value
Financial assets measured at amortized cost				
Cash and cash equivalents	**121 584 681**	**1 019 320 866**	**-**	**1 140 905 547**
Cash on hand	121 584 681	-	-	121 584 681
Current account balances in CBU	-	363 113 775	-	363 113 775
Current account balances in other banks	-	506 040 653	-	506 040 653
Term deposits in other banks placed up to 90 days	-	150 166 438	-	150 166 438
Mandatory reserves on accounts with the CBU	**-**	**40 573 600**	**-**	**40 573 600**
Due from other banks	**-**	**95 000 000**	**-**	**95 000 000**
Term deposits with other banks placed for more than 90 days	-	95 000 000	-	95 000 000
Loans and advances to customers	**-**	**-**	**1 618 110 184**	**1 618 110 184**
Commercial loans to legal entities	-	-	1 533 507 230	1 533 507 230
Consumer and other loans to individuals	-	-	84 602 954	84 602 954

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Other financial assets	**-**	**-**	**809 952**	**809 952**

The table below presents an analysis of assets carried at amortised cost accounted for at fair value by levels of the valuation hierarchy as at 31 December 2022:

	Level 1	Level 2	Level 3	Book value
Financial assets measured at amortized cost				
Cash and cash equivalents	**69 883 085**	**736 842 760**	**-**	**806 725 845**
Cash on hand	69 883 085	-	-	69 883 085
Current account balances in CBU	-	341 885 694	-	341 885 694
Current account balances in other banks	-	255 640 382	-	255 640 382
Term deposits in other banks placed up to 90 days	-	139 316 684	-	139 316 684
Mandatory reserves on accounts with the CBU	**-**	**30 097 142**	**-**	**30 097 142**
Due from other banks	**-**	**63 095 979**	**-**	**63 095 979**
Term deposits with other banks placed for more than 90 days	-	63 095 979	-	63 095 979
Loans and advances to customers	**-**	**-**	**1 112 932 354**	**1 112 932 354**
Commercial loans to legal entities	-	-	1 064 840 174	1 064 840 174
Consumer and other loans to individuals	-	-	48 092 180	48 092 180
Investment financial assets	**-**	**-**	**30 981 488**	**30 981 488**
Securities measured at amortized cost	-		30 981 488	30 981 488
Other financial assets	**-**	**-**	**925 163**	**925 163**

The table below presents an analysis of liabilities carried at amortised cost accounted for at fair value by levels of the valuation hierarchy as at 31 December 2023:

	Level 1	Level 2	Level 3	Book value
Financial liabilities measured at amortized cost				
Due to other banks	**286 052 860**	**41 586 372**	**-**	**327 639 232**
Term deposits from banks	286 052 860	-	-	286 052 860
Correspondent accounts and overnight deposits from banks	-	41 586 372	-	41 586 372
Customer funds	**-**	**1 010 276 965**	**990 186 695**	**2 000 463 660**
Demand deposits	-	1 010 276 965	-	1 010 276 965
Term deposits	-	-	990 186 695	990 186 695
Other borrowed funds	**-**	**-**	**132 625 231**	**132 625 231**
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	132 625 231	132 625 231
Other financial liabilities	**-**	**-**	**26 160 307**	**26 160 307**

The table below presents an analysis of liabilities carried at amortised cost accounted for at fair value by levels of the valuation hierarchy as at 31 December 2022:

	Level 1	Level 2	Level 3	Book value
Financial liabilities measured at amortized cost				
Due to other banks	**295 598 824**	**14 681 279**	**-**	**310 280 103**
Term deposits from banks	295 598 824	-	-	295 598 824

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Correspondent accounts and overnight deposits from banks	-	14 681 279	-	14 681 279
Customer funds	**-**	**580 444 959**	**734 058 484**	**1 314 503 443**
Demand deposits	-	580 444 959	-	580 444 959
Term deposits	-	-	734 058 484	734 058 484
Other borrowed funds	**-**	**-**	**8 240 652**	**8 240 652**
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	8 240 652	8 240 652
Other financial liabilities	**-**	**-**	**11 103 095**	**11 103 095**

The fair value measurement at Level 2 and Level 3 of the fair value hierarchy was performed using the discounted cash flow model. The fair value of derivatives with floating interest rates, which have no quotations in an active market, was assumed to be equal to the carrying value. The fair value of fixed interest rate instruments that do not have quotations in an active market was estimated based on estimated future cash flows disrupted using current interest rates on the borrowing market for new instruments with similar credit risk and a similar maturity.

For assets, the Bank used assumptions about the incremental rate on borrowed capital and the early repayment rates of the counterparty. Liabilities are discounted at the rate of attraction of additional borrowed funds of the Bank. Obligations to be repaid on demand were discounted starting from the first day of the potential presentation of a claim for repayment of the obligation by the Bank. The Bank's liabilities to customers are subject to the state deposit insurance program, as described in Note 1. The fair value of these liabilities reflects these credit enhancement mechanisms.

29 Capital management

In managing the capital, the Bank has the following objectives: compliance with the capital requirements established by the CBU and, in particular, the requirements of the deposit insurance system; ensuring the Bank's ability to function as a continuously operating organization and maintaining the capital base at the level required to ensure the capital adequacy ratio with the requirements of the CBU. Monitoring of compliance with the capital adequacy ratio set by the CBU is carried out monthly based on forecast and actual data containing relevant calculations, which are checked and approved by the Bank's Management.

The Bank manages its capital in order to comply with the regulatory capital requirements established by the CBU and ensure the continuation of activities as a continuously operating enterprise, maximizing the shareholder's profit by optimizing the ratio of borrowed funds and equity.

Control over compliance with the capital adequacy ratio established by the CBU is carried out using monthly reports containing relevant calculations that are checked and vised by the Chairman of the Board of the Bank.

The table presents an analysis of the regulatory capital of the Bank, calculated based on IFRS balances. All calculations are based on the understanding of the Bank:

	31 December 2023	31 December 2022
Fully paid shares	373 146 049	305 303 965
Retained earnings / (loss)	23 131 657	26 245 287
Intangible assets	(20 299 942)	(14 295 413)
Investments in the capital of unconsolidated economic entities	(413 821)	(77 000)
Adjusted Tier 1 capital	**375 563 943**	**317 176 839**
Net income for the period	58 336 821	68 299 090
Adjusted total Risk-based capital	**433 900 764**	**385 475 929**
Risk weighted assets and off-balance assets	2 227 239 475	809 248 750
Operational risk	118 017 801	73 840 074
Market risk	6 106 612	20 203 315

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Adjusted total Risk-weighted assets	**2 351 363 888**	**903 292 139**
Capital adequacy ratios		
Tier 1 capital	16,0%	35,1%
Total capital	18,5%	42,7%

According to article 13 of the Law of the Republic of Uzbekistan "On Banks and Banking Activities", the minimum amount of the authorized capital of the bank should be three hundred and fifty billion soums from 1 April 2024, and five hundred billion soums from 1 January 2025.

30 Risk management

The Bank manages its risks in respect of financial risks (credit, market, currency risks, liquidity and interest rate risks), as well as operational and legal risks. The assessment of accepted risk also serves as the basis for the optimal allocation of capital, taking into account risks, pricing operations and evaluation of performance. The Bank's management should ensure proper compliance with internal regulations and procedures in order to minimize operational and legal risks.

30.1 Credit risk

The Bank assumes credit risk, namely the risk that the counterparty will not be able to fully repay the debt by the due date. The Bank controls credit risk by setting limits for one borrower or a group of related borrowers, as well as for industry segments. The Bank regularly monitors such risks; limits are reviewed annually.

Policy to reduce and limit risk. The Bank manages, sets limits and monitors the concentration of credit risk, wherever it is installed - in particular, in relation to individual counterparties and groups, and in relation to industries. The Bank controls credit risk by setting limits for one borrower or a group of related borrowers, as well as setting limits for geographical and industry segments. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to fulfill obligations to pay interest and principal, and, if necessary, by changing credit limits.

Other specific control methods and measures to reduce credit risk are presented below.

(a) Limits. The Bank has established a credit committee that approves credit limits for individual borrowers:

- The Credit Committee reviews and approves limits up to 500 000 US dollars
- The Bank's Board reviews and approves limits more than 25% of the total capital.

Loan applications in conjunction with financial analysis of a potential borrower, which includes analysis of liquidity, profitability, interest coverage ratio and debt service ratio prepared by the relevant customer relations managers, are submitted to the Credit Committee, the Bank's Board or the Council of the Bank for approval of the credit limit.

(b) Security. The Bank uses a number of methods and practices to reduce credit risk. The most traditional of these is obtaining collateral for loans issued, which is a common practice. The Bank applies guidelines for acceptability of special collateral groups or credit risk mitigation.

The following are the main types of collateral for loans and advances:

- letters of guarantee;
- the property;
- insurance policy;
- equipment vehicles used by the borrower;
- working capital;
- deposits.

The type of instrument determines the security available as a guarantee for financial assets other than loans and advances.

(c) Concentration of financial assets subject to credit risk. The management of the Bank pays attention to the concentration of risk:

- The maximum concentration per borrower, or group of borrowers, should not exceed 25% of Bank's Tier 1 capital;
- The maximum concentration on unsecured loans should not exceed 5% of Bank's Tier 1 capital and;
- The total amount of all large loans should not exceed 8 times of Bank's Tier 1 capital;
- Total amount of loans to a related party - not exceeding the Bank's Tier 1 capital.

Credit Risk. Expected credit loss model and basic principles of provisioning. The Bank applies the expected credit loss model for reserving financial debt instruments, the key principle of which is the timely reflection of deterioration or improvement in the credit quality of debt financial instruments, taking into account current and forecast information. The amount of expected credit losses recognized as an allowance for credit losses depends on the degree of deterioration in credit quality since the initial recognition of a debt financial instrument.

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

- Stage 1 - "12-month expected credit losses" - Debt financial instruments for which no significant increase in credit risk was observed, and for which 12-month expected credit losses are calculated.
- Stage 2 - "Expected credit losses for the entire lifetime - non-impaired assets" - Debt financial instruments with a significant increase in credit risk, but not impaired, for which expected credit losses are calculated over the entire life of the financial instrument.
- Stage 3 - "Expected credit losses for the entire lifetime - impaired assets" - impaired debt financial instruments.

For acquired or issued depreciated financial assets, the estimated provision for credit losses is formed in the amount of accumulated changes in the value of expected credit losses for the entire lifetime of the instrument from the moment of acquisition or provision.

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

- The presence of overdue debts to the Bank for a period from 31 to 90 days (inclusive);
- Significant changes in the external and internal credit rating resulting from changes in credit risk compared with the moment of initial recognition;
- Deterioration of the internal rating to the level at which the Bank decides to refuse to provide a loan;
- Identification of events that may affect solvency (revocation of a license, presence of claims, violation of credit documentation conditions, etc.).

The main signs of assigning a debt financial instrument to impaired (Stage 3):

- The borrower has delayed the repayment of any debts to the Bank by more than 90 days;
- Default restructuring of debt and / or financial liability for operations in financial markets and expected insolvency;
- Other signs of insolvency, the identification of which leads to the appropriation of a default by the borrower (bankruptcy of the borrower, the expected adoption by the borrower of the decision to liquidate or terminate the activity, the probable non-repayment of the debt by the borrower, etc.)

Credit quality recovery. The improvement in the borrower's credit quality, which at the previous reporting dates revealed a significant increase in credit risk to the level of risk related to the first stage, is determined on the basis of an estimate of the change in credit risk at the reporting date compared to the initial recognition.

Credit quality is restored from the impaired level to the level of risk related to the first stage when the indicators of impairment are eliminated at the reporting date, as well as if there are no factors at the reporting date indicating a significant increase in credit risk.

Reservation approach for impaired assets purchased or issued. To calculate the estimated reserve for credit losses in respect of acquired or disbursed impaired assets, the Bank estimates the cumulative changes in the value of expected credit losses over the entire life of the instrument from the moment of its acquisition or issue.

A financial asset is considered an acquired or issued impaired asset when one or more events occur on it that have a negative impact on the estimated future cash flows of such a financial asset, in particular, observable data on the following events at the time of acquisition or issue:

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

Assessment methods and method of forming an allowance for credit losses. In order to estimate expected credit losses, two methods are distinguished: at the transaction level or at the counterparty level. Transaction level valuation is used for all debt financial instruments, except those related to the Individuals segment.

Counterparty grade is used for all debt financial instruments within the Individuals segment.

The main method of formation of estimated reserves for credit losses, which is applied at the Group level, is collective reservation. It is necessarily applied to financial instruments for which the debt is not material or for which no significant increase in credit risk or impairment was detected during the reporting period.

Reserving financial assets on an individual basis. The amount of the estimated reserve for credit losses for each debt financial asset is based on an estimate of the weighted average expected credit losses under the scenarios under consideration.

- The number of considered scenarios and their weights are determined on the basis of the methodology developed by the Group, taking into account the current, as well as reasonable forecast information, however, the number of considered scenarios cannot be less than two (including the 100% loss scenario) and the probability of their implementation must be above zero .
- Estimation of expected losses in case of individual approach to reservation takes into account the time value of money, as well as reasonable information about past, current and forecast future economic conditions. The amount of the allowance for credit losses is determined as the difference between the gross book value of the debt financial asset before deducting the allowance for credit losses at the valuation date and its recoverable amount.

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

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

Reserving financial assets collectively. A collective assessment of estimated reserves for credit losses of financial assets is carried out on the basis of individual risk metrics (PD, LGD, EAD), which are assigned to each specific counterparty/issuer based on the analysis of financial and other information, and which are regularly monitored.

PD is the probability of default determined on the basis of the risk segment and the internal rating (or group of delay) for the relevant period (12 months or the entire life of the tool (Lifetime PD)). Values are determined based on internal models, as well as using migration matrices (Markov chains). Calculations of the probability of default are adjusted for forecast information. Indicators of probability of default (PD) used by the Bank, based on the example of Moody's rating agency for financial institutions. For corporate by main sectors of the economy and individuals, data are used published in the official websites of government agencies, the CBU (www.cbu.uz) and other sources. As a forecast, data are used on the quality of the loan portfolio of past periods, as well as current and expected changes in macroeconomic variables (for example, real GDP growth, inflation, growth in real disposable money incomes of the population, etc.). The impact of these economic variables on the probability of default is determined using statistical regression analysis, and is calculated as the effect that these variables have on the level of defaults in past periods. The Bank estimates expected credit losses for a period of 12 months (Stage 1) or the entire life of the instrument, weighted by the likelihood of scenarios. These expected credit losses, weighted by probability, are determined by calculating each scenario using the appropriate model of expected credit losses and multiplying them by the respective scenario weights.

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

LGD is the level of losses in case of default, the estimated value of losses as a result of the onset of default, based on the difference in the amounts of contractual cash flows receivable and cash flows that the lender expects to receive, including as a result of the pledged property. As a rule, this value is expressed as a percentage of EAD. Values are determined using models developed based on internal statistics.

EAD is the value of the credit claim at risk of default. Debt at the time of default is determined based on the expected payment schedule, which varies depending on the type of product. For products that are recorded at amortized cost and loans with a one-time repayment of debt at the time of default, it is determined on the basis of amounts due to repayment by the borrower under the contract for a 12-month period or for the entire life of the financial instrument. This debt is also adjusted for the expected overpayment by the borrower. The calculation also includes early repayment or refinancing assumptions. For renewable products, the debt at the time of default is projected by adding to the current balance of the funds used the "credit conversion ratio", which takes into account the expected use of the remaining limit by the time of default. These assumptions vary depending on the type of product, current use of the limit and other behavioral characteristics of a particular borrower. Values are determined using models developed based on internal statistics.

Determination of the estimated provision for credit losses for credit commitments. If the counterparty has current balance sheet debt, the assessment of credit loss reserves for credit commitments is carried out in accordance with the approaches applied to reserving balance sheet debt of this counterparty taking into account the credit conversion rate (CCF), determined both on the basis of statistical data and Basel values. If the counterparty has only credit-related obligations, the assessment of estimated reserves for credit losses is carried out depending on the amount of the obligation, taking into account the CCF, on an individual or collective basis.

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

- "Minimum credit risk" - assets, counterparties for which demonstrate a stable ability to meet financial obligations in a timely manner with an insignificant probability of default.
- "Low credit risk" - assets, counterparties for which have a low probability of default and a high ability to meet financial obligations in a timely manner.
- "Medium credit risk" - assets whose counterparties have a moderate probability of default, demonstrate an average ability to meet financial obligations in a timely manner and require more careful attention at the monitoring stage.

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- "High credit risk" - assets whose counterparties have a high probability of default require special attention at the monitoring stage.
- "Default" - assets that, according to the available evidence of impairment, meet the definition of default.

30.2 Market risk

The Bank assumes market risk associated with open positions in interest, currency and equity instruments, which are exposed to the risk of general and specific changes in the market. The Board sets limits on the level of accepted risk and monitors their compliance on a daily basis. However, the use of this approach does not prevent the formation of losses that exceed the established limits in the event of more significant changes in the market.

The task of managing market risk is to ensure that exposure to market risk does not go beyond acceptable parameters, while ensuring optimization of the profitability received for the accepted risk.

30.3 Other price risks

Due to the lack of an active market for equity instruments in the Republic of Uzbekistan, it is difficult to assess the Bank's exposure to stock price risk. Most of the equity investments held by the Bank are carried at cost and are periodically assessed for impairment; accordingly, the Bank's exposure to equity risk is not expected to be material.

30.4 Geographical risk

The following is an analysis of the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2023:

	Uzbekistan	OECD and FATF member countries	Other countries	Total
Financial assets				
Cash and cash equivalents	700 062 953	426 660 865	13 031 242	1 139 755 060
Mandatory reserve deposits with the CBU	40 573 600	-	-	40 573 600
Due from other banks	94 883 145	-	-	94 883 145
Loans and advances to customers	1 571 461 748	-	-	1 571 461 748
Investment financial assets	413 821	-	-	413 821
Other financial assets	809 952	-	-	809 952
Total financial assets	**2 408 205 219**	**426 660 865**	**13 031 242**	**2 847 897 326**
Financial liabilities				
Due to other banks	(16 733 112)	266 576 330	84 468 826	334 312 044
Customer funds	2 000 463 660	-	-	2 000 463 660
Other borrowings	132 625 231	-	-	132 625 231
Other financial liabilities	26 160 307	-	-	26 160 307
Total financial liabilities	**2 142 516 086**	**266 576 330**	**84 468 826**	**2 493 561 242**
Net financial assets / (liabilities)	**265 689 133**	**160 084 535**	**(71 437 584)**	**354 336 084**

The following is an analysis of the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2022:

	Uzbekistan	OECD and FATF member countries	Other countries	Total
Financial assets				
Cash and cash equivalents	579 609 468	224 586 606	1 833 107	806 029 181
Mandatory reserve deposits with the CBU	30 097 142	-	-	30 097 142
Due from other banks	62 995 599	-	-	62 995 599
Loans and advances to customers	1 074 607 495	-	-	1 074 607 495

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Investment financial assets	31 058 488	-	-	31 058 488
Other financial assets	925 163	-	-	925 163
Total financial assets	**1 779 293 355**	**224 586 606**	**1 833 107**	**2 005 713 068**
Financial liabilities				
Due to other banks	33 728 919	222 266 776	66 920 789	322 916 484
Customer funds	1 314 503 443	-	-	1 314 503 443
Other borrowings	8 240 652	-	-	8 240 652
Other financial liabilities	11 103 095	-	-	11 103 095
Total financial liabilities	**1 367 576 109**	**222 266 776**	**66 920 789**	**1 656 763 674**
Net financial assets / (liabilities)	**411 717 246**	**2 319 830**	**(65 087 682)**	**348 949 394**

Assets, liabilities and credit commitments are generally classified according to the country in which the counterparty is located. Cash and cash equivalents, due from other banks are classified according to the country of their physical location.

30.5 Currency risk

The table below presents a general analysis of the Group's currency risk at the end of the reporting period:

	Monetary financial assets	Monetary financial liabilities	Net balance position
2023			
UZS	1 304 605 625	939 699 981	364 905 644
USD	1 296 284 675	1 300 966 173	(4 681 498)
Euro	232 211 180	235 927 998	(3 716 818)
Other	14 795 846	16 967 090	(2 171 244)
Total	**2 847 897 326**	**2 493 561 242**	**354 336 084**
2022			
UZS	846 220 523	478 986 146	367 234 377
USD	1 005 197 493	1 026 022 176	(20 824 683)
Euro	151 635 101	150 188 843	1 446 258
Other	2 659 951	1 566 509	1 093 442
Total	**2 005 713 068**	**1 656 763 674**	**348 949 394**

The Bank takes on exposure to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. The Council sets limits on the level of accepted risk by currency and in general both at the end of each day and within one day and monitors their observance on a daily basis. The Bank Treasury measures its currency risk by analyzing its net currency position denominated in the same currency, as well as analyzing the effect of strengthening / weakening of the same currency in relation to the Uzbek Soum on the Bank 's profit and loss.

The table below summarizes the changes in financial result and comprehensive income as a result of possible changes in exchange rates used at the end of the reporting period, while all other conditions remain unchanged. Reasonably possible change in the rate for each currency is determined based on the marginal limits of fluctuations of rates, changed by 10% compared with the current ones.

	31 December 2023	31 December 2022
Strengthening of the USD by 10%	(468 150)	(2 082 468)
Weakening of the USD by 10%	468 150	2 082 468
Strengthening of the Euro by 10%	(371 682)	144 626
Weakening of the Euro by 10%	371 682	(144 626)

The risk was calculated only for cash balances in currencies other than the Bank's functional currency.

30.6 Liquidity risk

Liquidity risk is the risk that an organization will face difficulties in meeting its financial obligations. The Bank is exposed to the risk of the daily need to use the available funds for settlement of overnight deposits, customer accounts, repayment of deposits, issuance of loans and borrowings, payments on guarantees and derivative financial instruments that are settled in cash. The Bank does not accumulate cash in case it is necessary to fulfill all of the above obligations at one time, since, based on the accumulated experience, it is possible to predict with sufficient accuracy the level of funds necessary to fulfill these obligations. The Bank Resource Management Committee manages liquidity risk.

The Bank tries to maintain a stable funding base, consisting mainly of funds from other banks, deposits of legal entities / deposits of individuals. The Bank invests in diversified portfolios of liquid assets in order to be able to quickly and easily meet unforeseen liquidity requirements.

The liquidity management of the Bank requires an analysis of the level of liquid assets necessary to settle liabilities when they mature; providing access to various sources of funding; availability of plans in case of problems with financing and control over compliance of liquidity ratios with legal requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirements of CBU. These standards include (standards are calculated on the basis of indicators in accordance with the requirement of CBU):

Information on financial assets and liabilities is received by the Treasury ensures an adequate portfolio of short-term liquid assets, mainly consisting of short-term liquid trading securities, deposits with banks and other interbank instruments, to maintain an adequate level of liquidity for the Bank as a whole.

The Treasury controls the daily liquidity position and regularly performs liquidity stress testing under various scenarios covering standard and more adverse market conditions.

The table below shows the distribution of obligations by contractual time remaining until maturity. The liabilities amount in the table represent the contractual cash flows, including the gross amount of the finance lease liabilities, as well as financial guarantees. These non-discounted cash flows differ from the amounts recorded in the consolidated statement of financial position as the amounts in the consolidated statement of financial position are based on discounted cash flows.

The table below shows the maturity analysis of non-derivative financial assets recorded at book value based on the contractual maturity dates, with the exception of assets that can be easily realized if there is a need for cash outflows related to financial liabilities. Such financial assets are included in the maturity analysis based on the expected disposal date. Impaired loans and borrowings are included in the table at book value less provision for impairment and based on expected cash inflow periods.

In cases where the amount to be paid is not fixed, the amount in the table is determined based on the conditions existing at the end of the reporting period. Currency payments are translated using the current exchange rate at the end of the reporting period.

Liquidity requirements in respect of guarantees and letters of credit are significantly lower than the sum of the corresponding liabilities presented in the maturity analysis above, as the Group usually does not expect funds from these liabilities to be claimed by third parties. The total amount of loan commitments included in the table above does not necessarily represent the amount of cash that will be required to be repaid in the future, since many of these commitments may be unclaimed or terminated before they expire.

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

An analysis of liquidity risk and interest rate risk as at 31 December 2023 is presented in the following table:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Total
Financial assets						
Cash and cash equivalents	150 166 438	-	-	-	-	150 166 438
Due from other banks	-	-	94 883 145	-	-	94 883 145
Loans and advances to customers	113 426 092	177 432 007	752 280 201	311 278 383	217 045 065	1 571 461 748
Total interest accrued financial assets	**263 592 530**	**177 432 007**	**847 163 346**	**311 278 383**	**217 045 065**	**1 816 511 331**
Cash and cash equivalents	989 588 622	-	-	-	-	989 588 622
Mandatory reserve deposits with the CBU	40 573 600	-	-	-	-	40 573 600
Investment financial assets	413 821	-	-	-	-	413 821
Other financial assets	809 952	-	-	-	-	809 952
Total financial assets	**1 294 978 525**	**177 432 007**	**847 163 346**	**311 278 383**	**217 045 065**	**2 847 897 326**
Financial liabilities						
Due to other banks	268 008 396	-	-	24 717 276	-	292 725 672
Customer funds	31 910 600	34 037 692	301 292 715	18 310 252	604 635 436	990 186 695
Other borrowings	-	18 549 747	95 434 996	1 995 679	16 644 809	132 625 231
Total interest-bearing financial liabilities	**299 918 996**	**52 587 439**	**396 727 711**	**45 023 207**	**621 280 245**	**1 415 537 598**
Due to other banks	41 586 372	-	-	-	-	41 586 372
Customer funds	1 010 276 965	-	-	-	-	1 010 276 965
Other financial liabilities	26 160 307	-	-	-	-	26 160 307
Total financial liabilities	**1 377 942 640**	**52 587 439**	**396 727 711**	**45 023 207**	**621 280 245**	**2 493 561 242**
The difference between financial assets and liabilities	(82 964 115)	124 844 568	450 435 635	266 255 176	(404 235 180)	354 336 084
The difference between interest accrued financial assets and interest-bearing financial liabilities	(36 326 466)	124 844 568	450 435 635	266 255 176	(404 235 180)	400 973 733
The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative	**(36 326 466)**	**88 518 102**	**538 953 737**	**805 208 913**	**400 973 733**	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	-1,28%	3,11%	18,92%	28,27%	14,08%	

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

The table below provides an analysis of liquidity risk and interest rate risk as of 31 December 2022:

	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Total
Financial assets						
Cash and cash equivalents	54 498 379	84 818 305	-	-	-	139 316 684
Due from other banks	-	30 086 320	32 909 279	-	-	62 995 599
Loans and advances to customers	52 914 061	111 467 587	483 338 374	206 931 929	219 955 544	1 074 607 495
Investment financial assets	30 981 488	-		-	-	30 981 488
Total interest accrued financial assets	**138 393 928**	**226 372 212**	**516 247 653**	**206 931 929**	**219 955 544**	**1 307 901 266**
Cash and cash equivalents	666 712 497	-	-	-	-	666 712 497
Mandatory reserve deposits with the CBU	30 097 142	-	-	-	-	30 097 142
Investment financial assets	77 000	-	-	-	-	77 000
Other financial assets	925 163	-	-	-	-	925 163
Total financial assets	**836 205 730**	**226 372 212**	**516 247 653**	**206 931 929**	**219 955 544**	**2 005 713 068**
Financial liabilities						
Due to other banks	107 186 320	97 257 385	103 791 500	-	-	308 235 205
Customer funds	34 474 592	22 940 902	293 462 023	49 299 350	333 881 617	734 058 484
Other borrowings	-	-	2 422 159	527 176	5 291 317	8 240 652
Total interest-bearing financial liabilities	**141 660 912**	**120 198 287**	**399 675 682**	**49 826 526**	**339 172 934**	**1 050 534 341**
Due to other banks	14 681 279	-	-	-	-	14 681 279
Customer funds	580 444 959	-	-	-	-	580 444 959
Other financial liabilities	11 103 095	-	-	-	-	11 103 095
Total financial liabilities	**747 890 245**	**120 198 287**	**399 675 682**	**49 826 526**	**339 172 934**	**1 656 763 674**
The difference between financial assets and liabilities	88 315 485	106 173 925	116 571 971	157 105 403	(119 217 390)	348 949 394
The difference between interest accrued financial assets and interest-bearing financial liabilities	(3 266 984)	106 173 925	116 571 971	157 105 403	(119 217 390)	257 366 925
The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative	**(3 266 984)**	**102 906 941**	**219 478 912**	**376 584 315**	**257 366 925**	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	-0,16%	5,13%	10,94%	18,78%	12,83%	

In the opinion of management of the Bank, the discrepancy between the maturity and interest maturities and interest rates of assets and liabilities is a temporary factor. In banks, as a rule, there is no complete coincidence in these positions, since operations often have uncertain maturities and are of a different nature.

Liquidity requirements in respect of guarantees and letters of credit payments are significantly lower than the sum of the corresponding liabilities, as the Bank usually does not expect that third parties will claim funds from these liabilities. The total amount of contractual commitments to provide loans does not necessarily represent the amount of cash that will be required in the future, since many of these commitments may be unclaimed or terminated before their expiration date.

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

30.7 Interest rate risk

The Bank takes on exposure to the effects of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the level of interest margin; however, in the event of an unexpected change in interest rates, the interest margin may also decrease or cause losses.

The Bank is exposed to interest rate risk, primarily as a result of its lending activities at fixed interest rates in amounts and for periods that differ from the amounts and terms for raising funds at fixed interest rates. In practice, interest rates are usually set for a short period. In addition, interest rates fixed in the terms of contracts for both assets and liabilities are often revised based on mutual agreement in accordance with the current market situation.

The Bank monitors interest rates on financial instruments. The table below shows the interest rates on financial instruments at the reporting date:

	2023		2022	
	UZS	USD	UZS	USD
Financial assets				
Cash and cash equivalents	13,5%	0,0%	17,5%-18%	4%-4,25%
Due from other banks	19%	0%	17,5%-19%	5,85%
Loans and advances to customers	9%-29%	4%-15%	4,5%-32%	1%-18%
Investment financial assets	0%	0%	16,7%	0%
Financial liabilities				
Due to other banks	0%	4%-7,8%	0%	1%-6,65%
Customer funds	9,5%-26%	2,5%-8,3%	12%-22%	4%-12%
Other borrowings	0%	5%-7,8%	0%	2%

31 Segment information

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

All operations and services are related to customers of the Republic of Uzbekistan. All customers of the Bank are the residents of the Republic of Uzbekistan.

31.1 Operation segments

The Bank operates in two main operating segments:

- Individuals - providing banking services to private clients and private entrepreneurs, maintaining current accounts of private clients, accepting savings and deposits, servicing debit cards, providing consumer loans and loans secured by real estate;
- Legal entities - maintaining accounts, attracting deposits, providing loans and other lending services, direct debiting of deposits, transactions with foreign currency and derivative financial instruments.

Transactions between operating segments are carried out on ordinary commercial terms. The funds are redistributed between the segments, which leads to the redistribution of financing costs, taken into account when calculating the operating income. The interest accrued on these funds is calculated based on the cost of raising the Bank’s capital. There are no other significant income or expenses on transactions between operating segments. Segment assets and liabilities are assets and liabilities, which constitute a large part of the balance sheet, but exclude items such as taxation of borrowed funds. Domestic costs and transfer pricing adjustments are accounted for in the results of the respective segments. For the reliable distribution of income received from external customers, between the segments are used agreements on the distribution of income.

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

The table below provides information on the segment concentration of assets and liabilities as at 31 December 2023:

	Individuals	Legal entities	Unsplittable	Total
Financial assets				
Cash and cash equivalents	-	-	1 139 755 060	1 139 755 060
Mandatory reserve deposits with the CBU	-	-	40 573 600	40 573 600
Due from other banks	-	-	94 883 145	94 883 145
Loans and advances to customers	79 363 720	1 492 098 028	-	1 571 461 748
Investment financial assets	-	413 821	-	413 821
Other financial assets	787 701	-	22 251	809 952
Total financial assets	**80 151 421**	**1 492 511 849**	**1 275 234 056**	**2 847 897 326**
Financial liabilities				
Due to other banks	-	-	334 312 044	334 312 044
Customer funds	969 721 848	1 030 741 812	-	2 000 463 660
Other borrowings	-	132 625 231	-	132 625 231
Other financial liabilities	2 340 234	23 820 073	-	26 160 307
Total financial liabilities	**972 062 082**	**1 187 187 116**	**334 312 044**	**2 493 561 242**
Net financial assets / (liabilities)	**(891 910 661)**	**305 324 733**	**940 922 012**	**354 336 084**

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

	Individuals	Legal entities	Unsplittable	Total
Financial assets				
Cash and cash equivalents	-	-	806 029 181	806 029 181
Mandatory reserve deposits with the CBU	-	-	30 097 142	30 097 142
Due from other banks	-	-	62 995 599	62 995 599
Loans and advances to customers	47 511 048	1 027 096 447	-	1 074 607 495
Investment financial assets	-	31 058 488	-	31 058 488
Other financial assets	901 611	-	23 552	925 163
Total financial assets	**48 412 659**	**1 058 154 935**	**899 145 474**	**2 005 713 068**
Financial liabilities				
Due to other banks	-	-	322 916 484	322 916 484
Customer funds	683 344 093	631 159 350	-	1 314 503 443
Other financial liabilities	-	11 103 095	-	11 103 095
Total financial liabilities	**683 344 093**	**642 262 445**	**331 157 136**	**1 656 763 674**
Net financial assets / (liabilities)	**(634 931 434)**	**415 892 490**	**567 988 338**	**348 949 394**

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

The table below provides information on the segment concentration of income and expenses as at 31 December 2023:

	Individuals	Legal entities	Unsplittable	Total
Interest income calculated at the effective interest rate	12 235 590	173 503 957	68 386 492	254 126 039
Other interest incomes	-	33 750	-	33 750
Interest expenses calculated at the effective interest rate	(95 329 020)	(9 767 673)	(16 873 874)	(121 970 567)
Net interest incomes	**(83 093 430)**	**163 770 034**	**51 512 618**	**132 189 222**
Recovery/(Provision) for credit losses on debt financial assets	4 658 102	(3 665 475)	(21 186 463)	(20 193 836)
Net interest income after provision for credit losses	**(78 435 328)**	**160 104 559**	**30 326 155**	**111 995 386**
Commission income	2 227 224	28 566 281	-	30 793 505
Commission expenses	-	(9 558 279)	-	(9 558 279)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency	-	-	32 962 215	32 962 215
Recovery/(provision) for credit losses on credit related commitments	-	(459 537)	-	(459 537)
Creation of provisions for other assets	-	(2 706 462)	-	(2 706 462)
Other operating income	-	2 084 027	-	2 084 027
Administrative and other operating expenses	(37 721 307)	(51 324 336)	-	(89 045 643)
Profit before tax	**(113 929 411)**	**126 706 253**	**63 288 370**	**76 065 212**

Notes to the financial statements for the year ended 31 December 2023 (in thousands UZS)

The table below provides information on the segment concentration of income and expenses for the year ended 31 December 2022:

	Individuals	Legal entities	Unsplittable	Total
Interest income calculated at the effective interest rate	2 133 325	130 806 060	39 400 668	172 340 053
Other interest income	-	291 611	-	291 611
Interest expenses calculated at the effective interest rate	(4 783 987)	(61 804 203)	(67 141)	(66 655 331)
Net interest expenses	**(2 650 662)**	**69 293 468**	**39 333 527**	**105 976 333**
Recovery/(Provision) for credit losses on debt financial assets	(800 652)	(2 066 154)	-	(2 866 806)
Net interest income after provision for credit losses	**(3 451 314)**	**67 227 314**	**39 333 527**	**103 109 527**
Commission income	2 042 537	22 189 771	-	24 232 308
Commission expenses	-	(7 068 891)	-	(7 068 891)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency	-	-	23 496 079	23 496 079
Recovery / (creation) of a provision for credit losses on credit commitments	-	(3 802 199)	-	(3 802 199)
Creation of provisions for other assets	-	(83 813)	-	(83 813)
Other operating income		1 850 356	-	1 850 356
Administrative and other operating expenses	(27 204 490)	(27 299 097)	-	(54 503 587)
Profit before tax	**(28 613 267)**	**53 013 441**	**62 829 606**	**87 229 780**

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

Volkan Guldurmez
Chairman of the Board of the Bank

Khamidulla Sabirov
Chief Accountant of the Bank

25 March 2024