JSC “ANOR BANK”

Financial statements

For the year ended 31 December 2023 with independent auditor’s report

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Independent auditor's report

To the Shareholders and the Supervisory Board of "ANOR BANK" JSC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of "Anor Bank" JSC (hereinafter, the "Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including accounting policy information.

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

Basis for opinion

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

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Responsibilities of management and the Supervisory Board for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on findings from procedures performed in accordance with the requirements of Law No. ZRU-580 dated 5 November 2019 On Banks and Banking Activity

Management is responsible for the Bank's compliance with prudential ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Central Bank of the Republic of Uzbekistan.

In accordance with Article 74 of Law No. ZRU-580 dated 5 November 2019 *On Banks and Banking Activity* (the "Law"), we have performed procedures to determine:

- whether as at 31 December 2023 the Bank complied with prudential ratios established by the Central Bank of the Republic of Uzbekistan;
- whether the elements of the Bank's internal control and organization of its risk management systems comply with the requirements established by the Central Bank of the Republic of Uzbekistan.

These procedures were selected based on our judgment, and were limited to the analysis, inspection of documents, comparison of the Bank's internal policies, procedures and methodologies with the applicable requirements established by the Central Bank of the Republic of Uzbekistan, and recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are reported below.

Based on our procedures with respect to the Bank's compliance with the prudential ratios established by the Central Bank of the Republic of Uzbekistan, we found that the Bank's prudential ratios, as at 31 December 2023, were within the limits established by the Central Bank of the Republic of Uzbekistan.

We have not performed any procedures on the accounting records maintained by the Bank, other than those which we considered necessary to enable us to express an opinion as to whether the Bank's financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS.

Based on our procedures with respect to the compliance of the elements of the Bank's internal control and organization of its risk management systems with the requirements established by the Central Bank of the Republic of Uzbekistan, we found that:

- as at 31 December 2023, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks;
- the frequency of reports prepared by the Bank's internal audit function during 2023 was in compliance with the requirements of the Central Bank of the Republic of Uzbekistan. The reports were approved by Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2023, the Bank established Information security function, and the information security policy was approved by the Bank's management board. Information security function was subordinated to and reported directly to the Chairman of the management board;
- reports by the Bank's Information security function to the Chairman of the management board during 2023 included assessment and analysis of information security risks, and results of actions to manage such risks;
- the Bank's internal documentation, effective on 31 December 2023, establishing the procedures and methodologies for identifying and managing credit risk, market risk, liquidity risk, operational risk, country risk, legal risk, reputational risk, fraud risk (hereinafter "significant risks"), and for stress-testing, was approved by the authorised management bodies of the Bank;
- as at 31 December 2023, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank's capital;
- the frequency of reports prepared by the Bank's risk management and internal audit functions during 2023, which cover the Bank's significant risks management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the Bank's significant risks and risk management system, and recommendations for improvement;
- as at 31 December 2023, Supervisory Board and Executive Management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2023, Supervisory Board and executive management bodies of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

Procedures with respect to elements of the Bank's internal control and organization of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Law and as described above, comply with the requirements established by the Central Bank of the Republic of Uzbekistan.

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The partner in charge of the audit resulting in this independent auditor's report is Anvarkhon Azamov.

Tashkent, Uzbekistan
7 June 2024

FE Audit Organization "Ernst & Young" LLC

FE Audit organization «Ernst & Young» LLC Certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan Under No.11 dated 22 July 2019

A. Azamov

Anvarkhon Azamov
Partner / Qualified auditor
Auditor qualification certificate authorizing audit of banks No.25 issued by the Central Bank of the Republic of Uzbekistan on 29 March 2023

Nataliya Kim
General Director
Auditor qualification certificate authorizing audit of banks No.11/7 issued by the Central Bank of the Republic of Uzbekistan on 5 November 2018

STATEMENT OF FINANCIAL POSITION

As of December 31, 2023

(thousands of Uzbek soums)

	Note	2023	2022
Assets			
Cash and cash equivalents	5	460,353,282	924,451,784
Amounts due from credit institutions	6	70,013,765	53,458,631
Loans to customers	7	3,129,274,086	2,116,370,370
Property and equipment and right-of-use assets	8	160,775,093	129,165,168
Intangible assets	9	227,276,716	105,493,719
Income tax prepaid		4,123,955	11,316,819
Deferred income tax assets	10	22,530,495	13,670,290
Other assets	12	169,888,886	71,958,045
Total assets		**4,244,236,278**	**3,425,884,826**
Liabilities			
Amounts due to credit institutions	13	249,430	62,746,122
Amounts due to customers	14	3,729,553,174	3,067,676,122
Other liabilities	12	65,273,532	25,387,547
Total liabilities		**3,795,076,136**	**3,155,809,791**
Equity	15		
Equity capital		400,000,000	301,000,000
Retained Earnings / (Accumulated deficit)		49,160,142	(30,924,965)
Total equity		**449,160,142**	**270,075,035**
Total equity and liabilities		**4,244,236,278**	**3,425,884,826**

Signed and approved for release on behalf of the Management Board of the Bank.

Sherzod Akramov — Chairman of the Management Board

Umid Babayev — Chief Accountant

June 7, 2024

O'ZBEKISTON RESPUBLIKASI "ANOR BANK" AKSIYADORLIK JAMIYATI
ANORBANK

The accompanying notes on pages 5-45 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

(thousands of Uzbek soums)

	Note	*2023*	*2022*
Interest revenue calculated using the effective interest rate	17	1,084,351,589	578,881,414
Interest expense	17	(636,465,551)	(376,867,030)
Net interest income	17	**447,886,038**	**202,014,384**
Credit loss expense	11	(55,611,522)	(48,631,328)
Net interest income after credit loss expense		**392,274,516**	**153,383,056**
Fee and commission income	18	114,576,471	71,509,796
Fee and commission expense	18	(74,834,527)	(39,204,814)
Net gains/(losses) on foreign exchange operations:			
- dealing		39,884,406	21,704,095
- translation differences		(1,942,755)	(4,007,267)
Other income		3,882,562	410,003
Non-interest income		**81,566,157**	**50,411,813**
Personnel expenses	19	(146,843,600)	(103,717,482)
Depreciation and amortization	8, 9	(51,496,588)	(30,034,998)
Other operating expenses	19	(180,524,728)	(79,491,809)
Non-interest expense		**(378,864,916)**	**(213,244,289)**
Profit / (Loss) before income tax		**94,975,757**	**(9,449,420)**
Income tax (expense) / benefit	10	(14,890,650)	6,140,392
Profit / (Loss) for the year		**80,085,107**	**(3,309,028)**
Other comprehensive income for the year, net of taxes		–	–
Total comprehensive income / (loss) for the year		**80,085,107**	**(3,309,028)**

Signed and approved for release on behalf of the Management Board of the Bank.

Sherzod Akramov — Chairman of the Management Board

Umid Babayev — Chief Accountant

June 7, 2024

The accompanying notes on pages 5-45 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

As of December 31, 2023

(thousands of Uzbek soums)

	Share capital	*Retained Earnings / (Accumulated Deficit)*	*Total*
As of January 1, 2022	**185,000,000**	**(27,615,937)**	**157,384,063**
Loss for the year	–	(3,309,028)	**(3,309,028)**
Total comprehensive loss for the year	**–**	**(3,309,028)**	**(3,309,028)**
Share capital increase (Note 15)	116,000,000	–	**116,000,000**
As of December 31, 2022	**301,000,000**	**(30,924,965)**	**270,075,035**
Profit for the year	–	80,085,107	**80,085,107**
Total comprehensive income for the year	**–**	**80,085,107**	**80,085,107**
Share capital increase *(Note 15)*	99,000,000	–	**99,000,000**
As of December 31, 2023	**400,000,000**	**49,160,142**	**449,160,142**

Signed and approved for release on behalf of the Management Board of the Bank.

Sherzod Akramov Chairman of the Management Board

Umid Babayev Chief Accountant

June 7, 2024

The accompanying notes on pages 5-45 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

As of December 31, 2023

(thousands of Uzbek soums)

	Note	2023	2022
Cash flows from operating activities			
Interest received		1,013,442,895	546,101,993
Interest paid		(643,332,801)	(361,483,526)
Fees and commissions received		84,265,587	71,073,833
Fees and commissions paid		(74,834,527)	(38,846,312)
Realized losses/(gains) net of foreign exchange gains/losses		35,998,896	21,704,095
Other income received		3,686,655	410,003
Personnel expenses paid		(145,726,144)	(103,199,169)
Other operating expenses paid		(160,424,608)	(75,655,011)
Cash flows from operating activities before changes in operating assets and liabilities		**113,075,953**	**60,105,906**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(16,761,834)	(47,712,824)
Loans to customers		(963,892,633)	(1,532,692,597)
Other assets		(86,428,922)	(20,511,237)
Net increase/(decrease) in operating liabilities			
Amounts due from credit institutions		(62,637,416)	13,801,587
Amounts due to customers		669,447,135	2,187,767,452
Other liabilities		6,974,646	9,622,190
Net cash flows from operating activities before income tax		**(340,223,071)**	**670,380,477**
Income tax paid		(27,874,809)	(12,514,516)
Net cash from / (used in) operating activities		**(368,097,880)**	**657,865,961**
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(192,417,750)	(113,494,229)
Net cash used in investing activities		**(192,417,750)**	**(113,494,229)**
Cash flows from financing activities			
Proceeds from share capital increase	15	99,000,000	116,000,000
Payment of lease liabilities	8	(2,800,736)	-
Net cash from financing activities		**96,199,264**	**116,000,000**
Effect of changes in exchange rates on cash and cash equivalents		240,638	(16,287,657)
Effect of expected credit losses on cash and cash equivalents	5	(22,774)	(70,199)
Net (decrease) / increase in cash and cash equivalents		**(464,098,502)**	**644,013,876**
Cash and cash equivalents at the beginning of the reporting year		924,451,784	280,437,908
Cash and cash equivalents at the end of the reporting year	5	**460,353,282**	**924,451,784**

Signed and approved for release on behalf of the Management Board of the Bank.

Sherzod Akramov Chairman of the Management Board

Umid Babayev Chief Accountant

The accompanying notes on pages 5-45 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(thousands of Uzbek soums)

1. PRINCIPAL ACTIVITIES

“ANOR BANK” JSC (hereinafter referred to as the “Bank”) was established in 2020 in the form of a joint stock company in accordance with the legislation of the Republic of Uzbekistan and it is a digital bank. The bank operates on the basis of a license for the right to carry out banking activities issued by the Central Bank of the Republic of Uzbekistan (hereinafter referred to as the “CBU”) on August 22, 2020.

The Bank accepts deposits from the population and provides loans in the territory of the Republic of Uzbekistan, as well as provides other banking services to legal entities and individuals who are the Bank’s customers. The head office of the Bank is located in Tashkent. Legal address of the Bank: Republic of Uzbekistan, Tashkent, st. Sayram 5-passage, 4.

The shareholders of the Bank as of December 31 are:

Shareholder	*2023*	*2022 %*
Kakhramonjon Olimov	91.3%	81.8%
JSC “Kapital Sug’urta”	8.7%	16.6%
Davron Turakulov	0.0%	1.6%
Total	**100%**	**100%**

The bank is under the effective control of Kakhramonjon Olimov.

2. BASIS OF PREPARATION

General

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Bank is obliged to keep accounting records and prepare financial statements in accordance with the legislation and regulations of the Republic of Uzbekistan on accounting and banking activities (hereinafter referred to as “NAS”). These financial statements are based on NAS, as adjusted and reclassified in order to comply with IFRS.

These financial statements have been prepared in accordance with the historical cost principle, except as noted in the Significant Accounting Policies section.

These financial statements are presented in thousands of Uzbek soums (hereinafter referred to as “thousand soums”), unless otherwise indicated.

Estimation uncertainty

To the extent that information was available as of December 31, 2023, the Bank has reflected revised estimates of expected future cash flows when estimating ECL *(Note 7)* and the fair value of financial instruments *(Note 21).*

3. SUMMARY OF ACCOUNTING POLICIES

Changes in accounting policy

The Bank has applied for the first time certain amendments to standards that are effective for annual periods beginning on or after January 1, 2023. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Changes in accounting policy (continued)

Amendments to IFRS 3 – "References to the Conceptual Framework"

The purpose of these amendments is to replace references to the "Concept of Preparation and Presentation of Financial Statements", issued in 1989, with references to the "Conceptual Framework for the presentation of financial Statements", issued in March 2018, without making significant changes to the requirements of the standard.

These amendments add an exception to the recognition principle in IFRS 3 in order to avoid the occurrence of potential "2nd day" gains or losses for liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Mandatory Payments if they arose within the framework of separate operations. The exception requires companies to apply the criteria of IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework to determine whether there is a current obligation at the acquisition date.

The amendments also add a new paragraph to IFRS 3 clarifying that contingent assets are not recognized at the acquisition date.

In accordance with the transitional provisions, the Bank applies the amendments prospectively, i.e. to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the Bank's financial statements, as there were no contingent assets, liabilities or contingent liabilities under these amendments that arose during the period.

Amendments to IFRS (IAS) 16 – "Fixed Assets: Receipts before intended use"

The amendments prohibit organizations from deducting from the initial cost of an object of fixed assets any proceeds from the sale of products produced during the delivery of this object to the location and bringing it into condition that are required for its operation in accordance with the intentions of management. Instead, the organization recognizes the proceeds from the sale of such products, as well as the cost of production of these products in profit or loss.

In accordance with the transitional provisions, the Bank applies these amendments retrospectively to those items of property, plant and equipment that became available for use at the start date (or after it) of the earliest period presented in the financial statements in which the organization first applies these amendments.

These amendments did not have an impact on the Bank's financial statements, as there were no sales of such items produced by fixed assets that became available for use at the start date (or after it) of the earliest of the periods presented in the financial statements.

Amendments to IAS 37 – "Burdensome Contracts – Contract Execution Costs"

An onerous contract is a contract under which the unavoidable costs of fulfilling the obligations under the contract (i.e. costs that the Group cannot avoid because it has a contract) exceed the economic benefits expected from it.

During 2022, the Bank had no contracts that would fall under the definition of burdensome contracts.

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Changes in accounting policy (continued)

IFRS 1 "First Application of International Financial Reporting Standards" – "Subsidiary Applying International Financial Reporting Standards for the first time"

According to this amendment, a subsidiary that decides to apply paragraph D16 (a) of IFRS 1 has the right to assess accumulated exchange differences using the amounts reflected in the financial statements of the parent organization, based on the date of transition of the parent organization to IFRS. This amendment is also applicable to associates and joint ventures that decide to apply paragraph D16 (a) of IFRS 1.

These amendments did not have an impact on the Bank's financial statements, as the Bank has no subsidiaries, and it did not have a first application.

IFRS 9 "Financial Instruments" – "Commission fee for conducting the "10% test" for derecognition of financial liabilities"

The amendment clarifies the composition of the commission amounts that the organization considers when assessing whether the terms of a new or modified financial liability are significantly different from the terms of the original financial liability. Such amounts include only those commission fees that have been paid or received between the lender and the borrower, including commission paid or received by the lender or the borrower on behalf of the other party. A similar amendment to IAS 39 "Financial Instruments: Recognition and Measurement" is not proposed.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or replaced at the beginning or after the beginning of the annual reporting period in which the organization first applies the amendment (date of initial application). These amendments had no impact on the Bank's financial statements, as there were no modifications to the Group's financial instruments during the reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that a transaction to sell an asset or transfer a liability is:

- ► In the underlying market for the asset or liability; or
- ► If there is no underlying market, in the most advantageous market for the asset or liability.

The Bank must have access to the main or most advantageous market. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability if market participants act in their best economic interests. The fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits either through its highest and best use of the asset or by selling it to another market participant that would use the asset in its highest and best use.

Fair value measurement

The Bank uses valuation models that are appropriate in the circumstances and for which data sufficient to measure fair value are available, while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities whose fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy described below, based on the lowest level of input that is significant to the fair value measurement as a whole:

- ► Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ► Level 2 – valuation models in which the lowest level inputs significant to the fair value measurement are directly or indirectly observable in the market;
- ► Level 3 – valuation models in which the lowest level inputs significant to the fair value measurement are not observable in the market.

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether they need to be transferred between levels of the hierarchy by reassessing the classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

Date of recognition

Regular way purchases or sales of financial assets and liabilities are recognized on the trade date, i.e. on the date the Bank commits to purchase the asset or liability. Regular way buying or selling refers to the purchase or sale of financial assets and liabilities under a contract that requires the delivery of assets and liabilities within a timeframe specified by market rules or conventions.

Initial assessment

The classification of financial instruments at initial recognition depends on the contractual terms and the business model used to manage the instruments. Financial instruments are initially measured at fair value, including transaction costs, unless financial assets and financial liabilities are measured at FVPL.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets, based on the business model used to manage the assets and the contractual terms of the assets, as measured at:

- ► Amortized cost;
- ► FVOCI;
- ► FVPL.

Financial liabilities, other than loan commitments and financial guarantees, are either measured at amortized cost or at FVPL if they are held for trading and derivatives, or at the discretion of the entity are classified as measured at fair value.

Amounts due from credit institutions, loans to customers, investment securities measured at amortized cost

The Bank measures due from credit institutions, loans to customers and other financial investments at amortized cost only if both of the following conditions are met:

- ► The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- ► The contractual terms of the financial asset determine receiving cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These conditions are discussed in more detail below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Initial assessment (continued)

Business model assessment

The Bank defines a business model at the level that best reflects how grouped financial assets are managed to achieve a specific business objective.

The Bank's business model is not assessed at the level of individual instruments, but at a higher level of portfolio aggregation and is based on observable factors such as:

- How the performance of the business model and the return on financial assets held within that business model are measured, and how this information is communicated to the entity's key management personnel;
- Risks that affect the performance of the business model (and the return on financial assets held within that business model) and, in particular, how those risks are managed;
- How managers who operate the business are remunerated (for example, whether the remuneration is based on the fair value of the assets being managed or on contractual cash flows received);
- The expected frequency, volume and timing of sales are also important considerations when evaluating the Bank's business model.

The assessment of the business model is based on scenarios that are reasonably expected to occur, without taking into account the so-called "worst" or "stress" scenarios. If cash flows after initial recognition are realized in a manner different from the Bank's expectations, the Bank does not reclassify the remaining financial assets held within the business model but takes such information into account when measuring newly created or newly acquired financial assets going forward.

"Solely payments of principal and interest on principal outstanding" test (SPPI test)

As part of the second step of the classification process, the Bank evaluates the contractual terms of the financial asset to determine whether the contractual cash flows of the asset are solely payments of principal and interest on the principal amount outstanding (called the SPPI test).

For the purposes of this test, "principal" is the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are principal repayments or premium/discount amortization).

The most significant elements of interest under a loan agreement are usually consideration for the time value of money and consideration for credit risk. To perform the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

However, contractual terms that have more than negligible impact on the exposure or volatility of contractual cash flows that are not related to the underlying loan agreement do not give rise to contractual cash flows that are solely payments of principal and interest. on the outstanding portion of the principal amount of the debt. In such cases, the financial asset must be measured at FVPL.

Debt instruments measured at FVOCI

The Bank measures debt instruments at FVOCI if both of the following conditions are met:

- The instrument is held within a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets;
- The contractual terms of the financial asset comply with the SPPI test criteria.

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Initial assessment (continued)

Debt instruments measured at FVOCI (continued)

Debt instruments measured at FVOCI are subsequently measured at fair value with gains or losses arising from changes in fair value recognized in OCI. Interest income and foreign exchange gains or losses are recognized in profit or loss in the same way as for financial assets measured at amortized cost. On derecognition, the cumulative gain or loss previously recognized in OCI is reclassified from OCI to profit or loss.

ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of those financial assets in the statement of financial position that continue to be measured at fair value. Instead, an amount equal to the allowance for expected losses that would have been created by measuring the asset at amortized cost is recognized in OCI as cumulative impairment, and the corresponding amounts are recognized in profit or loss. The cumulative loss recognized in OCI is reclassified to profit or loss when the asset is derecognized.

Loan commitments

The Bank issues loan commitments.

Loan commitments are contractual commitments under which, during the life of the commitment, the Bank is required to provide a customer with a loan on pre-agreed terms. For such liabilities, the requirements for measuring ECLs apply.

The Bank occasionally issues loan commitments at below market interest rates. Such liabilities are initially recognized at fair value and subsequently measured at the higher of the ECL allowance and the amount initially recognized less, where appropriate, recognized cumulative income.

Reclassification of financial assets and liabilities

The Bank does not reclassify financial assets after their initial recognition, except in exceptional cases when the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified. In 2022, the Bank did not reclassify financial assets and liabilities.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, funds with the Central Bank of Uzbekistan (excluding required reserves) and funds with credit institutions with a maturity of ninety days from the date of origin, not encumbered with any contractual obligations.

Offsetting financial instruments

A financial asset and a financial liability are offset and presented net on the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when there is an intention to settle on a net basis, or to realize the asset and settle the liability at the same time. The right to set off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- In the ordinary course of business;
- In case of default; and
- In case of insolvency or bankruptcy of the organization or any of the counterparties.

These conditions are generally not met in respect of master netting agreements and the related assets and liabilities are presented in the statement of financial position in full.

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Loan restructuring

The Bank seeks, to the extent possible, instead of foreclosing collateral, to revise the terms of loans, for example, to extend contractual payment terms and agree on new loan terms.

A bank derecognizes a financial asset, such as a loan to a customer, if the terms of the contract are renegotiated so that, in effect, it becomes a new loan and the difference is recognized as a derecognition gain or loss before an impairment loss is recognized. On initial recognition, loans are treated as Stage 1 for ECL purposes unless the originated loan is considered an POCI asset. When evaluating whether to derecognize a loan to a customer, the Bank considers, among other things, the following factors:

- Changing the loan currency;
- Changing the counterparty;
- Whether the modification causes the instrument to no longer meet the criteria for the SPPI test.

If the modification does not result in a significant change in cash flows, the modification does not result in derecognition. Based on the change in cash flows, discounted at the original effective interest rate, the Bank recognizes gain or loss from a modification that is presented as interest revenue, calculated using the effective interest rate in the statement of profit or loss before any impairment loss is recognized.

In the event of a modification that does not result in derecognition, the Bank also reassesses whether there is a significant increase in credit risk or whether assets need to be classified as credit-impaired. Once an asset is classified as credit-impaired as a result of the modification, it will remain in Stage 3 for at least a 6-month trial period. To transfer a restructured loan out of Stage 3, regular payments of more than insignificant amounts of principal or interest are required for at least half of the trial period in accordance with the modified payment schedule.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized in the statement of financial position if:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred the right to receive cash flows from the asset or assumed an obligation to transfer the received cash flows in full without material delay to a third party under the terms of a "pass through" agreement; as well as
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained all the risks and rewards of the asset, but has transferred control of the asset.

If the Bank has transferred its rights to receive cash flows from an asset, but neither has transferred nor retained substantially all the risks and rewards of the asset, nor has it transferred control of the asset, such an asset is accounted for to the extent of the Bank's continuing involvement in that asset. A continued interest in an asset, in the form of a guarantee on the transferred asset, is measured at the lower of the asset's original carrying amount and the maximum consideration that can be presented to the Bank.

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

If the continuing involvement in an asset takes the form of a written and/or written option (including a cash-settled option or similar instrument) on the transferred asset, the Bank's continuing involvement is the value of the transferred asset that the Bank can repurchase, unless in the case of a written put-option (including a cash-settled option or similar instrument) on an asset measured at fair value. In this case, the Bank's continuing involvement is determined as the lower of the two values: the fair value of the asset transferred and the strike price of the option.

Financial liabilities

A financial liability is when the associated liability is discharged, canceled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognized with the difference in the carrying amount recognized in profit or loss.

Taxation

Current income tax expenses are calculated in accordance with the legislation of the Republic of Uzbekistan.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, unless the deferred income tax arises from the initial recognition of goodwill, an asset or a liability in a transaction that does not represent is a business combination and which, at the time of inception, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilisedutilized. Deferred tax assets and liabilities are measured at the tax rates that will be applied during the period when the asset is realized or the liability is settled, based on the legislation that has entered into force or actually entered into force at the reporting date.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, unless the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In addition, the Republic of Uzbekistan has various operating taxes that apply to the activities of the Bank. These taxes are included in other operating expenses.

Property and equipment

Property and equipment are carried at historical cost, excluding day-to-day maintenance costs, less accumulated depreciation and accumulated impairment losses. This cost includes the costs associated with the replacement of equipment, which are recognized when incurred if they meet the recognition criteria.

The carrying amount of property and equipment is assessed for impairment when events or changes in circumstances occur that indicate that the carrying amount of the asset may not be recoverable.

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation of an object begins when it becomes available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives of assets:

	Years
Buildings	30-40
Furniture and accessories	5-13
Computers and office equipment	5-13
Vehicles	5

The residual values, useful lives and depreciation methods of assets are reviewed at the end of each reporting year and adjusted as necessary.

Repair and reconstruction costs are expensed when incurred and included in other operating expenses unless they qualify for capitalization.

Intangible assets

Intangible assets include software and licenses.

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets have a limited or unlimited useful life. Intangible assets with limited useful lives are amortized over their useful lives of 5 years or more and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The timing and procedure for amortization of intangible assets with an indefinite useful life are reviewed at least annually at the end of each reporting year.

Provisions

A provision is recognized, if because of a past event, the Bank has a legal or constructive obligation, the settlement of which is likely to require an outflow of resources embodying future economic benefits, and which can be estimated with a reasonable degree of reliability.

Obligations for pension payments and other employee benefits

The Bank has no additional pension plans other than participation in the state pension system of the Republic of Uzbekistan, which provides for the calculation of current employer contributions as a percentage of current total employee benefits. These expenses are reflected in the reporting period to which the relevant salary relates. In addition, the Bank does not pay significant post-employment benefits to employees.

Share capital

Share capital

Ordinary shares and non-redeemable preference shares with rights to discretionary dividends are included in equity. Third party fees directly attributable to the issue of new shares, other than on a business combination, are recognized in equity as a deduction from the proceeds from the issue. Any excess of the fair value of consideration received over the par value of shares issued is recorded as additional equity.

Dividends

Dividends are recognized as a liability and deducted from equity at the balance sheet date only if they are declared before or on the reporting date. Information about dividends is disclosed in the financial statements if they were recommended before the reporting date, and also recommended or declared after the reporting date, but before the date when the financial statements were authorized for issue.

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognized in the statement of financial position and are disclosed in the financial statements, unless it is unlikely that an outflow of resources to settle them is probable. Contingent assets are not recognized in the statement of financial position and are disclosed in the financial statements when it is probable that the economic benefits associated with them will flow.

Recognition of income and expenses

Revenue is recognized if it is highly probable that the Bank will receive economic benefits and if revenue can be measured reliably. The following criteria must also be met for revenue to be recognized in the financial statements:

Interest and similar income and expenses

The Bank calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired financial assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or a shorter period where applicable, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but exclude future credit losses. The carrying amount of a financial asset or financial liability is adjusted when the Bank revises estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recognized as interest income or expense.

In the case of a financial asset that becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net amortized cost of that financial asset. If a financial asset clears default and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income using the credit risk-adjusted effective interest rate on the amortized cost of the financial asset. The effective interest rate, adjusted for credit risk, is the rate that, at initial recognition, discounts estimated future cash flows (including credit losses) to the amortized cost of the POCI of assets.

Interest income on all financial assets measured at FVPL is recognized using the contractual interest rate as part of 'Other interest income' in the statement of profit or loss.

Fee and commission income

The Bank earns fee and commission income from diverse range of services it provides to its customers. Fee income can be divided into the following three categories:

- *Fee and commission income received for the provision of services during a certain period of time.*

Commissions earned for providing services over a period of time accrue over that period as the related performance obligations are satisfied. Such items include fee and commission income and fees for asset management, custody and other management and advisory services. Commitment fees when the loan is likely to be drawn down and other loan origination fees are deferred (together with incremental costs) and recognized as an adjustment to the effective interest rate of the loan.

- *Fee and commission income from the provision of transaction services.*

(thousands of Uzbek soums)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Recognition of income and expenses (continued)

Fee and commission income (continued)

Commissions received for negotiating or negotiating a transaction on behalf of a third party, for example where the Bank's performance obligation is to enter into an agreement to purchase shares or other securities, or to buy or sell businesses, are recognized upon completion of such transaction. Fees (or a portion of fees) associated with certain performance obligations are recognized when the relevant criteria are met. If the contract contains variable consideration, fee income is recognized only to the extent that it is highly probable that subsequent resolution of the uncertainty inherent in the variable consideration will not result in a significant reduction in the amount of cumulative revenue recognized.

Foreign currency conversion

The financial statements are presented in Uzbek soum, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially translated to the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the reporting date. Gains and losses arising from the translation of transactions in foreign currencies are recognized in the statement of profit or loss in the line item "Net gains on foreign currency transactions – Revaluation of currency items". Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate of exchange ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rate of exchange ruling at the date the fair value was determined.

The difference between the contractual exchange rate for a foreign currency transaction and the official exchange rate of the Central Bank of the Republic of Uzbekistan on the date of such transaction is included in gains less losses on foreign currency transactions. As of December 31, 2023 and 2022 the official exchange rate of the Central Bank of the Republic of Uzbekistan was 12,339 soums and 11,225 soums for 1 US dollar respectively.

Standards that have been issued but not yet effective

The following are new standards, amendments and interpretations that have been issued but are not yet effective as of the date of publication of the Bank's financial statements. The Bank plans to adopt these new standards, amendments and interpretations, if applicable, once they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB released IFRS 17 *Insurance Contracts*, a comprehensive new financial reporting standard for insurance contracts that addresses recognition and measurement, presentation and disclosure. When IFRS 17 becomes effective, it will replace IFRS 4 *Insurance Contracts*, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life and non-life insurance, direct insurance and reinsurance), regardless of the type of entity that issues them, and to certain guarantees and financial instruments with conditions discretionary participation. There are several exceptions to the scope of the standard. IFRS 17 introduces new accounting requirements for banking products with characteristics of insurance contracts, which may affect the determination of which instruments or their components are within the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: Most issuers of these products will be able to continue to apply the existing accounting treatment and account for them as financial instruments under IFRS 9. IFRS 17 excludes credit card (or similar contracts that set out credit or payment service agreements) that meet the definition of an insurance contract if and only if an entity does not reflect an assessment of the insurance risk associated with an individual customer when pricing the contract with that customer.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

Standards that have been issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

When insurance coverage is provided as part of the contractual terms and conditions of a credit card, the issuer must:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other standards (e.g. IFRS 9, IFRS 15 *Revenue from Contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets*) to other components.

Loan agreements that meet the definition of an insurance agreement, but limit the amount of compensation for insurance events to the amount that would otherwise be required to settle the obligation of the policyholder created by this agreement: issuers of such loans (for example, loans that provide for release from repayment in the event of death borrower) have the choice to apply IFRS 9 or IFRS 17. This decision is made at the portfolio level and is not subject to revision.

IFRS 17 is effective for periods beginning on or after January 1, 2023 with comparative figures required. Early application is permitted provided that the entity is also applying IFRS 9 and IFRS 15 at the date of first application.

The Bank is currently assessing the impact of applying IFRS 17 on its financial statements.

Amendments to IAS 8 – Determination of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 introducing the definition of “accounting estimates”. The amendments clarify the difference between changes in accounting estimates and changes in accounting policies and corrections of errors. It also explains how organizations use measurement methods and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023 and apply to changes in accounting policies and estimates that occur on or after the start of that period. Early application is permitted provided this fact is disclosed.

These amendments are not expected to have a material impact on the Bank.

Amendments to IAS 1 and Practice Guideline No. 2 on the Application of IFRS – Accounting Policies Disclosures

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Guideline 2 on *Making Materiality Judgments*, which provide guidance and examples to help entities apply materiality judgments when disclosing accounting policies. The amendments should help entities disclose more useful information about accounting policies by replacing the requirement for entities to disclose “significant information” about accounting policies with a requirement to disclose “material information” about accounting policies, and by adding guidance on how entities should apply the concept materiality in making decisions on disclosure of information about accounting policies.

The amendments to IAS 1 apply for annual periods beginning on or after January 1, 2023, with possibility of earlier application. Since the amendments to the Practice Statement 2 on the Application of IFRSs provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, an effective date for these amendments is not necessary.

The Bank is currently evaluating the impact of the amendments to determine the impact they will have on the Bank’s accounting policy disclosures.

(thousands of Uzbek soums)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimation uncertainty

In the process of applying the Bank's accounting policies, management has used its judgment and estimates in determining the amounts recognized in the financial statements. The following are the most significant uses of judgments and estimates:

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities as reported in the statement of financial position cannot be determined based on prices in an active market, they are determined using various valuation models, including mathematical models. The inputs for such models are determined based on the observable market, if possible; otherwise, judgment is required to determine fair value. See *Note 21* for more information.

Impairment losses on financial assets

The assessment of impairment losses for all categories of financial assets requires the exercise of judgment, in particular, in determining ECL / impairment losses and assessing a significant increase in credit risk, it is necessary to estimate the amount and timing of future cash flows, and the value of collateral. These estimates depend on a number of factors, changes in which could result in different amounts of impairment allowances. In addition, large-scale business disruptions can lead to liquidity problems for some organizations and consumers.

A deterioration in the credit quality of loan portfolios and trade receivables could have a significant impact on the Bank's estimate of ECL. The Bank's ECL calculations are the result of complex models that include a number of basic assumptions about the choice of input variables and their interdependencies. Elements of ECL calculation models that are considered judgments and estimates include:

- The internal credit rating system used by the Bank to determine the Probability of Default (PD);
- The criteria used by the Bank to assess whether there has been a significant increase in credit risk such that the impairment allowance for financial assets should be measured at an amount equal to lifetime ECL and qualitative assessment;
- Grouping financial assets when ECLs are measured on a group basis;
- Development of models for calculating ECL, including various formulas and selection of initial data;
- Determining the relationship between macroeconomic scenarios and economic data, as well as the impact on the Probability of Default (PD), Value at Risk of Default (EAD) and Loss on Default (LGD) measures;
- Selecting forward-looking macroeconomic scenarios and weighting them with respect to probability to provide economic inputs for ECL estimation models.

The amount of the allowance recognized in the statement of financial position as of December 31, 2023 was 123,381,849 thousand soums (2022: 67,770,327 thousand soums). Detailed information is provided in *Notes 5, 6, 7, 12.*

(thousands of Uzbek soums)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2023	2022
Current accounts with the Central Bank	351,581,690	480,446,076
Overnight deposits in the Central Bank	–	300,000,000
Time deposits with credit institutions up to 90 days	51,307,740	84,000,000
Cash on hand	57,701,102	60,278,098
Current accounts with other credit institutions	60,783	2,869
Less: allowance for impairment	(298,033)	(275,259)
Cash and cash equivalents	**460,353,282**	**924,451,784**

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances for 2023 and for 2022 is, as follows:

	2023	2022
ECL allowance at January 1	**(275,259)**	**(205,060)**
Changes in ECL	(22,774)	(70,199)
ECL allowance at December 31	**(298,033)**	**(275,259)**

6. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions include the following items:

	2023	2022
Obligatory reserve with the Central Bank	39,266,076	29,424,689
Restricted funds	31,599,259	24,591,624
Less: allowance for impairment	(851,570)	(557,682)
Amounts due from credit institutions	**70,013,765**	**53,458,631**

Credit institutions are required to keep an interest-free cash deposit (obligatory reserve) with the Central Bank of the Republic of Uzbekistan, the amount of which depends on the amount of funds attracted by the credit institution, determined in accordance with the instructions of the Central Bank of the Republic of Uzbekistan. The legislation provides for significant restrictions on the ability of the Bank to withdraw this deposit.

All balances with credit institutions are classified as Stage 1. The tables below provide an analysis of changes in the gross carrying amount and related ECL allowances for 2023 and 2022:

	2023	2022
Gross book value as of January 1	**54,016,313**	**5,871,281**
New assets originated or purchased	16,849,022	48,145,032
Assets repaid	–	–
As of December 31	**70,865,335**	**54,016,313**

	2023	2022
ECL allowance at January 1	**(557,682)**	**(108,505)**
New assets originated or purchased	(293,888)	(449,177)
Assets repaid	–	–
As of December 31	**(851,570)**	**(557,682)**

(thousands of Uzbek soums)

7. LOANS TO CUSTOMERS

Loans to customers include the following items:

	2023	*2022*
Consumer loans	2,750,366,468	2,022,820,877
Small business loans	270,970,925	77,571,197
Commercial loans	218,782,802	74,508,346
Mortgage loans	5,597,736	5,879,340
Total loans to customers measured at amortized cost	**3,245,717,931**	**2,180,779,760**
Less: allowance for impairment	(116,443,845)	(64,409,390)
Total loans to customers	**3,129,274,086**	**2,116,370,370**

Allowance for impairment of loans to customers measured at amortized cost

Below is an analysis of changes in gross carrying amount and related ECLs in the context of consumer lending for the year ended December 31, 2023:

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross book value as of January 1, 2023	**1,911,426,916**	**56,288,040**	**55,105,921**	**2,022,820,877**
New assets originated or purchased	2,099,947,319	-	-	**2,099,947,319**
Assets repaid	(1,269,151,370)	(34,036,298)	(69,214,060)	**(1,372,401,728)**
Transfers to Stage 1	30,740,105	(17,592,713)	(13,147,392)	-
Transfers to Stage 2	(118,306,023)	119,689,735	(1,383,712)	-
Transfers to Stage 3	(193,197,423)	(21,883,727)	215,081,150	-
Written-off loans	-	-	-	-
As of December 31, 2023	**2,461,459,524**	**102,465,037**	**186,441,907**	**2,750,366,468**

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as of January 1, 2023	**32,012,254**	**8,762,603**	**22,128,409**	**62,903,266**
New assets originated or purchased	76,651,712	-	-	**76,651,712**
Assets repaid	(8,387,308)	(1,473,893)	(8,793,548)	**(18,654,749)**
Transfers to Stage 1	7,897,613	(2,889,736)	(5,007,877)	-
Transfers to Stage 1	(14,461,842)	14,997,218	(535,376)	-
Transfers to Stage 1	(41,581,300)	(3,877,003)	45,458,303	-
Impact on period end ECL of exposures transferred between stages during the period	(7,781,072)	634,510	20,729,573	**13,583,011**
Net remeasurement of loss allowance	(17,145,756)	(436,938)	(5,195,369)	**(22,778,063)**
Written-off loans	-	-	-	-
As of December 31, 2023	**27,204,301**	**15,716,761**	**68,784,115**	**111,705,177**

Below is an analysis of changes in the gross carrying amount and related ECLs for commercial lending for the year ended December 31, 2023:

Commercial loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross book value as of January 1, 2023	**74,508,346**	-	-	**74,508,346**
New assets originated or purchased	150,350,934	-	-	**150,350,934**
Assets repaid	(6,076,478)	-	-	**(6,076,478)**
Exchange rate difference	-	-	-	-
As of December 31, 2023	**218,782,802**	-	-	**218,782,802**

Commercial loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as of January 1, 2023	**735,151**	-	-	**735,151**
New assets originated or purchased	520,668	-	-	**520,668**
Assets repaid	(11,730)	-	-	**(11,730)**
Net remeasurement of loss allowance	200,853	-	-	**200,853**
Exchange rate difference	-	-	-	-
As of December 31, 2023	**1,444,942**	-	-	**1,444,942**

(thousands of Uzbek soums)

7. LOANS TO CUSTOMERS (continued)

Allowance for impairment of loans to customers measured at amortized cost (continued)

Below is an analysis of changes in the gross carrying amount and related ECLs in the context of small business lending for the year ended December 31, 2023:

Small business loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross book value as of January 1, 2023	**76,113,648**	**1,210,719**	**246,830**	**77,571,197**
New assets originated or purchased	228,054,155	-	-	**228,054,155**
Assets repaid	(34,664,309)	(959,107)	(590,153)	**(36,213,569)**
Transfers to Stage 2	(5,056,205)	5,056,205	-	-
Transfers to Stage 3	-	(5,234,119)	5,234,119	-
Exchange rate difference	1,463,848	-	95,294	**1,559,142**
As of December 31, 2023	**265,911,137**	**73,698**	**4,986,090**	**270,970,925**

Small business loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as of January 1, 2023	**545,665**	**12,074**	**79,195**	**636,934**
New assets originated or purchased	2,438,777	-	-	**2,438,777**
Assets repaid	(99,616)	(10,621)	(79,195)	**(189,432)**
Transfers to Stage 2	(864,400)	864,400	-	-
Transfers to Stage 3	-	(865,794)	865,794	-
Impact on period end ECL of exposures transferred between stages during the period	-		234,176	**234,176**
Net remeasurement of loss allowance	150,903		(249)	**150,654**
Exchange rate difference	7,754		249	**8,003**
As of December 31, 2023	**2,179,083**	**59**	**1,099,970**	**3,279,112**

(thousands of Uzbek soums)

7. LOANS TO CUSTOMERS (continued)

Allowance for impairment of loans to customers measured at amortized cost (continued)

Below is an analysis of changes in the gross carrying amount and related ECLs in the context of mortgage financing for the year ended December 31, 2023:

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross book value as of January 1, 2023	**5,879,340**	-	-	**5,879,340**
Assets repaid	(281,604)	-	-	**(281,604)**
As of December 31, 2023	**5,597,736**	-	-	**5,597,736**

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as of January 1, 2023	**134,039**	-	-	**134,039**
Net remeasurement of loss allowance	(119,425)	-	-	**(119,425)**
As of December 31, 2023	**14,614**	-	-	**14,614**

Below is an analysis of changes in gross carrying amount and related ECLs in the context of consumer lending for the year ended December 31, 2022:

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross book value as of January 1, 2022	**542,737,620**	**16,075,123**	**5,654,426**	**564,467,169**
New assets originated or purchased	1,863,382,766	–	–	**1,863,382,766**
Assets repaid	(381,860,738)	(10,823,877)	(11,296,799)	**(403,981,414)**
Transfers to Stage 1	4,535,150	(3,660,405)	(874,745)	–
Transfers to Stage 2	(59,064,543)	59,294,232	(229,689)	–
Transfers to Stage 3	(58,303,339)	(4,597,033)	62,900,372	–
Written-off loans	–	–	(1,047,644)	**(1,047,644)**
As of December 31, 2022	**1,911,426,916**	**56,288,040**	**55,105,921**	**2,022,820,877**

Consumer loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as of January 1, 2022	**11,872,796**	**2,890,371**	**3,064,688**	**17,827,855**
New assets originated or purchased	51,639,525	–	–	**51,639,525**
Assets repaid	(5,267,156)	(837,850)	(72,265)	**(6,177,271)**
Transfers to Stage 1	1,459,988	(932,617)	(527,371)	–
Transfers to Stage 1	(7,789,591)	7,914,811	(125,220)	–
Transfers to Stage 1	(13,978,482)	(858,848)	14,837,330	–
Impact on period end ECL of exposures transferred between stages during the period	(1,431,763)	666,615	5,868,687	**5,103,539**
Net remeasurement of loss allowance	(4,493,063)	(79,879)	130,204	**(4,442,738)**
Written-off loans	–	–	(1,047,644)	**(1,047,644)**
As of December 31, 2022	**32,012,254**	**8,762,603**	**22,128,409**	**62,903,266**

Below is an analysis of changes in the gross carrying amount and related ECLs for commercial lending for the year ended December 31, 2022:

Commercial loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross book value as of January 1, 2022	**44,727,570**	–	–	**44,727,570**
New assets originated or purchased	47,805,230	–	–	**47,805,230**
Assets repaid	(18,040,119)	–	–	**(18,040,119)**
Exchange rate difference	15,665	–	–	**15,665**
As of December 31, 2022	**74,508,346**	–	–	**74,508,346**

(thousands of Uzbek soums)

7. LOANS TO CUSTOMERS (continued)

Allowance for impairment of loans to customers measured at amortized cost (continued)

Commercial loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as of January 1, 2022	**1,267,237**	–	–	**1,267,237**
New assets originated or purchased	401,216	–	–	**401,216**
Assets repaid	(180,271)	–	–	**(180,271)**
Net remeasurement of loss allowance	(753,059)	–	–	**(753,059)**
Exchange rate difference	28	–	–	**28**
As of December 31, 2022	**735,151**	–	–	**735,151**

Below is an analysis of changes in the gross carrying amount and related ECLs in the context of small business lending for the year ended December 31, 2022:

Small business loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross book value as of January 1, 2022	7,056,707	–	–	7,056,707
New assets originated or purchased	73,109,497	–	–	73,109,497
Assets repaid	(3,243,897)	–	(4,212)	(3,248,109)
Transfers to Stage 2	(1,210,719)	1,210,719	–	–
Transfers to Stage 3	(251,042)	–	251,042	–
Exchange rate difference	653,102	–	–	653,102
As of December 31, 2022	**76,113,648**	**1,210,719**	**246,830**	**77,571,197**

Small business loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as of January 1, 2022	**125,491**	–	–	**125,491**
New assets originated or purchased	614,042	–	–	614,042
Assets repaid	(2,522)	–	–	(2,522)
Transfers to Stage 2	(12,074)	12,074	–	–
Transfers to Stage 3	(79,193)	–	79,193	–
Impact on period end ECL of exposures transferred between stages during the period	–	–	2	2
Net remeasurement of loss allowance	(103,421)	–	–	(103,421)
Exchange rate difference	3,342	–	–	3,342
As of December 31, 2022	**545,665**	**12,074**	**79,195**	**636,934**

Below is an analysis of changes in the gross carrying amount and related ECLs in the context of mortgage financing for the year ended December 31, 2022:

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross book value as of January 1, 2022	–	–	–	–
New assets originated or purchased	5,879,340	–	–	**5,879,340**
As of December 31, 2022	**5,879,340**	–	–	**5,879,340**

Mortgage loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as of January 1, 2022	–	–	–	–
New assets originated or purchased	134,039	-	-	**134,039**
As of December 31, 2022	**134,039**	–	–	**134,039**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(thousands of Uzbek soums)

7. LOANS TO CUSTOMERS (continued)

Allowance for impairment of loans to customers measured at amortized cost (continued)

The table below shows the book value of loans issued to customers, broken down by types of collateral received by the Bank:

December 31, 2023	Consumer loans	Small business loans	Commercial loans	Mortgage financing	Total
Loans provided with:					
Property rights	1,710,944,582	–	–	–	**1,710,944,582**
Means of transport	1,001,030,338	27,121,645	98,219,349	–	**1,126,371,332**
Insurance policy	10,783,952	81,901,717	118,877,203	4,832,188	**216,395,060**
Real estate	27,607,596	151,454,326	1,686,250	765,548	**181,513,720**
Inventory	–	10,154,959	–	–	**10,154,959**
Cash deposit	–	338,278	–	–	**338,278**
Total Loans to customers (gross value)	**2,750,366,468**	**270,970,925**	**218,782,802**	**5,597,736**	**3,245,717,931**

December 31, 2022	Consumer loans	Small business loans	Commercial loans	Mortgage financing	Total
Loans provided with:					
Property rights	1,334,279,831	–	–	–	**1,334,279,831**
Means of transport	635,691,823	7,573,561	–	–	**643,265,384**
Insurance policy	24,183,701	5,104,346	74,344,936	5,089,732	**108,722,715**
Real estate	28,665,522	63,542,277	163,410	789,608	**93,160,817**
Cash deposit	–	1,351,013	–	–	**1,351,013**
Total Loans to customers (gross value)	**2,022,820,877**	**77,571,197**	**74,508,346**	**5,879,340**	**2,180,779,760**

(thousands of Uzbek soums)

7. LOANS TO CUSTOMERS (continued)

Allowance for impairment of loans to customers measured at amortized cost (continued)

In the absence of collateral or other mechanisms to increase creditworthiness, the provision for loans to customers at Stage 3 as of December 31, 2023 and December 31, 2022 was higher by:

	2023	*2022*
Commercial loans	46,655,707	12,087,747
Small business loans	1,020,775	93,586
Commercial loans	-	-
Mortgage financing	-	-
Total loans to customers	**47,676,481**	**12,181,333**

Concentration of loans to customers

As of December 31, 2023, the concentration of loans issued by the Bank to the ten largest independent parties was 387,988,344 thousand soums (12% of total loan portfolio) (2022: 136,555,955 thousand soums (6% of total loan portfolio). An allowance of 3,113,511 thousand soums was created for these loans (2022: 1,113,513 thousand soums).

The structure of the loan portfolio by types of customers is presented as follows:

	2023	*2022*
Individuals	2,755,836,841	2,028,700,217
Private companies	489,881,090	152,079,543
	3,245,717,931	**2,180,779,760**

Loans are issued to customers in the Republic of Uzbekistan operating in the following sectors of the economy:

	2023	*2022*
Individuals	2,755,836,841	2,028,700,217
Production	150,680,042	8,112,383
Trade enterprises	120,618,719	19,340,815
Microfinancing	120,563,453	71,021,638
Construction	44,208,167	20,546,611
Service sector	35,153,377	32,168,266
Agriculture and food industry	966,163	477,550
Other	17,691,169	412,280
	3,245,717,931	**2,180,779,760**

(thousands of Uzbek soums)

8. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Below is the movement by item of property and equipment:

					Right-of-use assets	
	Buildings	*Furniture and accessories*	*Computers and office equipment*	*Vehicles*	*Buildings*	*Total*
Cost						
As of January 1, 2023	**76,835,601**	**14,948,578**	**52,229,712**	**9,193,828**	**-**	**153,207,719**
Additions	17,632,407	9,519,903	14,386,870	4,118,480	12,433,675	**58,091,335**
Disposals	-	-	-	(87,884)	-	**(87,884)**
As of December 31, 2023	**94,468,008**	**24,468,481**	**66,616,582**	**13,224,424**	**12,433,675**	**211,211,170**
Accumulated depreciation						
As of January 1, 2023	**(5,364,662)**	**(6,459,232)**	**(10,576,374)**	**(1,642,283)**	**-**	**(24,042,551)**
Depreciation charge	(4,522,390)	(4,733,370)	(12,640,229)	(2,230,805)	**(2,304,815)**	**(26,431,609)**
Disposals	-	-	-	38,083	-	**38,083**
As of December 31, 2023	**(9,887,052)**	**(11,192,602)**	**(23,216,603)**	**(3,835,005)**	**(2,304,815)**	**(50,436,077)**
Net book value						
As of January 1, 2023	**71,470,939**	**8,489,346**	**41,653,338**	**7,551,545**	**-**	**129,165,168**
As of December 31, 2023	**84,580,956**	**13,275,879**	**43,399,979**	**9,389,419**	**10,128,860**	**160,775,093**

					Right-of-use assets	
	Buildings	*Furniture and accessories*	*Computers and office equipment*	*Vehicles*	*Buildings*	*Total*
Cost						
As of January 1, 2022	**76,835,601**	**10,905,303**	**44,363,618**	**3,948,148**	**-**	**136,052,670**
Additions	-	4,143,643	7,870,630	5,245,680	**-**	**17,259,953**
Disposal	-	(100,368)	(4,536)	-	**-**	**(104,904)**
As of December 31, 2022	**76,835,601**	**14,948,578**	**52,229,712**	**9,193,828**	**-**	**153,207,719**
Accumulated depreciation						
As of January 1, 2022	**(1,522,199)**	**(2,609,965)**	**(1,731,722)**	**(278,550)**	**-**	**(6,142,436)**
Depreciation charge	(3,842,463)	(3,864,678)	(8,844,652)	(1,363,733)	**-**	**(17,915,526)**
Disposal	-	15,411	-	-	**-**	**15,411**
As of December 31, 2022	**(5,364,662)**	**(6,459,232)**	**(10,576,374)**	**(1,642,283)**	**-**	**(24,042,551)**
Net book value						
As of January 1, 2022	**75,313,402**	**8,295,338**	**42,631,896**	**3,669,598**	**-**	**129,910,234**
As of December 31, 2022	**71,470,939**	**8,489,346**	**41,653,338**	**7,551,545**	**-**	**129,165168**

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 12) and the movements during the period:

	2023	*2022*
As at 1 January	-	-
Additions	12,433,675	-
Accretion of interest	741,303	-
Payments	(2,800,736)	-
As at 31 December	**10,374,242**	**-**

(thousands of Uzbek soums)

9. INTANGIBLE ASSETS (continued)

Below is the movement by item of intangible assets:

	Software	*Total*
Cost		
As of December 31, 2022	**120,267,388**	**120,267,388**
Additions	146,847,976	146,847,976
As of December 31, 2023	**267,115,364**	**267,115,364**
Accumulated depreciation		
As of December 31, 2022	**(14,773,669)**	**(14,773,669)**
Amortization charge	(25,064,979)	(25,064,979)
As of December 31, 2023	**(39,838,648)**	**(39,838,648)**
Net book value		
As of December 31, 2022	**105,493,719**	**105,493,719**
As of December 31, 2023	**227,276,716**	**227,276,716**

	Software	*Total*
Cost		
As of January 1, 2022	**35,363,207**	**35,363,207**
Additions	84,904,181	84,904,181
As of December 31, 2022	**120,267,388**	**120,267,388**
Accumulated depreciation		
As of January 1, 2022	**(2,654,197)**	**(2,654,197)**
Amortization charge	(12,119,472)	(12,119,472)
As of December 31, 2022	**(14,773,669)**	**(14,773,669)**
Net book value		
As of January 1, 2022	**32,709,010**	**32,709,010**
As of December 31, 2022	**105,493,719**	**105,493,719**

(thousands of Uzbek soums)

10. TAXATION

Income tax expense is represented by the following items:

	2023	*2022*
Current tax charge	23,750,855	1,197,697
Deferred tax credit – origination and reversal of temporary differences	(8,860,205)	(7,338,089)
Income tax benefit	**14,890,650**	**(6,140,392)**

The effective income tax rate differs from the statutory income tax rate. Below is a reconciliation of income tax expense calculated at the statutory rate with actual income tax expense:

	2023	*2022*
Profit / (Loss) before tax	**94,975,757**	**(9,449,420)**
Statutory tax rate	20%	20%
Theoretical income tax benefit at the statutory tax rate	**18,995,152**	**(1,889,884)**
Unrecognized tax loss		–
Non-taxable income	(7,743,425)	(8,291,539)
Non-deductible expenses	3,638,923	4,041,031
Income tax benefit	**14,890,650**	**(6,140,392)**

Deferred tax assets and liabilities as of December 31 and their movements for the respective years comprise the following items:

		Origination and reversal of temporary differences		*Origination and reversal of temporary differences*	
	January 1, 2022	*In the profit or loss statement*	*December 31, 2022*	*In the profit or loss statement*	*December 31, 2023*
Tax effect of deductible temporary differences					
Carried forward tax loss	319,538	(319,538)	-	-	-
Loans to customers	5,096,981	7,231,546	12,328,527	7,673,364	20,001,892
Other liabilities	818,201	297,457	1,115,658	715,994	1,831,652
Other assets	-	(294,789)	(294,789)	359,152	64,363
Property and equipment	310,752	–	310,752	-	310,752
Intangible assets	43,554	–	43,554	-	43,554
Amounts due from credit institutions	62,713	103,875	166,588	3,011	169,599
Lease liabilities	-	-	-	2,074,848	2,074,848
Right-of-use assets	-	-	-	(2,025,772)	(2,025,772)
Cash and cash equivalents	-	-	-	59,607	59,607
Deferred tax assets, gross	**6,651,739**	**7,018,551**	**13,670,290**	**8,860,205**	**22,530,495**
Unrecognized tax loss	(319,538)	319,538	–	-	-
Deferred tax asset	**6,332,201**	**7,338,089**	**13,670,290**	**8,860,205**	**22,530,495**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(thousands of Uzbek soums)

11. CREDIT LOSS EXPENSE

The table below shows the ECL expense for financial instruments recognized in the statement of profit or loss for the year ended December 31, 2023:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	5	22,774	-	-	**22,774**
Amounts due from credit institutions	6	293,888	-	-	**293,888**
Other financial assets	12	252,570	-	-	**252,570**
Loans to customers measured at amortized cost	7	46,425,760	(1,286,942)	6,895,637	**52,034,455**
Undrawn loan commitments	12	2,814,828	193,007	-	**3,007,835**
Total credit loss expense		**49,809,818**	**(1,093,934)**	**6,895,638**	**55,611,522**

The table below shows the ECL expense for financial instruments recognized in the statement of profit or loss for the year ended December 31, 2022:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Cash and cash equivalents	5	70,199	–	–	**70,199**
Amounts due from credit institutions	6	449,177	–	–	**449,177**
Loans to customers measured at amortized cost	7	40,557,566	(251,114)	5,926,626	**46,233,079**
Undrawn loan commitments	16	1,581,860	297,013	–	**1,878,873**
Total credit loss expense		**42,658,802**	**45,899**	**5,926,626**	**48,631,327**

12. OTHER ASSETS AND LIABILITIES

Other assets include the following items:

	2023	*2022*
Other financial assets		
Commission receivable as an insurance agent	*15,208,867*	-
Commission income receivable	*510,816*	-
Other receivables	823,048	-
Other financial assets	**16,542,731**	-
Less: allowance for impairment	(252,570)	-
Total other financial assets	**16,290,161**	**-**
Other non-financial assets		
Prepayments	142,413,903	69,842,794
Low value and short life assets at warehouse	10,615,821	1,441,813
Other non-financial assets	569,001	673,438
Total other non-financial assets	**153,598,725**	**71,958,045**
Total other assets	**169,888,886**	**71,958,045**

Other liabilities include the following items:

	2023	*2022*
Other financial liabilities		
Settlements for the purchase of goods and services	38,224,948	15,941,866
Other financial liabilities	**38,224,948**	**15,941,866**
Allowance for contingent credit related commitments	5,535,831	2,527,996
Total other financial liabilities	**43,760,779**	**18,469,862**
Other non-financial liabilities		
Lease liability	10,374,242	-
Taxes payable, other than income tax	7,239,993	4,060,471
Payable to employees	3,759,904	2,817,710
Other non-financial liabilities	138,614	39,504
Total other non-financial liabilities	**21,512,753**	**6,917,685**
Total other liabilities	**65,273,532**	**25,387,547**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(thousands of Uzbek soums)

13. AMOUNTS DUE TO CREDIT INSTITUTIONS

	2023	*2022*
Short-term deposits of foreign banks	-	62,746,122
Short-term deposits of local banks	249,430	-
Total funds of credit institutions	**249,430**	**62,746,122**

14. AMOUNTS DUE TO CUSTOMERS

The amounts due to customers include the following:

	2023	*2022*
Term deposits	3,427,681,278	2,763,397,715
Current accounts	301,871,896	304,278,407
Amount due to customers	**3,729,553,174**	**3,067,676,122**

As of December 31, 2023, amounts due to customers in the amount of 571,201,252 thousand soums (16.4%) were due to the ten largest customers (2022: 1,145,085,690 thousand soums (37.33%). Of these, customer accounts in the amount of 125,983,912 thousand soums (3.3%) and 104,178,853 thousand soums (2.7%) represented the funds of the two largest customers (2022: 500,000,000 thousand soums (16.30%) and 300,000,000 thousand soums (9.78%) respectively).

Term deposits include deposits of individuals in the amount of 2,619,595,149 thousand soums (2022: 1,635,688,689 thousand soums). In accordance with the Civil Code of the Republic of Uzbekistan, the Bank is obliged to issue the amount of such a deposit at the first request of the depositor. In cases when a 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 the agreement provides for a different amount of interest.

Amounts due to customers include accounts with the following types of customers:

	2023	*2022*
Individuals	2,801,071,010	1,786,620,032
Private organizations	610,962,640	848,446,038
State and budget organizations	272,566,895	380,466,625
Non-governmental non-profit organizations	44,952,629	52,143,427
Amounts due to customers	**3,729,553,174**	**3,067,676,122**

An analysis of customer accounts by economic sector follows:

	2023	*2022*
Individuals	2,801,071,010	1,786,620,032
Production	386,084,387	390,536,690
Insurance	148,319,770	19,285,492
Construction	120,326,650	40,357,694
Trade	64,467,204	105,271,619
State organizations	55,138,807	61,466,625
Service	37,881,405	-
Consulting services	27,652,523	5,478,081
Software engineering	17,896,882	-
Research and education	7,422,814	4,529,986
Financing	1,306,068	139,751
Agriculture	780,739	3,142,615
Transport and communications	582,470	515,082,971
Healthcare	158,871	4,433,037
Central bank activities	-	1,800,000
Other	60,463,574	129,531,529
Amounts due to customers	**3,729,553,174**	**3,067,676,122**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(thousands of Uzbek soums)

15. EQUITY

Movements in shares outstanding, issued and fully paid were as follows:

	Number of shares	*Face value(in Uzbek soums)*	
	Ordinary	*Ordinary*	**Total**
As of December 31, 2021	**185,000,000**	**1,000**	**185,000,000**
Share capital increase	116,000,000	1,000	**116,000,000**
As of December 31, 2022	**301,000,000**	**1,000**	**301,000,000**
Share capital increase	99,000,000	1,000	**99,000,000**
As of December 31, 2023	**400,000,000**	**1,000**	**400,000,000**

The total number of ordinary shares declared is 400,000,000 (2022: 301,000,000). The nominal value of each share is 1,000 soums.

The share capital of the Bank was formed from the contributions of shareholders in Uzbek soums, while the shareholders are entitled to receive dividends.

16. COMMITMENTS AND CONTINGENCIES

Operating environment

The economy of Uzbekistan demonstrates the characteristics of an emerging market, including, among other things, a currency that is not freely convertible outside the country, and a low level of liquidity in debt and stock markets. In addition, the banking sector in Uzbekistan is particularly affected by local political, legislative, fiscal and regulatory changes.

Economic stability in Uzbekistan largely depends on the effectiveness of economic measures taken by the Government, as well as on other legal, regulatory and political changes that are beyond the Bank's control.

The Bank's financial position and results of operations will continue to be affected by future political and economic developments in Uzbekistan, including the application and interpretation of current and future legislation and tax rules, which have a major impact on the financial markets of Uzbekistan and the economy as a whole.

The Bank's management monitors changes in the current situation and takes measures that it considers necessary to support the sustainability and development of the Bank's business in the foreseeable future. However, the impact of further economic events on the Bank's future operations and financial position is difficult to determine at this stage. As of December 31, 2023, the Bank conducted stress testing, changing key economic variables. The results of stress testing indicate a deterioration in the financial performance of the Bank (a decrease in assets, equity, interest income, an increase in reserves for expected credit losses). At the same time, given that the Bank has sufficient equity and liquid assets, a significant deterioration in the financial position of the Bank and violations of regulatory requirements and norms are not predicted.

The impact of domestic political and geopolitical events in the world

Many countries have imposed and continue to impose new sanctions against certain Russian legal entities and individuals. Sanctions were also imposed on Belarus.

The situation, along with potential fluctuations in commodity prices, foreign exchange rates, import and export restrictions, availability of local materials and services and access to local resources, will have a direct impact on enterprises that conduct significant activities or are at risk in Russia, Belarus or Ukraine. However, the consequences of the current situation may directly or indirectly affect not only companies that are directly related to the countries participating in the conflict.

In terms of country risk management, the Bank controls transactions with counterparties within the established limits, which are regularly reviewed.

(thousands of Uzbek soums)

16. COMMITMENTS AND CONTINGENCIES (continued)

Business conditions

Economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy are continuing in Uzbekistan. The stability of the Uzbek economy in the future will largely depend on the progress of these reforms, as well as on the effectiveness of the measures taken by the government in the field of economy, financial and monetary policy.

Legal

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

Taxation

A number of provisions of the current Uzbek tax, currency and customs legislation are formulated insufficiently clearly and unambiguously, which often leads to their different interpretation (which, in particular, can be applied to legal relations in the past), selective and inconsistent application, as well as frequent and infrequent in some cases, unpredictable changes. The interpretation of this legislation by the Bank's management as applied to the operations and activities of the Bank may be challenged by the relevant authorities.

Tax returns and other legal obligations (for example, customs and foreign exchange issues) are subject to review and assessment by a number of agencies that are legally entitled to impose significant administrative penalties (including fines and penalties). This situation creates a greater likelihood of tax risks in the Republic of Uzbekistan than, for example, in other countries with more developed taxation systems. The Bank's management believes that the Bank generally complies with all provisions of the tax legislation that affect its activities, however, the relevant tax authorities may take a different position with respect to controversial issues.

As of December 31, 2023, the Bank's management believes that its interpretation of the applicable laws is reasonable and that the Bank's position on tax, currency and customs matters will be supported.

Commitments and contingencies

As of December 31, the Bank's commitments and contingencies included the following:

	2023	*2022*
Credit related commitments		
Undrawn loan commitments	527,201,099	152,245,810
Commitments and contingencies	**527,201,099**	**152,245,810**
ECL allowances for loan commitments	(5,535,831)	(2,527,996)

Credit related commitment balances are mostly categorized under Stage 1. The tables below provide an analysis of changes in ECL allowances for 2023 and 2022:

Loan commitments	*2023*	*2022*
ECL allowance as of January 1	**2,527,996**	**649,123**
New exposures	3,007,835	1,878,873
As of December 31	**5,535,831**	**2,527,996**

(thousands of Uzbek soums)

17. NET INTEREST INCOME

Net interest income includes the following items:

	2023	*2022*
Financial assets at amortized costs		
Loans to customers	1,029,514,611	492,655,713
Amounts due from credit institutions	54,836,978	86,225,701
Total Interest revenue	**1,084,351,589**	**578,881,414**
Amounts due to customers	(627,778,279)	(369,360,512)
Amounts due to credit institutions	(7,945,969)	(7,506,518)
Interest expense on lease liabilities	(741,303)	-
Interest expenses	**(636,465,551)**	**(376,867,030)**
Net interest income	**447,886,038**	**202,014,384**

18. NET FEE AND COMMISSION INCOME

Net fee and commission income includes the following items:

	2023	*2022*
Settlement transactions	111,549,609	67,074,636
Other	3,026,862	4,435,160
Fee and commission income	**114,576,471**	**71,509,796**
Processing operations	(54,773,280)	(24,815,812)
Settlement transactions	(19,198,904)	(13,203,784)
Other	(862,343)	(1,185,218)
Fee and commission expense	**(74,834,527)**	**(39,204,814)**
Net fee and commission income	**39,741,944**	**32,304,982**

19. PERSONNEL AND OTHER OPERATING EXPENSES

Personnel and other operating expenses comprise the following items:

	2023	*2022*
Salary and bonuses	116,464,830	81,181,737
Social security contributions	30,378,770	22,535,745
Personnel expenses	**146,843,600**	**103,717,482**
Marketing and advertising	55,664,612	20,472,642
Insurance	31,265,012	3,175,690
Membership fee	22,091,076	12,609,347
Technical support	17,733,602	7,681,665
Legal and advisory services	14,723,879	12,575,871
Representation expenses	7,165,839	1,343,262
Communication services	6,934,958	3,290,543
Repair and maintenance	6,057,411	2,129,288
Operating taxes	4,722,672	2,671,334
Office tools	3,455,852	6,701,192
Security services	3,029,201	1,367,102
Maintenance and rental of premises	3,300,168	3,138,457
Charity and sponsorship	1,500,000	-
Travel and related expenses	925,874	563,883
Utilities	665,125	511,143
Penalties	339,528	-
Fuel costs	301,553	-
Fare	176,222	650,631
Other	472,144	609,759
Other operating expenses	**180,524,728**	**79,491,809**

(thousands of Uzbek soums)

20. RISK MANAGEMENT

Introduction

The Bank's activities are inherently risky. The Bank manages risks through an ongoing process of identification, assessment and monitoring, as well as through the establishment of risk limits and other internal control measures. The risk management process is critical to maintaining the Bank's continuing profitability, and each individual employee of the Bank is responsible for the risks associated with his or her duties. The Bank is exposed to credit risk, liquidity risk and market risk, which in turn is subdivided into trading risk and non-trading risk. The Bank is also exposed to operational risks.

The independent risk control process does not address business risks such as changes in the environment, technology or industry. Such risks are controlled by the Bank during the strategic planning process.

Risk management structure

The Supervisory Board has overall responsibility for identifying and controlling risks, but there are also separate independent bodies that are responsible for managing and controlling risks.

Supervisory Board

The Supervisory Board is responsible for the overall approach to risk management, for approving the risk management strategy and principles.

Management Board

The Management Board's responsibility is to oversee the Bank's risk management process.

Risk Committee

The risk management unit is responsible for the implementation and implementation of procedures related to risk management in order to ensure an independent process of monitoring the existence and functioning of the adequacy of the risk management system in the bank, analyzing the risks of improving and strengthening the risk management system.

Management of risks

The risk management unit is responsible for implementing and maintaining procedures related to risk management in order to ensure an independent control process.

Bank Treasury

The Bank's Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. The Treasury is also primarily responsible for the Bank's liquidity and financing risk. Development of proposals for optimizing the structure of the bank's assets and liabilities, ensuring the optimal return on assets in combination with their liquidity and attractiveness for depositors and users of the bank's resources.

Internal audit

The Bank's risk management processes are annually audited by the Internal Audit Department, which checks both the sufficiency of the procedures and the Bank's compliance with these procedures. The Internal Audit Department discusses the results of the audits conducted with management and presents its findings and recommendations to the Audit Committee.

(thousands of Uzbek soums)

20. RISK MANAGEMENT (continued)

Introduction (continued)

Risk assessment and risk communication systems

The Bank's risks are measured using a method that reflects both the expected loss that is likely to occur in the normal course of business and unexpected losses, which are an estimate of the largest actual losses based on statistical models. The models use probabilities derived from past experience and adjusted to reflect the economic conditions. The Bank also runs "worst case scenarios" that would arise in the event of events that are considered unlikely to occur, in fact occur.

Risk monitoring and control is mainly based on the limits set by the Bank. Such limits reflect the business strategy and market conditions in which the Bank operates, as well as the level of risk the Bank is willing to accept, with particular attention to specific industries. In addition, the Bank monitors and evaluates its overall risk bearing capacity in relation to its aggregate exposure to all types of risks and transactions.

Information received from all types of activities is studied and processed for the purpose of analysis, control and early detection of risks. The specified information is submitted with explanations to the Management Board, the Risk Committee and the heads of each of the divisions. The report contains information on the total amount of credit risk, forecast credit ratios, exceptions to the established risk limits, risk-adjusted value, liquidity ratios and changes in the level of risk. Information is provided on monthly basis on risks by industry, customer and geographic region. On a quarterly basis, senior management determines whether an allowance for expected credit losses is required. The Supervisory Board receives a detailed risk report on a quarterly basis, which contains all the information necessary to assess the Bank's risks and make appropriate decisions.

A variety of risk reports are prepared for all levels of the Bank and distributed to ensure that all departments of the Bank have access to extensive, relevant and up-to-date information.

A brief meeting of the Management Board and other employees of the Bank is held daily to discuss the maintenance of established limits, analyze the value for the risk of the investment, liquidity, and changes in the level of risk.

Risk mitigation

The Bank actively uses collateral to mitigate its credit risk (see below for more details).

Excessive risk concentrations

Concentrations of risk arise when a number of counterparties carry out similar activities, or their activities are located in the same geographical area, or the counterparties have similar economic characteristics, and as a result of changes in economic, political and other conditions have a similar effect on the ability of these counterparties to fulfill contractual obligations. Risk concentrations reflect the relative sensitivity of the Bank's results of operations to changes in conditions that affect a particular industry or geographic region.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific principles aimed at maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Bank will incur losses because its customers or counterparties fail to meet their contractual obligations. The Bank manages credit risk by setting the maximum amount of risk that the Bank is ready to accept for individual counterparties, geographic or sectoral concentrations of risk, as well as by monitoring compliance with established risk limits.

(thousands of Uzbek soums)

20. RISK MANAGEMENT (continued)

Credit risk (continued)

The Bank has developed a credit review process to ensure early detection of possible changes in the creditworthiness of counterparties, including periodic review of collateral. Counterparty limits are determined using a credit risk classification system that assigns a credit rating to each counterparty. The ratings are reviewed regularly. The credit quality review procedure allows the Bank to assess the potential losses on the risks to which it is exposed and take the necessary measures.

Impairment assessment

The Bank calculates ECL based on several probability-weighted scenarios to estimate expected cash shortfalls, which are discounted using the effective interest rate or its approximation. The cash shortfall is the difference between the cash flows due to the entity under the contract and the cash flows that the entity expects to receive. The mechanics of calculating ECL are described below, and the main elements are as follows:

Probability of default (PD)	*Probability of default* is an estimate of the probability of a default occurring over a given time period. Default can only occur at a point in time during the period under review if the asset has not been derecognized and it is still part of the portfolio.
Exposure at default (EAD)	*Exposure at default* is an estimate of the amount at risk of default at some future date, taking into account expected changes in that amount after the reporting date, including contractual or otherwise repayments of principal and interest, expected repayments of loans issued and interest accrued as a result of late payments.
Loss given default (LGD)	*Loss given default* is an estimate of the loss that would arise if a default were to occur at a particular point in time. This indicator is calculated based on the difference between the cash flows stipulated by the contract and those cash flows that the lender expects to receive, including as a result of the sale of collateral. Usually expressed as a percentage of EAD.

The allowance for ECL is calculated based on credit losses expected to occur over the life of the asset (lifetime expected credit losses or lifetime ECL) if there has been a significant increase in credit risk since initial recognition, otherwise the allowance is calculated at an amount equal to 12-month expected credit losses (12-month ECL). 12-month ECL is the portion of lifetime ECL that is the ECL that arises from defaults on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL and 12-month ECL are calculated either on an individual basis or on a group basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has developed a policy to assess at the end of each reporting period whether there has been a significant increase in the credit risk of a financial instrument since initial recognition by taking into account changes in the risk of a default occurring over the remaining life of the financial instrument. Based on the process described above, the Bank groups its loans into the following groups:

Stage 1: On initial recognition of a loan, the Bank recognizes an allowance equal to 12-month ECLs. Stage 1 also includes loans and other credit lines that have decreased in credit risk to the extent that they have been transferred out of Stage 2.

Stage 2: If the credit risk on a loan has increased significantly since initial recognition, the Bank recognizes an allowance equal to lifetime ECL. Stage 2 also includes loans and other credit lines that have decreased in credit risk to the extent that they have been transferred out of Stage 3.

Stage 3: Loans that are credit-impaired. The Bank recognizes a valuation allowance at an amount equal to lifetime ECL.

POCI: Purchased or originated credit-impaired (CLI) assets are financial assets that were credit-impaired at the time of initial recognition. On initial recognition of POCI, assets are measured at fair value and interest revenue is subsequently recognized using the credit-adjusted effective interest rate. An ECL allowance is recognized or derecognized only to the extent that there has been a subsequent change in lifetime expected credit losses.

(thousands of Uzbek soums)

20. RISK MANAGEMENT (continued)

Credit risk (continued)

Definition of default and recovery

The Bank considers that a financial instrument has defaulted and therefore classifies it as Stage 3 (credit-impaired) for the purposes of calculating ECL whenever the borrower is more than 90 days past due on contractual payments. The Bank considers that a default has occurred in relation to funds in banks and takes immediate measures to eliminate it if, at the close of the business day, the necessary intraday payments specified in separate agreements have not been made.

As part of its qualitative assessment of whether a customer is in default, the Bank also considers a number of events that may indicate that payment is unlikely. These events include the following:

- The presence of a default rating;
- Forced restructuring over the last year;
- Introduction of a moratorium on satisfaction of creditors' claims;
- Decision-making on the implementation of financial rehabilitation and/or bankruptcy prevention measures (reorganization);
- Revocation of the license to carry out operations.

In accordance with the Bank's policy, financial instruments are considered "cured" and, therefore, are transferred from Stage 3 when they no longer meet the default criteria. The decision as to whether a financial instrument should be classified in Stage 2 or Stage 1 if it "recovers" depends on whether there are signs of an increase in credit risk at the reporting date.

Treasury and interbank relations

The Bank's treasury and interbank relationships include relationships with counterparties such as financial services providers, banks, broker-dealers, exchanges and clearing houses. To assess such relationships, the Bank's credit risk department analyzes publicly available information, such as financial statements, and data from other external sources, such as external ratings, and assigns an appropriate probability of default value.

Commercial and small business lending

In the case of commercial lending due to the lack of internal statistics on defaults in the Bank, the reserve is estimated based on the probabilities of default obtained using the approach for low-default portfolios, as well as taking into account macroeconomic forecast information.

Customer credit

Consumer lending includes secured loans to individuals, credit cards and overdrafts. The provision for these products is estimated based on the default probabilities obtained by constructing migration matrices. Migration matrices are built in the context of products based on the historical data of the Bank's consumer loan portfolio. Segment credit risk assessment also takes into account macroeconomic forecasts.

(thousands of Uzbek soums)

20. RISK MANAGEMENT (continued)

Credit risk (continued)

Customer credit (continued)

The table below shows the average probability of default on loans to customers as of 31 December 2023 by class:

Rating		*Car loans*	*Installment cards*	*Commercial loans*	*Consumer loans*
1	Standard rating	5.1%	3.9%	2.8%	5.5%
2		15.9%	16.4%	-	21.0%
3	Below standard rating	41.9%	44.9%	-	44.3%
4		71.3%	67.7%	-	64.2%
5	Impaired	100.0%	100.0%	100.0%	100.0%

The table below shows the average probability of default on loans to customers as of 31 December 2022 by class:

Rating		*Car loans*	*Installment cards*	*Commercial loans*	*Consumer loans*
1	Standard rating	4.9%	7.1%	2.6%	5.8%
2		14.8%	20.1%	-	18.4%
3	Below standard rating	37.4%	45.5%	-	46.2%
4		66.8%	74.1%	-	75.2%
5	Impaired	100%	100%	-	100%

Exposure at default

Exposure at risk of default (EAD) is the gross carrying amount of financial instruments that are assessed for impairment. For lines of credit and credit cards, EAD includes the ability for a customer to increase debt as default approaches. In calculating EAD for Stage 1 loans, the Bank takes into account the probability of a default occurring within 12 months after the reporting date. For Stage 2, Stage 3 and POCI financial assets, the possibility of default occurring over the life of the instrument is taken into account.

Loss given default

In the case of commercial lending, the Loss given default (LGD) indicator is calculated taking into account the value of collateral for each instrument and is updated on each provisioning date. The LGD reflects the expected EAD compared to the amounts expected to be recovered or realized from the sale of the collateral held.

Significant increase in credit risk

The Bank constantly reviews all assets for which ECLs are calculated. To determine the amount of impairment allowance required for an instrument or portfolio of instruments, the Bank considers whether there has been a significant increase in credit risk on that instrument or portfolio of instruments since initial recognition. The Bank considers that the credit risk on a financial instrument has increased significantly since initial recognition when the instrument meets the relevant criteria:

<u>For commercial and consumer lending</u>

- Availability as of the reporting date of overdue debt to the Bank on principal and/or interest, as well as other payments stipulated by the agreement, for a period of 31 to 90 days;
- The presence of restructuring associated with the deterioration of the financial position of the counterparty (but not forced), for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(thousands of Uzbek soums)

20. RISK MANAGEMENT (continued)

Credit risk (continued)

Significant increase in credit risk (continued)

For treasury and interbank relations

- Downgrading of the borrower’s external rating at the reporting date by 3 or more notches from the rating at the date of initial recognition of the financial instrument;
- Downgrading of the rating agency Moody’s to “Caa1” and below.

Grouping of financial assets assessed on a group basis

Depending on the factors below, the Bank calculates ECL either on an individual basis or on a group basis.

Asset classes for which the Bank calculates ECL on an individual basis include the following:

- Loans to legal entities of Stage 2 and Stage 3 exceeding the specified threshold;
- Large and unique instruments in the small business lending portfolio.

Asset classes for which the Bank calculates ECL on a collective basis include:

- Small and standard assets within the small business lending portfolio;
- Consumer loans.

The Bank aggregates these financial assets into homogeneous groups depending on the internal and external characteristics of the loans, such as the maturity of payments, the type of product or the industry in which the borrower operates.

Forward-looking information and multiple economic scenarios

In its ECL calculation models, the Bank uses a wide range of forward-looking information as economic inputs, such as the dollar exchange rate and GDP.

The inputs and models used to calculate ECLs do not always reflect all the characteristics of the market at the date the financial statements are presented. To reflect this, qualitative adjustments or overlays are sometimes made as temporary adjustments if such differences are significant.

Credit quality by class of financial assets

The Bank manages the credit quality of financial assets using an internal rating system as described above. The table below provides an analysis of credit quality by asset class for loan-related items in the statement of financial position based on the Bank’s credit rating system.

(thousands of Uzbek soums)

20. RISK MANAGEMENT (continued)

Credit risk (continued)

December 31, 2023	*Note*		*Standard rating*	*Below standard rating*	*Impaired*	*Total*
Cash and cash equivalents, excluding cash	5	Stage 1	402,912,196	38,017	-	**402,950,213**
Amounts due from credit institutions	6		67,673,556	3,191,779	-	**70,865,335**
Loans to customers at amortized cost:	7					
- Commercial loans		Stage 1	218,782,802	-	-	**218,782,802**
- Small business loans		Stage 1	265,911,137	-	-	**265,911,137**
		Stage 2	73,698	-	-	**73,698**
		Stage 3	-	-	4,986,090	**4,986,090**
- Consumer loans		Stage 1	2,457,984,416	3,475,108	-	**2,461,459,524**
		Stage 2	101,800,650	664,387	-	**102,465,037**
		Stage 3	-	-	186,441,907	**186,441,907**
- Mortgage financing		Stage 1	5,597,736	-	-	**5,597,736**
-Undrawn loan commitments	16	Stage 1	523,835,802	-	-	**523,835,802**
		Stage 2	3,365,297	-	-	**3,365,297**
Total			**4,047,937,290**	**7,369,291**	**191,427,997**	**4,246,734,578**

December 31, 2022	*Note*		*Standard rating*	*Below standard rating*	*Impaired*	*Total*
Cash and cash equivalents, excluding cash	5	Stage 1	864,448,945	-	-	**864,448,945**
Amounts due from credit institutions	6	Stage 1	54,016,313	-	-	**54,016,313**
Loans to customers at amortized cost:	7					
- Commercial loans		Stage 1	74,508,346	-	-	**74,508,346**
- Small business loans		Stage 1	76,113,647	-	-	**76,113,647**
		Stage2	1,210,719	-	-	**1,210,719**
		Stage 3	-	-	246,831	**246,831**
- Consumer loans		Stage 1	1,910,783,653	643,264	-	**1,911,426,917**
		Stage 2	56,186,364	101,675	-	**56,288,039**
		Stage 3	-	-	55,105,921	**55,105,921**
- Mortgage financing		Stage 1	5,879,340	-	-	**5,879,340**
Undrawn loan commitments	16	Stage 1	152,245,810	-	-	**152,245,810**
Total			**3,195,393,137**	**744,939**	**55,352,752**	**3,251,490,828**

For more information on the allowance for impairment of loans to customers, see *Note 7*. The Bank's financial assets and liabilities are concentrated in Uzbekistan.

(thousands of Uzbek soums)

20. RISK MANAGEMENT (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will not be able to meet its payment obligations as they fall due, under normal or unforeseen circumstances. To mitigate this risk, management has made available various sources of funding in addition to the existing minimum bank deposits. Management also manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This process includes an estimate of expected cash flows and the availability of high quality collateral that can be used to obtain additional funding if necessary.

The Bank has placed a mandatory deposit with the Central Bank of the Republic of Uzbekistan, the amount of which depends on the level of attraction of customer deposits.

Liquidity is assessed and managed by the Bank mainly on the basis of the ratio of net liquid assets and liabilities of the customer within the framework of the standards established by the Central Bank of the Republic of Uzbekistan. As of December 31, these ratios were:

	2022, %	*2022, %*
Liquidity coverage ratio (Highly liquid assets / net outflow in the next 30 days) (the requirement of the Central Bank of the Republic of Uzbekistan is not less than 100%)	133%	164%
Net stable financing rate (Available amount of stable financing / required amount of stable financing) (the requirement of the Central Bank of the Republic of Uzbekistan is not less than 100%)	139%	117%

Analysis of financial liabilities by terms remaining to maturity

The table below shows the Bank's financial liabilities as of December 31, by maturity, based on contractual undiscounted repayment obligations. Obligations that are redeemable on demand are treated as if the demand for redemption had been made on the earliest possible date. However, the Bank expects that many customers will not request repayment at the earliest date on which the Bank would be required to make the respective payment and, accordingly, the table does not reflect the expected cash flows calculated by the Bank based on historical demand information.

As of December 31, 2023	*Less than 3 months*	*From 3 to 12 months*	*From 1 year to 5 years*	*More than 5 years*	*Total*
Financial liabilities					
Amounts due to credit institutions	249,430	-	-	-	**249,430**
Amounts due to customers	801,719,333	1,298,034,202	2,479,747,723	41,290,000	**4,620,791,258**
Other liabilities	-	38,224,948	5,535,831	-	**43,760,779**
Total undiscounted financial liabilities	**801,968,763**	**1,336,259,150**	**2,485,283,554**	**41,290,000**	**4,664,801,467**

As of December 31, 2022	*Less than 3 months*	*From 3 to 12 months*	*From 1 year to 5 years*	*More than 5 years*	*Total*
Financial liabilities					
Amounts due to credit institutions	63,202,988	-	-	-	**63,202,988**
Amounts due to customers	467,219,138	2,065,169,326	981,073,250	58,414,583	**3,571,876,297**
Other liabilities	25,798,201	-	-	-	**25,798,201**
Total undiscounted financial liabilities	**556,220,327**	**2,065,169,326**	**981,073,250**	**58,414,583**	**3,660,877,486**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(thousands of Uzbek soums)

20. RISK MANAGEMENT (continued)

Liquidity risk and funding management (continued)

All commitments and contingencies of the Bank are deemed to be expiable due to the fact that, according to the contractual terms, they can be carried to the earliest period in which they can be demanded. The Bank expects that not all commitments and contingencies will need to be fulfilled before they expire.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. As of December 31, 2023, the Bank did not provide or receive loans with a floating interest rate.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions in foreign currency based on the restrictions of the Central Bank of the Republic of Uzbekistan. Positions are tracked daily.

The following table sets out the currencies in which the Bank has significant positions as of December 31 in monetary assets and liabilities. The analysis performed consists in calculating the impact of a possible change in exchange rates against the Uzbek soum on the statement of profit or loss (due to the presence of non-trading monetary assets and liabilities, the fair value of which is sensitive to changes in the exchange rate). The effect on equity is no different from the effect on the income statement. Negative amounts in the table reflect a potential net decrease in the statement of profit or loss or equity, while positive amounts reflect a potential net increase.

Currency	*2023*		*2022*	
	Exchange rate change, in %	***Impact on profit before tax***	***Exchange rate change, in %***	***Impact on profit before tax***
US dollar	23.66%	22,471,264	19.6%	1,852,086
US dollar	(23.66%)	(22,471,264)	(19.6%)	(1,852,086)

Operational risk

Operational risk is the risk arising from system failure, human error, fraud or external events. When controls fail, operational risks can damage reputation, have legal consequences, or result in financial loss. The Bank cannot assume that all operational risks have been eliminated, but with the help of a control system and by monitoring and appropriately responding to potential risks, the Bank can manage such risks. The control system provides for an effective segregation of duties, access rights, approval and reconciliation procedures, staff training, and evaluation procedures, including internal audit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(thousands of Uzbek soums)

21. FAIR VALUE MEASUREMENT

Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments, depending on the valuation model:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other models for which all inputs that have a significant effect on the recorded fair value are directly or indirectly observable;
- Level 3: models for which not all inputs that have a significant effect on the recorded fair value are observable in the market.

	Fair value measurement using			
As of December 31, 2023	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Cash and cash equivalents	57,701,102	402,652,180	–	**460,353,282**
Amounts due from credit institutions	–	70,013,765	–	**70,013,765**
Loans to customers measured at amortized cost	–	–	3,383,503,675	**3,383,503,675**
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	–	249,430	**249,430**
Amounts due to customers	–	–	3,278,021,836	**3,278,021,836**

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability, and the level in the fair value hierarchy.

	Fair value measurement using			
As of December 31, 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair values are disclosed				
Cash and cash equivalents	60,278,098	864,173,686	–	924,451,784
Amounts due from credit institutions	–	53,458,631	–	53,458,631
Loans to customers measured at amortized cost	–	–	2,179,313,869	2,179,313,869
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	–	61,763,339	61,763,339
Amounts due to customers	–	–	2,960,387,875	2,960,387,875

Fair value of financial assets and liabilities not carried at fair value

Below is a comparison of the carrying amount and fair value by class of the Bank's financial instruments that are not measured at fair value in the statement of financial position. The table does not include fair values for non-financial assets and non-financial liabilities.

	Book value 2023	***Fair value 2023***	***Unrecognized profit/ (loss) 2023***	***Book value 2022***	***Fair value 2022***	***Unrecognized profit/ (loss) 2022***
Financial assets						
Cash and cash equivalents	460,353,282	460,353,282	–	924,451,784	924,451,784	–
Amounts due from credit institutions	70,013,765	70,013,765	–	53,458,631	53,458,631	–
Loans to customers at amortized cost	3,129,274,086	3,383,503,675	254,229,588	2,116,370,370	2,179,313,869	62,943,499
Financial liabilities						
Amounts due to credit institutions	249,430	249,430	–	62,746,122	61,763,339	982,783
Amounts due to customers	3,729,553,174	3,278,021,836	451,531,338	3,067,676,122	2,960,387,875	107,288,247
Total unrecognized change in fair value			**705,760,926**			**171,214,529**

(thousands of Uzbek soums)

22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows assets and liabilities by their expected maturities. Information about the Bank's contractual undiscounted repayment obligations is disclosed in *Note 20* "Risk Management".

	2023			*2022*		
	Within one year	*More than a year*	*Total*	*Within one year*	*More than a year*	*Total*
Cash and cash equivalents	460,353,282	-	**460,353,282**	924,451,784	-	**924,451,784**
Amounts due from credit institutions	60,412,579	9,601,186	**70,013,765**	53,458,631	-	**53,458,631**
Loans to customers	1,471,084,330	1,658,189,756	**3,129,274,086**	1,212,711,422	903,658,948	**2,116,370,370**
Property and equipment and right-of-use assets	3,925,383	156,849,710	**160,775,093**	-	129,165,168	**129,165,168**
Intangible assets	-	227,276,716	**227,276,716**	-	105,493,719	**105,493,719**
Income tax prepaid	4,123,955	-	**4,123,955**	11,316,819	-	**11,316,819**
Deferred income tax assets	-	22,530,495	**22,530,495**	-	13,670,290	**13,670,290**
Other assets	169,888,886	-	**169,888,886**	71,958,045	-	**71,958,045**
Total	**2,192,318,910**	**2,051,917,368**	**4,244,236,278**	**2,273,896,701**	**1,151,988,125**	**3,425,884,826**
Amounts due to credit institutions	249,430	-	**249,430**	62,746,122	-	**62,746,122**
Amounts due to customers	1,507,939,287	2,221,613,887	**3,729,553,174**	2,144,516,129	923,159,993	**3,067,676,122**
Other liabilities	59,070,054	6,203,478	**65,273,532**	25,387,547	-	**25,387,547**
Total	**1,567,258,771**	**2,227,817,365**	**3,795,076,136**	**2,232,649,798**	**923,159,993**	**3,155,809,791**
Net position	**625,060,139**	**(175,899,997)**	**449,160,142**	**41,246,903**	**228,828,132**	**270,075,035**

23. RELATED PARTY DISCLOSURES

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in the financial and operating decisions. When deciding whether the parties are related, the content of the relationship between the parties, and not just their legal form, is taken into account.

Related parties may enter into transactions that would not be entered into between unrelated parties. The prices and terms of such transactions may differ from the prices and terms of transactions between unrelated parties.

(thousands of Uzbek soums)

Transactions with non-government entities

Balances with related parties at the end of the reporting period are presented below:

	2023 Organizations under common control	2022 Organizations under common control
Loans not repaid as of January 1	**17,971,296**	**14,466,161**
Loans issued during the year	24,159,557	39,733,761
Accrued interest	997,467	7,712,320
Repayment of loans during the year	(684,786)	(43,940,946)
Loans not repaid as of December 31	**42,443,534**	**17,971,296**
Less: allowance for impairment as of December 31	(515,022)	(222,782)
Loans not repaid as of 31 December, net of allowance	**41,928,512**	**17,748,514**
Deposits as of January 1	**6,335,083**	**6,912,739**
Deposits received during the year	354,201,193	60,957,290
Deposits repaid during the year	(338,165,372)	(61,534,946)
Deposits as of December 31	**22,370,904**	**6,335,083**
Other assets	**81,080,506**	**13,235,000**

The table below shows income and expenses from transactions with related parties:

	2023 Organizations under common control	2023 Key management personnel	2023 Members of the Supervisory Board	2022 Organizations under common control	2022 Key management personnel	2022 Members of the Supervisory Board
Interest income on loans calculated using effective rate	12,068,577	16,448	100,496	5,141,400	72,103	19,665
Credit loss expense on loans	(510,626)	(183)	(4,212)	(201,014)	2,105	3,105
Interest expense on deposits	198,781	354,852	1,855,864	868	286,174	804,117
Fee and commission income	24,669,438	-	-	3,912,046	-	-
Other operating expenses	31,265,012	-	-	3,171,393	-	-
Net gains/(losses) on foreign currency transactions	(115,545)	-	-	(1,284,845)	-	-

Compensation to key management personnel, consisting of 13 people (2022: 20 people), includes the following items:

	2023	2022
Salaries and other short-term employee benefits	10,452,265	8,686,537
Social security contributions	1,264,724	1,051,071
Total remuneration to key management personnel	**11,716,989**	**9,737,608**

(thousands of Uzbek soums)

24. CAPITAL ADEQUACY

The Bank actively manages the level of capital adequacy in order to protect against the risks inherent in its activities. The Bank’s capital adequacy is monitored using, among other methods, principles and standards established by the 1988 Basel Capital Accord and standards adopted by the Central Bank of the Republic of Uzbekistan in supervising the Bank.

During the past year, the Bank has been in full compliance with all external capital requirements.

The primary objective of capital management for the Bank is to ensure that the Bank complies with external capital requirements and maintains the high credit rating and capital adequacy ratios necessary to operate and maximize shareholder value.

The Bank manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or change the capital structure, the Bank may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue equity securities.

Capital adequacy ratio of the Central Bank of the Republic of Uzbekistan

According to the requirements of the Central Bank of the Republic of Uzbekistan, the capital adequacy ratio of banks must be maintained at a level above a certain minimum percentage of the amount of risk-weighted assets. As of December 31, 2023 and 2022 The Bank’s capital adequacy ratio calculated in accordance with the above rules was:

	2023	*2022*
Tier 1 Capital	580,146,219	271,882,922
Tier 2 Capital	157,986,414	77,707,604
Total capital	**738,132,633**	**349,590,526**
Risk-weighted assets	**4,318,680,299**	**2,640,612,276**
Tier 1 capital adequacy ratio (minimum requirement: 10%)	13.43%	10.30%
Total capital adequacy ratio (minimum requirement: 13%)	17.09%	13.24%

25. EVENTS AFTER THE REPORTING PERIOD

During the first half of 2023, the Bank's authorized capital increased by 100,000,000 (one hundred million) undocumented shares with a par value of 1,000 (one thousand) soums with a total authorized capital of 100,000,000,000 (one hundred billion) soums.

As of April 8, 2024, the authorized capital of the Bank, formed as a result of the placement of additional shares of the bank, amounts to 500,000,000,000 (five hundred billion) soums, and 500,000,000 (five hundred million) ordinary shares, each of which is divided into shares with a par value of 1,000 (one thousand) soum each.

The Bank established a new subsidiary company, LLC "ANOR ASSET," engaged in financial leasing. The authorized capital of LLC "ANOR ASSET" was set at 15,000,000,000 (fifteen billion) soums, fully owned by the Bank.