KDB Bank Uzbekistan

JOINT-STOCK COMPANY
"KDB BANK UZBEKISTAN"

Financial Statements and Independent Auditor's Report

31 December 2023

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Independent auditors' report

To the Shareholders and Supervisory Board of Joint Stock Company «KDB Bank Uzbekistan»

Opinion

We have audited the financial statements of the Joint Stock Company «KDB Bank Uzbekistan» (the «Bank»), which comprise statement of financial position as at 31 December 2023, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 *Auditors' 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 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 the Republic of 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.

Other matter

The financial statements of the Bank as at and for the year ended 31 December 2022 were audited by other auditors who expressed an unmodified opinion on those statements on 7 April 2023.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

- the Bank's compliance with prudential ratios as at 31 December 2023 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 the IFRS Accounting Standards.

Based on our procedures with respect to 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, 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 in accordance with the regulations and recommendations issued by the Central bank of the Republic of Uzbekistan;
- 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 the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of the Bank's internal control systems;
- as at 31 December 2023 the Bank established Information security function as required by the Central bank of the Republic of Uzbekistan, 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 the Bank's significant risks and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Central bank of the Republic of Uzbekistan;

— 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 risk 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 recommendations for improvement;

— as at 31 December 2023, the 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, the Supervisory Board and Executive Management 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.

The engagement partner on the audit resulting in this independent auditors' report is:

Kouznetsov A. A.
Project Partner
AO «KPMG Audit» LLC

Qualification certificate of bank auditor № 35 issued on 28 November 2023 by the Central Bank of the Republic of Uzbekistan

Tashkent, Uzbekistan
24 April 2024

KPMG AUDIT

Saidov S. K.
General Director
AO «KPMG Audit» LLC

In millions of Uzbekistan Soums	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	7	5,711,078	5,960,929
Due from other banks	8	873,241	1,183,885
Loans and advances to customers	10	1,996,390	1,659,605
Investment in debt securities	9	385,482	89,559
Deferred income tax asset	20	873	-
Premises and equipment	12	55,068	53,010
Intangible assets	12	20,532	3,819
Investment property		418	456
Right use of assets		-	717
Other assets	11	9,553	15,142
TOTAL ASSETS		**9,052,635**	**8,967,122**
LIABILITIES			
Due to other banks	13	1,238,522	341,298
Customer accounts	14	6,423,565	7,637,739
Deferred income tax liability	20	-	126
Lease liabilities		-	1,060
Other liabilities	15	17,202	19,453
TOTAL LIABILITIES		**7,679,289**	**7,999,676**
EQUITY			
Share capital	16	506,361	101,272
Retained earnings		866,985	866,214
Other reserves		-	(40)
TOTAL EQUITY		**1,373,346**	**967,446**
TOTAL LIABILITIES AND EQUITY		**9,052,635**	**8,967,122**

Approved for issue and signed on 24 April 2024.

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHAR "KDB BANK O'ZBEKISTON" AKTSIYADORLIK JAMIYATI
KDB Bank O'zbekiston
KDB Bank Uzbekistan

Young Lok Lee
Chairman of the Board

Abrorjon Juraev
Chief Accountant

In millions of Uzbekistan Soums	Note	2023	2022
Interest income calculated using the effective interest method	17	553,509	280,234
Interest expense	17	(36,951)	(6,650)
Net interest margin and similar income		**516,558**	**273,584**
Credit loss allowance	7,8,10	(1,252)	582
Net interest margin and similar income after credit loss allowance		**515,306**	**274,166**
Fee and commission income	18	76,510	64,752
Fee and commission expense	18	(24,193)	(21,686)
Gains less losses from trading in foreign currencies		81,322	63,201
Foreign exchange translation gains less losses		5,807	(244)
Other operating income		9,381	4,407
Administrative and other operating expenses	19	(136,098)	(115,362)
Profit before tax		**528,035**	**269,234**
Income tax expense	20	(100,854)	(53,629)
PROFIT FOR THE YEAR		**427,181**	**215,605**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Debt securities at fair value through other comprehensive income:	9		
- Gains less losses arising during the year		40	(40)
Other comprehensive income for the year		**40**	**(40)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**427,221**	**215,565**

In millions of Uzbekistan Soums	**Note**	**Share capital**	**Retained earnings**	**Revaluation reserve for securities at FVOCI**	**Total Equity**
Balance at 1 January 2022		**101,272**	**650,609**	**-**	**751,881**
Profit for the year		-	215,605	-	**215,605**
Other comprehensive income	9	-	-	(40)	**(40)**
Total comprehensive income for 2022		-	215,605	**(40)**	**215,565**
Balance at 31 December 2022		**101,272**	**866,214**	**(40)**	**967,446**
Profit for the year		-	427,181	-	**427,181**
Other comprehensive income	9	-	-	40	**40**
Total comprehensive income for 2023		-	427,181	**40**	**427,221**
Issue of additional shares		405,089		-	**405,089**
Dividends paid		-	(426,410)	-	**(426,410)**
Balance at 31 December 2023		**506,361**	**866,985**	**-**	**1,373,346**

In millions of Uzbekistan Soums	Note	2023	2022
Cash flows from operating activities			
Interest income received calculated using the effective interest method, excluding interest income on investments in debt securities		506,187	269,559
Interest paid calculated using the effective interest method		(33,926)	(5,359)
Fees and commissions received		76,510	64,752
Fees and commissions paid		(24,193)	(21,686)
Income received from trading in foreign currencies		81,322	63,201
Other operating income received		10,645	2,375
Staff costs paid		(98,261)	(82,632)
Administrative and other operating expenses paid		(29,179)	(25,093)
Income tax paid		(101,853)	(49,216)
Cash flows from operating activities before changes in operating assets and liabilities		**387,252**	**215,901**
Net (increase)/decrease in:			
- due from other banks		549,411	678,973
- loans and advances to customers		(203,041)	(441,021)
- other assets		6,833	(5,918)
Net increase/(decrease) in:			
- due to other banks		847,271	329,364
- customer accounts		(1,817,361)	615,830
- other financial liabilities		(6,588)	4,751
Net cash (used in)/generated from operating activities		**(236,223)**	**1,397,880**
Cash flows from investing activities			
Interest income received on investments in debt securities		35,887	6,816
Acquisition of investments in debt securities at fair value through other comprehensive income		(1,762,281)	(366,465)
Proceeds from redemption of debt securities at fair value through other comprehensive income		1,479,618	297,973
Acquisition of premises and equipment		(28,592)	(9,432)
Net cash used in investing activities		**(275,368)**	**(71,108)**
Cash flows from financing activities			
Issue of additional shares		405,089	-
Dividends paid		(426,410)	-
Net cash used in financing activities		**(21,321)**	**-**
Effect of exchange rate changes on cash and cash equivalents		**283,061**	**67,778**
Net (decrease)/increase in cash and cash equivalents		**(249,851)**	**1,394,550**
Cash and cash equivalents at the beginning of the year	7	5,960,929	4,566,379
Cash and cash equivalents at the end of the year	7	**5,711,078**	**5,960,929**

1 Introduction

These financial statements have been prepared in accordance with IFRS financial reporting standards issued by the International Accounting Standards Board for the year ended 31 December 2023 for Joint-Stock Company "KDB Bank Uzbekistan" (the "Bank").

The Bank was incorporated and is domiciled in the Republic of Uzbekistan. The Bank is a joint stock company limited by shares and was set up in accordance with regulations of the Republic of Uzbekistan. As of 31 December 2023 and 31 December 2022 the Bank's immediate and ultimate controlling parent company was Korean Development Bank, which is ultimately controlled by the Republic of Korea.

Principal activity. The Bank's principal business activity is commercial and retail banking operations in the Republic of Uzbekistan. The Bank has operated under the full banking licence #5 re-issued by the Central Bank of the Republic of Uzbekistan ("the CBU") dated 25 December 2021. The Bank participates in the state deposit insurance scheme, which was introduced by Law # 360-II "Deposits of individuals insurance in the Republic of Uzbekistan" dated 5 April 2002. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits in the case of the withdrawal of a licence of a bank.

The Bank conducts its operations from its head office located in Tashkent along with one branch (2022: two branches). The Bank had 241 employees at 31 December 2023 (2022: 243 employees).

Registered address and place of business. The Bank's registered address is: 3, Bukhoro Street, 100047, Tashkent, Republic of Uzbekistan.

Presentation currency. These financial statements are presented in millions of Uzbekistan Soums ("UZS"), unless otherwise stated.

Abbreviations. A glossary of various abbreviations used in this document is included in Note 27.

2 Operating Environment of the Bank

Republic of Uzbekistan. The Uzbekistan economy displays characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the banking sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments. The largest Uzbek banks are state-controlled and act as an arm of Government to develop the country's economy. The Government distributes funds from the country's budget, which flow through the banks to various government agencies, and other state- and privately-owned entities. Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government, together with other legal, regulatory and political developments, all of which are beyond the Bank's control. The Bank's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations which greatly impact Uzbek financial markets and the economy overall.

The Bank`sManagement is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the future financial position of the Bank (according to cbu.uz)

- Inflation: 8.7% (2022: 12.3%)
- Official exchange rates: 31 December 2023: USD 1 = UZS 12,338.77 (31 December 2022: USD 1 = UZS 11,225.46).
- GDP growth: 6% (2022: 5.7%).
- Central Bank refinancing rate – 14% (2022: 14%).

2 Operating Environment of the Bank (continued)

The long-term effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from the actual results.

For the purpose of measurement of expected credit losses ("ECL") the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Notes 4 and 21 provide more information of how the Bank incorporated forward-looking information in the ECL models.

Geopolitical events in the world. In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility in the currency markets, as well as a volatility of UZS against the US dollar and Euro.

This conflict affected some export-import operations of the local entities. However, since the Bank's customers' principal activities are within the Republic of Uzbekistan, these developments did not significantly impact on the operations of the Bank. In order to minimize the impact on consumers, the Government of Uzbekistan adopted the relevant regulatory Document. In accordance with this Document, banks were recommended to modify the repayment schedules for corporate loans and advances with "no accrued penalties and fines" and they are not classified as restructured loans for regulatory purposes. These documents have no significant accounting implications for the Bank's as there are no corporate loans in the loan portfolio.

In order to reduce the impact of the external environment on the economy of the Republic of Uzbekistan, on 17 March 2022, the Board of the Central Bank of the Republic of Uzbekistan increased the CBU refinancing rate by 3% to 17%. In June 2022 and then in July 2022, after some decrease in the degree of influence of the external environment on the economy, the Board of the Central Bank of Uzbekistan decreased the CBU refinancing rate to 16% and 15% respectively and as at 31 December 2023, it was 14%.

For the purpose of managing the country risk, the Bank controls transactions with counterparties within the limits set by the Bank's Supervisory board, which are reviewed regularly. The Bank continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance. The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results. The management is taking necessary measures to ensure sustainability of the Bank's operations and to support its employees.

3 Material Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with IFRS financial reporting standards issued by the International Accounting Standards Board (IASB) under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

Financial instruments – key measurement terms. *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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. The price within the

3 Material Accounting Policies (Continued)

bid-ask spread that is most representative of fair value in the circumstances was used to measure fair value, which management considers is the last trading price on the reporting date. The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 24.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – Initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when

3 Material Accounting Policies (Continued)

the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Bank classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Bank in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Bank in performing the SPPI test for its financial assets.

Financial assets impairment – credit loss allowance for ECL. The Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Bank applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Bank identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 21 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank's definition of credit impaired assets and definition of default is explained in Note 21. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 21 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the

3 Material Accounting Policies (Continued)

ECL models.

Financial assets – derecognition. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Cash and cash equivalents. Cash and cash equivalents include deposits with the Central Bank of Uzbekistan (the "CBU) and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts charged or credited to current accounts of the Bank's counterparties held with the Bank, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the CBU. Mandatory cash balances with the CBU are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Bank's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Consequently, they are excluded from cash and cash equivalents for the purposes of the statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Bank may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

3 Material Accounting Policies (Continued)

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 21provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

Leasehold improvements are alterations made to rented properties by the Bank to customise it to its particular business needs and preferences. The improvements that are specialised to the Bank's intended use of the property are treated as own assets for accounting purposes.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Construction in progress is not depreciated. Depreciation of other items of premises and equipment and right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Building and leasehold improvements	5 to 33
Transport	5
Furniture and fixtures	5 to 12
Office and computer equipment	5 to 12
Right-of-use assets	3

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Bank's intangible assets have definite useful life and primarily include capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 5 to 6 years.

3 Material Accounting Policies (Continued)

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at AC.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at AC.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The Bank distributes dividends based on audited financial statements, prepared in accordance with IFRS, taking into account requirements of the existing legislation of the Republic of Uzbekistan.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income on debt instruments at FVTPL calculated at nominal interest rate is presented within 'other similar income' line in profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the Bank relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at FVTPL.

3 Material Accounting Policies (Continued)

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, premium service package fees, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements.

Sales and purchases of foreign currencies and currency conversion. The Bank sells and purchases foreign currencies in the cash offices and through the bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Bank, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Bank rates are recognised as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The functional currency of the Bank, and the Bank's presentation currency, is the national currency of the Republic of Uzbekistan, Uzbek Soum ("UZS").

Monetary assets and liabilities are translated into each Bank's functional currency at the official exchange rate of the CBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each Bank's functional currency at year-end official exchange rates of the CBU, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2023, the principal rate of exchange used for translating foreign currency balances was USD 1 = UZS 12,338.77 (2022: USD 1 = UZS 11,225.46) and EUR 1 = UZS 13,731.82 (2022: Euro 1 = UZS 11,961.85).

Staff costs and related contributions. Wages, salaries, contributions to the Uzbekistan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 21 for analysis of financial instruments by their maturity.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 21. The following components have a major impact on credit loss allowance:

- segmentation of financial assets for the ECL assessment purposes;
- determination of a level of ECL assessment on an individual instrument basis or on a collective basis;
- definition of default applied by the Bank;
- development and application of internal credit grading models, which assigns PDs to the individual credit risk grades;
- development and application of internal models used to estimate exposure at default ("EAD") for financial instruments and credit related commitments;
- assessment of loss given default ("LGD"), including the judgments made in valuation of collaterals;
- criteria for assessing if there has been a significant increase in credit risk;

The Bank used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Taking into account that currently the Bank does not have history of defaults, the Bank has no ability to develop models for the purpose of statistical determination of correlation between macroeconomic factors and default rate for loan portfolio. Till the time when respective statistical data becomes available estimation of impact of macroeconomic factors on PD rates for corporate portfolio and loss rate for retail portfolio is to be made using the Bank's professional judgement.

Since the Bank applies its professional judgement, one set of adjusting factors is estimated by the Bank. These adjusting coefficients are determined by the Bank as a result of analysis of forward-looking information from different sources. When the Bank has appropriate statistical information to develop models of credit portfolio quality sensitivity to macroeconomic factors several scenarios are to be analysed and several sets of adjusting factors are to be applied for the purpose of ECL calculations.

In the case when several scenarios of macroeconomic forecast are available the Bank may calculate adjusting factors using these different scenarios by giving respective probability to each of them (total probability should be 100%). At the current moment such information is not available, forecasts which are used for calculation of adjusting factors are considered to be the most realistic.

The adjusting factors are subject to recalculation on a quarterly basis using the updated actual default rate observations for the portfolio and the updated macro indicator observations and outlooks from official sources.

A 10% increase or decrease in PD estimates at 31 December 2023 would result in an increase or decrease in total expected credit loss allowances of UZS 261 million (2022: UZS 226 million).

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition.

The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Bank identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 21.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by UZS 1,901 million as of 31 December 2023 (31 December 2022: higher by UZS 1,575 million).

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement. In making this judgement, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to the cash flows from specified assets (e.g. non-recurse financing);
- features that modify consideration of the time value of money element (e.g. periodical reset of interest rates);

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument.

The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Bank applied a threshold of 5% to determine whether differences against a benchmark instruments are significantly different. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

for the early termination of the contract, and (iii) the fair value of the prepayment feature is immaterial at initial recognition.

The Bank considered the examples provided in the standard and concluded that features arising solely from legislation that are not included in the contract text (such as debt-to-equity conversion provisions in some countries), i.e., that would no longer be applicable in the event of a change in legislation, should not be considered when assessing whether cash flows meet the criteria for solely payments of principal and interest.

The instruments that failed the SPPI test are measured at FVTPL.

Modification of financial assets. When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

Fair value of derivatives and certain other instruments. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 24.

Finance leases and derecognition of financial assets. In assessing transfers of financial assets and classification of leases of non-financial assets to third parties, management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and leased assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 20.

5 Adoption of New or Revised Standards and Interpretations

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts. A new comprehensive financial reporting standard for insurance contracts that addresses recognition and measurement, presentation and disclosures. IFRS 17 is effective for annual periods beginning on or after January 1,2023.

Amendments to IAS 1 and Practice Statement №2 on Application of IFRS Accounting Policy Disclosures

In February 2021, the IASB issued amendments to IAS 1 and Practice Statement №2 on the application of IFRS`s "Making Materiality Judgements", which provide guidance and examples to assist entities in applying materiality judgements in accounting policy disclosures. These amendments did not have any material impact on the Bank`s financial statements.

Amendments to IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to IAS 8 also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops accounting estimates to achieve the objective set out in the accounting policies. So the development of an accounting estimate includes:

5 Adoption of New or Revised Standards and Interpretations (Continued)

- the choice of measurement method (valuation technique)- for example, the valuation technique used to measurements of the allowance for expected credit losses; and
- selecting the inputs to be used in applying the selected method of measurement- e.g., expected cash outflows for determining the allowance for guarantee liabilities.

The amendments are effective for annual periods beginning on or after January 1,2023.

Amendments to IAS 12- Deferred taxation on assets and liabilities arising from a single transaction

The Bank applies the Deferred Taxation Relating to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12) from January 1,2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences, such as leases or decommissioning obligations. For leases and decommissioning obligations, the related deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or another component of equity at that date. For all other transactions, the amendments are applied after the beginning of the earliest period presented.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning after 1 January 2023, with an early application option. However, the Bank has not early adopted the new and amended standards in preparing these financial statements.

7 Cash and Cash Equivalents

In millions of Uzbekistan Soums	31 December 2023	31 December 2022
Correspondent accounts and overnight placements with other banks	2,255,210	3,163,355
Cash balances with the CBU (other than mandatory reserve deposits)	1,530,162	1,621,935
Placements with other banks with original maturities of less than three months	1,505,183	870,060
Cash on hand	422,582	306,647
Less credit loss allowance	(2,059)	(1,068)
Total cash and cash equivalents	**5,711,078**	**5,960,929**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk ratings at 31 December 2023.

7 Cash and Cash Equivalents (Continued)

In millions of Uzbekistan Soums	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and overnight placements with other banks	Placements with other banks with original maturities of less than three months	Total
- BBB- to A+ rated	-	2,232,403	1,130,726	**3,363,129**
- BB- to BB+ rated	1,530,162	12,200	50,233	**1,592,595**
- B- to B+ rated	-	298	324,224	**324,522**
- Not rated	-	10,309	-	**10,309**
Less credit loss allowance	-	(1,412)	(647)	**(2,059)**
Total cash and cash equivalents, excluding cash on hand	**1,530,162**	**2,253,798**	**1,504,536**	**5,288,496**

The credit quality of cash and cash equivalents balances based on credit risk ratings at 31 December 2022 is as follows.

In millions of Uzbekistan Soums	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and overnight placements with other banks	Placements with other banks with original maturities of less than three months	Total
- BBB- to AAA+ rated	-	2,921,067	839,922	**3,760,989**
- BB- to BB+ rated	1,621,935	50,131	-	**1,672,066**
- B- to B+ rated	-	192,127	30,138	**222,265**
- Not rated	-	30	-	**30**
Less credit loss allowance	-	(856)	(212)	**(1,068)**
Total cash and cash equivalents, excluding cash on hand	**1,621,935**	**3,162,499**	**869,848**	**5,654,282**

7 Cash and Cash Equivalents (Continued)

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. Refer to Note 21 for the ECL measurement approach.

At 31 December 2023 and 2022, the Bank's largest five balances with counterparty banks, other than CBU, comprised a total amount of UZS 3,019,271 million and UZS 3,257,584 million, or 53% and 55% of the total amount of the cash and cash equivalents respectively.

Interest rate analysis of cash and cash equivalents is disclosed in Note 21. Information on related party balances is disclosed in Note 26.

8 Due from Other Banks

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Loans to other banks	676,158	384,807
Mandatory reserve with the CBU	185,315	228,204
Restricted cash	12,230	6,793
Placements with other banks with original maturities of more than three months	-	564,431
Less credit loss allowance	(462)	(350)
Total due from other banks	**873,241**	**1,183,885**

At 31 December 2023 and 2022, the Bank's largest five balances with counterparty banks other than CBU comprised a total amount of UZS 676,163 million and UZS 702,424 million or 77% and 59% of the total amount due from other banks respectively.

8 Due from Other Banks (Continued)

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2023 based on credit risk grades assigned by international credit rating agencies.

In millions of Uzbekistan Soums	Mandatory reserve with the CBU	Placements with other banks with original maturities of more than three months	Loans To Other Banks	Restricted cash	Total
- BBB- to AA rated	-	-	-	11,558	**11,558**
- BB- to BB+ rated	185,315	-	417,064	55	**602,434**
- B- to B+ rated	-	-	259,094	617	**259,711**
Less credit loss allowance	-	-	(459)	(3)	**(462)**
Total due from other banks	**185,315**	**-**	**675,699**	**12,227**	**873,241**

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2022 based on credit risk grades assigned by international credit rating agencies.

In millions of Uzbekistan Soums	Mandatory reserve with the CBU	Placements with other banks with original maturities of more than three months	Loans To Other Banks	Restricted cash	Total
- BBB- to AAA+ rated	-	536,061	-	6,177	**542,238**
- BB- to BB+ rated	228,204	442	222,184	5	**450,835**
- B- to B+ rated	-	27,928	162,623	611	**191,162**
Less credit loss allowance	-	(143)	(205)	(2)	**(350)**
Total due from other banks	**228,204**	**564,288**	**384,602**	**6,791**	**1,183,885**

Refer to Note 21 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to due from other banks balances. For the purpose of ECL measurement due from other banks balances are included in Stage 1. The carrying amount of due from other banks balances at 31 December 2023 above also represents the Bank's maximum exposure to credit risk on these assets.

8 Due from Other Banks (Continued)

No transfers between stages occurred in the period. The credit loss allowance for due from other banks recognised in 2023 year is impacted by a variety of factors, as described below:

- additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular update of inputs to ECL models;
- foreign exchange translations of assets denominated in foreign currencies and other movements; and

Refer to Note 24 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 21. Information on related party balances is disclosed in Note 26.

9 Investments in Debt Securities

The balance of the debt securities at FVOCI at 31 December 2023, represents the investments in the bonds of the Central Bank of Uzbekistan, at 31 December 2022 the balance represents the US Treasury bonds.

As of December 31, 2023 and December 31, 2022, all debt securities at FVOCI categorized as Stage 1 (Superior credit quality rating) for purposes of estimating the allowance for expected credit losses.

The Bank assigns zero credit risk to the CBU bonds denominated in national currency (to the US Treasury notes denominated in US dollars) and recognizes zero credit loss allowance respectively. Refer to Note 21 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at FVOCI. The carrying amount of debt securities at FVOCI at 31 December 2023 below also represents the Bank's maximum exposure to credit risk on these assets. The debt securities at FVOCI as at 31 December 2023 and 31 December 2022 are not collateralised.

10 Loans and Advances to Customers

In millions of Uzbekistan Soums	31 December 2023	31 December 2022
Gross carrying amount of loans and advances to customers at AC	1,997,708	1,660,760
Less credit loss allowance	(1,318)	(1,155)
Total carrying amount of loans and advances to customers at AC	**1,996,390**	**1,659,605**

The carrying amount presented in the statement of financial position best represents the Bank's maximum exposure to credit risk arising from loans and advances to customers.

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2023 and 31 December 2022 are disclosed in the table below:

10 Loans and Advances to Customers (Continued)

In millions of Uzbekistan Soums	31 December 2023			31 December 2022		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to legal entities	1,983,424	(1,175)	1,982,249	1,646,030	(1,008)	1,645,022
Loans to individuals	14,284	(143)	14,141	14,730	(147)	14,583
Total loans and advances to customers at AC	**1,997,708**	**(1,318)**	**1,996,390**	**1,660,760**	**(1,155)**	**1,659,605**

As of 31 December 2023, loans to individuals include mortgage loans for UZS 13,696 million (December 31, 2022: UZS 14,034 million).

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods.

In millions of Uzbekistan Soums	Credit loss allowance		Gross carrying amount	
	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
Loans to legal entities				
At 1 January 2023	1,008	**1,008**	1,646,030	**1,646,030**
Movements affecting credit loss allowance charge for the period:				
New originated or purchased	921	**921**	1,386,207	**1,386,207**
Derecognised during the period	(754)	**(754)**	(1,048,813)	**(1,048,813)**
Total movements affecting credit loss allowance charge for the period	**167**	**167**	**337,394**	**337,394**
At 31 December 2023	**1,175**	**1,175**	**1,983,424**	**1,983,424**

10 Loans and Advances to Customers (Continued)

In millions of Uzbekistan Soums	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Total
Loans to individuals				
At 1 January 2023	147	147	14,730	14,730
Movements affecting credit loss allowance charge for the period:				
New originated or purchased	37	37	3,678	3,678
Derecognised during the period	(41)	(41)	(446)	(446)
Total movements affecting credit loss allowance charge for the period	(4)	(4)	(446)	(446)
At 31 December 2023	**143**	**143**	14,284	14,284

In millions of Uzbekistan Soums	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Total
Loans to legal entities				
At 1 January 2022	694	694	1,156,698	1,156,698
Movements affecting credit loss allowance charge for the period:				
New originated or purchased	584	584	886,392	886,392
Derecognised during the period	(270)	(270)	(397,060)	(397,060)
Total movements affecting credit loss allowance charge for the period	314	314	489,332	489,332
At 31 December 2022	**1,008**	**1,008**	**1,646,030**	**1,646,030**

10 Loans and Advances to Customers (Continued)

In millions of Uzbekistan Soums	**Credit loss allowance** Stage 1 (12-months ECL)	**Credit loss allowance** Total	**Gross carrying amount** Stage 1 (12-months ECL)	**Gross carrying amount** Total
Loans to individuals				
At 1 January 2022	163	**163**	16,296	**16,296**
Movements affecting credit loss allowance charge for the period:				
New originated or purchased	22	**22**	2,265	**2,265**
Derecognised during the period	(38)	**(38)**	(3,831)	**(3,831)**
Total movements affecting credit loss allowance charge for the period	**(16)**	**(16)**	**(1,566)**	**(1,566)**
At 31 December 2022	**147**	**147**	**14,730**	**14,730**

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note21. The main movements in the table are described below:

- additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised during the period;
- foreign exchange translations of assets denominated in foreign currencies and other movements;

The following tables contain analyses of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Bank's maximum exposure to credit risk on these loans.

10 Loans and Advances to Customers (Continued)

The credit quality of loans to corporate customers carried at amortised cost is as follows at 31 December 2023:

In millions of Uzbekistan Soums	Stage 1 (12-months ECL)	Total
Loans to legal entities	**1,983,424**	**1,983,424**
- Excellent	1,894,625	1,894,625
- Good	72,516	72,516
- Satisfactory	16,283	16,283
Gross carrying amount	**1,983,424**	**1,983,424**
Credit loss allowance	(1,175)	(1,175)
Carrying amount	**1,982,249**	**1,982,249**
Loans to individuals	14,284	14,284
- Excellent	14,284	14,284
Gross carrying amount	**14,284**	**14,284**
Credit loss allowance	(143)	(143)
Carrying amount	**14,141**	**14,141**

10 Loans and Advances to Customers (Continued)

The credit quality of loans to corporate customers carried at amortised cost is as follows at 31 December 2022:

In millions of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Total**
Loans to legal entities	**1,646,030**	**1,646,030**
- Excellent	1,567,021	**1,567,021**
- Good	79,009	**79,009**
Gross carrying amount	**1,646,030**	**1,646,030**
Credit loss allowance	(1,008)	**(1,008)**
Carrying amount	**1,645,022**	**1,645,022**
Loans to individuals	14,730	**14,730**
- Excellent	14,730	**14,730**
Gross carrying amount	**14,730**	14,730
Credit loss allowance	(147)	**(147)**
Carrying amount	**14,583**	**14,583**

For description of the credit risk grading used in the tables above refer to Note21.

10 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

In millions of Uzbekistan Soums	31 December 2023 Amount	%	31 December 2022 Amount	%
Production	859,780	43%	957,531	58%
Trade and services	756,085	38%	466,572	28%
Mining	342,388	17%	163,576	10%
Agriculture	25,171	1%	58,351	4%
Individuals	14,284	1%	14,730	1%
Total loans and advances to customers carried at AC	**1,997,708**	**100%**	**1,660,760**	**100%**

At 31 December 2023, the Bank's largest five borrowers comprised a total amount of UZS 939,461 million (2022: UZS 687,982 million) or 47% of the gross loan portfolio (2022: 41%).

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period. Description of collateral held for loans to corporate customers carried at amortised cost is as follows at 31 December 2023:

In millions of Uzbekistan Soums	Loans to legal entities	Loans to individuals	Total
Loans guaranteed by other parties	194,068	380	**194,448**
Loans collateralised by:			
- real estate	1,191,883	13,427	**1,205,310**
- equipment and inventory	257,983	-	**257,983**
- motor vehicle	17,415	-	**17,415**
- insurance	322,075	477	**322,552**
Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	**1,983,424**	**14,284**	**1,997,708**

The quality of collateral securing loans guaranteed by other parties is represented by the level "excellent" according to the internal rating system and solvency grades determined by the Bank.

The collateral analysis for loans to corporate customers measured at amortized cost as of December 31, 2022 is as follows:

In millions of Uzbekistan Soums	Loans to legal entities	Loans to individuals	Total
Loans guaranteed by other parties	176,602	496	**177,098**
Loans collateralised by:			
- real estate	1,176,071	13,662	**1,189,733**
- equipment and inventory	214,641	-	**214,641**
- motor vehicle	21,735	-	**21,735**
- insurance	56,981	572	**57,553**
- cash deposit	-	-	-
Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	**1,646,030**	**14,730**	**1,660,760**

10 Loans and Advances to Customers (Continued)

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on unimpaired assets at 31 December 2023 is as follows.

In millions of Uzbekistan Soums	**Over-collateralised Assets**		**Under-collateralised assets**	
	Carrying value of the assets	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans to legal entities carried at AC	1,859,215	4,012,618	124,209	123,388
Loans to individuals carried at AC	14,284	27,007	-	-
Total carrying value loans and advances to customers at AC	**1,873,499**	**4,039,625**	**124,209**	**123,388**

The effect of collateral on unimpaired assets at 31 December 2022 is as follows.

In millions of Uzbekistan Soums	**Over-collateralised Assets**		**Under-collateralised Assets**	
	Carrying value of the assets	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Loans to legal entities	1,646,030	3,918,141	-	-
Loans to individuals	14,730	27,278	-	-
Total carrying value loans and advances to customers at AC	**1,660,760**	**3,945,419**	-	-

The values of collateral considered in this disclosure are after a valuation haircut of applied to consider liquidity and quality of the pledged assets.

Refer to Note 24 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 21. Information on related party balances is disclosed in Note 26.

11 Other Assets

In millions of Uzbekistan Soums	31 December 2023	31 December 2022
Other financial assets at AC		
Accrued income receivable	2,269	3,512
Clearing account for card operations and other settlements	546	1,120
Other	-	54
Less credit loss allowance	(23)	(35)
Total other financial assets at AC	**2,792**	**4,651**
Other non-financial assets		
Prepaid expenses	4,139	9,088
Prepayments to suppliers	771	379
Prepayments for taxes other than income tax	1	25
Other	1,850	999
Total other non-financial assets	**6,761**	**10,491**
Total other financial assets	**9,553**	**15,142**

12 Premises, Equipment and Intangible Assets

In millions of Uzbekistan Soums	Note	Premises	Office and computer equipment	Total premises and equipment	Intangible assets	Total
Cost at 1 January 2022		**45,807**	**38,224**	**84,031**	**16,304**	**100,335**
Additions		-	5,955	5,955	2,317	8,272
Transfer from investment property to Buildings and premises		1,187	-	1,187	-	1,187
Others			2,448	2,448	(46)	2,402
Disposals		-	(610)	(610)	-	(610)
Cost at 31 December 2022		**46,994**	**46,017**	**93,011**	**18,575**	**111,586**
Accumulated depreciation at 1 January 2022		**9,797**	**21,897**	**31,694**	**14,313**	**45,967**
Depreciation/ amortisation charge	19	1,410	5,517	6,927	532	7,459
Transfer from investment property to Buildings and premises		724	-	724	-	724
Others			1,301	1,301	(89)	1,212
Disposals		-	(605)	(605)	-	(605)
Accumulated depreciation at 31 December 2022		**11,891**	**28,110**	**40,001**	**14,756**	**54,757**
Carrying amount at						
31 December 2021		**36,050**	**16,327**	**52,377**	**1,991**	**54,368**
31 December 2022		**35,103**	**17,907**	**53,010**	**3,819**	**56,829**
Cost at 1 January 2023		**46,994**	**46,017**	**93,011**	**18,575**	**111,586**
Additions		587	9,300	9,887	18,805	28,692
Disposals		-	(3,378)	(3,378)	(32)	(3,410)
Cost at 31 December 2023		**47,581**	**51,939**	**99,520**	**37,348**	**136,868**
Accumulated depreciation at 1 January 2023		**11,891**	**28,110**	**40,001**	**14,756**	**54,757**
Depreciation/ amortisation charge	19	1,736	6,031	7,767	2,092	9,859
Disposals		-	(3,316)	(3,316)	(32)	(3,348)
Accumulated depreciation at 31 December 2023		**13,627**	**30,825**	**44,452**	**16,816**	**61,268**
Carrying amount at						
31 December 2022		**35,103**	**17,907**	**53,010**	**3,819**	**56,829**
31 December 2023		**33,954**	**21,114**	**55,068**	**20,532**	**75,600**

13 Due to Other Banks

In millions of Uzbekistan Soums	31 December 2023	31 December 2022
Long-term placements of other banks	1,233,877	336,764
Interest payable on long-term placements of other banks	4,315	1,291
Short-term placements of other banks	247	224
Correspondent accounts	83	3,019
Total due to other banks	**1,238,522**	**341,298**

At 31 December 2023 and 2022, the Bank's largest two balances with counterparty banks amounted to UZS 1,238,522 million and UZS 339,673 million, respectively.

Refer to Note 24 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 21. Information on related party balances is disclosed in Note 26.

14 Customer Accounts

In millions of Uzbekistan Soums	31 December 2023	31 December 2022
Private and legal entities:		
- Current/settlement accounts	5,514,404	6,402,682
- Term deposits	12,693	10,968
State and public organizations		
- Current/settlement accounts	217,735	632,530
Individuals		
- Current/demand accounts	678,733	591,559
Total customer accounts	**6,423,565**	**7,637,739**

Economic sector concentrations within customer accounts are as follows:

In millions of Uzbekistan Soums	31 December 2023 Amount	31 December 2023 %	31 December 2022 Amount	31 December 2022 %
Oil & gas	2,780,331	43	4,743,853	62
Production	1,002,024	16	782,310	10
Trade	737,318	11	634,114	8
Individuals	678,733	11	591,559	8
Services	675,998	11	417,219	6
Mining	25,819	0	16,246	0
Telecommunication	6,031	0	10,644	0
Other	517,311	8	441,794	6
Total customer accounts	**6,423,565**	**100**	**7,637,739**	**100**

At 31 December 2023, the Bank's largest three customer balances represented an aggregate amount of UZS 2,622,045 million (31 December 2022: UZS 4,498,450 million) or 41% (2022: 59%) of total customer accounts.

14 Customer Accounts (Continued)

At 31 December 2023 included in customer accounts are deposits of UZS 369,746 million (31 December 2022: UZS 227,384 million) held as collateral against issued guarantees, letters of credit and loans. Refer to Note 23. Refer to Note 24 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 21. Information on related party balances is disclosed in Note 26.

15 Other Financial Liabilities

Other financial liabilities comprise the following:

In millions of Uzbekistan Soums	Note	31 December 2023	31 December 2022
Other financial liabilities at AC			
Payables to suppliers		7,062	5,721
Total other financial liabilities at AC		**7,062**	**5,721**
Other non-financial liabilities			
Accrued salaries		7,978	9,183
Deferred income		801	1,125
Income tax payable		530	2,014
Taxes other than on income tax payable		506	544
Provision for guarantees and loan commitments	24	114	116
Other		211	750
Total other non-financial liabilities		**10,140**	**13,732**
Total other liabilities		**17,202**	**19,453**

Taxes payable other than income tax mainly represent social tax related to payroll, value added tax and taxes payable. Refer to Note 24 for disclosure of the fair value of each class of other financial liabilities.

Refer to Note 23 for analysis of exposure from financial guarantees and loan commitments by credit risk grades.

16 Share Capital

In millions of Uzbekistan Soums except for number of shares	Number of outstanding shares in thousands	Nominal value	Ordinary shares	Total
At 1 January 2022	**681,372**	**148.63**	**101,272**	**101,272**
At 31 December 2022	**681,372**	**148.63**	**101,272**	**101,272**
At 31 December 2023	**3,406,858**	**148.63**	**506,361**	**506,361**

16 Share Capital (Continued)

The total authorised number of ordinary shares is 3,406,858 thousand shares (2022: 681,372 thousand shares), with a par value of UZS 148.63 per share (2022: UZS 148.63 per share). All issued ordinary shares are fully paid.

In accordance with legislation of Republic of Uzbekistan, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with IFRS financial reporting standards issued by the International Accounting Standards Board ("IFRS financial reporting standards").

During 2023, the Bank declared dividends amounting 426,410 million UZS in the amount of 625.81 UZS per share, that were attributed to the increase of the share capital.

17 Interest Income and Expense

In millions of Uzbekistan Soums	2023	2022
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	161,587	129,717
Due from other banks at AC	352,353	141,944
Investment in debt securities at FVOCI	39,569	8,573
Total interest income calculated using the effective interest method	**553,509**	**280,234**
Interest and other similar expense		
Term placements of other banks	(36,926)	(6,202)
Total interest expense	**(36,926)**	**(6,202)**
Other similar expense		
Lease liabilities	(25)	(448)
Total other similar expense	**(25)**	**(448)**
Total interest expense	**(36,951)**	**(6,650)**
Net margin on interest and similar income	**516,558**	**273,584**

18 Fee and Commission Income and Expense

In millions of Uzbekistan Soums	2023	2022
Fee and commission income		
- Settlement transactions	40,130	33,037
- Financial guarantees and letter of credits issued (Note 24)	15,430	12,883
- Servicing debit cards	9,927	8,076
- Cash transactions	8,711	9,048
- Other	2,312	1,708
Total fee and commission income	**76,510**	**64,752**
Fee and commission expense		
- Settlement transactions	15,611	13,559
- Servicing debit cards	8,380	7,861
- Cash collection	202	266
Total fee and commission expense	**24,193**	**21,686**
Net fee and commission income	**52,317**	**43,066**

19 Administrative and Other Operating Expenses

In millions of Uzbekistan Soums	Note	2023	2022
Staff costs		98,261	82,632
Depreciation and amortization	12	10,614	10,364
Membership fees		5,810	5,377
Postage, telephone and fax expenses		4,190	3,985
Professional services		3,234	2,112
Security expenses		3,192	3,222
Taxes other than income taxes		2,392	888
Representation and entertainment		2,113	1,586
Repair and maintenance		2,088	1,939
Stationery and office supplies		966	1,230
Rent expenses		939	1
Utilities		628	605
Travel expenses		391	332
Fuel expenses		222	257
Other		1,058	832
Total administrative and other operating expenses		**136,098**	**115,362**

Included in staff costs are statutory pension contributions of UZS 7,300 million (2022: UZS 6,075 million).

20 Income Taxes

(a) Components of income tax expense / (benefit)

Income tax expense recorded in profit or loss for the year comprises the following:

In millions of Uzbekistan Soums	2023	2022
Current tax	101,853	52,973
Deferred tax (credit) / charge	(999)	656
Income tax expense for the year	**100,854**	**53,629**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Bank's 2023 income is 20% (2022: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

In millions of Uzbekistan Soums	2023	2022
Profit before tax	**528,035**	**269,234**
Theoretical tax charge at statutory rate (2023: 20%; 2022: 20%)	105,607	53,847
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income which is exempt from taxation	(7,241)	(1,558)
- Non-deductible expenses	2,488	1,340
Income tax expense for the year	**100,854**	**53,629**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

20 Income Taxes (Continued)

In millions of Uzbekistan Soums	1 January 2022	Credited/ (charged) to profit or loss	1 January 2023	Credited/ (charged) to profit or loss	31 December 2023
Tax effect of deductible/(taxable) temporary differences					
Premises and equipment: (temporary difference due to statutory revaluation)	(255)	287	32	17	49
Credit loss allowance of loans	376	(1,194)	(818)	1,028	210
Accruals	409	251	660	46	614
Net deferred tax asset/(liability)	**530**	**(656)**	**(126)**	**999**	**873**
Recognised deferred tax asset	785	(93)	692	181	873
Recognised deferred tax liability	(255)	(563)	(818)	818	-
Net deferred tax asset/(liability)	**530**	**(656)**	**(126)**	**999**	**873**

21 Financial Risk Management

The risk management function within the Bank is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Bank exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is one of the most material risks for the Bank's business. Therefore, management carefully manages its exposure to credit risk.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established using the Bank's internal credit rating system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action. Clients of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each

21 Financial Risk Management (Continued)

rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Bank applies two approaches – an Internal Risk-Based (IRB) rating system for loans and risk grades estimated by external international rating agencies (Standard & Poor's – "S&P", Fitch, Moody's), for cash and due from banks. The following table provides information about the credit risk levels for loans and advances to customers and their corresponding probability of default intervals:

Scale of credit risk for loans and advances to customers	Internal ratings to assess loans and advances to customers	Corresponding PD Interval for loans and advances balances
Excellent	AAA to A-	0.5%
Good	BBB+ to BBB-	1%
Satisfactory	BB+ to B-	5% - 15%
Special monitoring	CCC+ to C	30%
Default	D-I, D-II	100%

Each scale of credit risk for loans and advances to customers grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

Information on credit risk levels based on the assessment of external international rating agencies for cash and due from banks:

Ratings of external international rating agencies (S&P)	Probability of default interval (for 12 months) for cash and due from banks
AA - BB+	0.02% - 0.32%
BB - B+	0.32% - 1.14%
B, B-	1.14%
CCC+ - CC-	9.14%
C, D-I, D-II	100%

21 Financial Risk Management (Continued)

The IRB system is designed internally and ratings are estimated by management. Various credit-risk estimation techniques are used by the Bank depending on the class of the asset. There are three commonly used types of such systems:

- *Model-based* – In this system, credit risk ratings are assigned by internally developed statistical models with the limited involvement of credit officers. Statistical models include qualitative and quantitative information that shows the best predictive power based on historical data on defaults.
- *Expert judgement-based* – In this system, credit risk ratings are assigned subjectively by experienced credit officers based on internally developed methodology and different qualitative and quantitative factors. This approach is based on expert methodology and judgements rather than on sophisticated statistical models.
- *Hybrid* – This rating system is a combination of the two systems above. It is developed by using historical data combined with expert input.

The Bank applies IRB systems for measuring credit risk for the following financial assets: corporate loans, and finance lease receivables – internal PD ratings, cash and cash equivalents and due from other assets - external rating agencies PD rates.

The rating models are regularly reviewed by the Credit Risk Department, once historical default statistics is available rating models will be updated accordingly. Despite the method used, the Bank regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default ("PD") are applied for the following financial instruments: interbank placements and corresponding accounts with other banks.

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Bank: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. The Bank's management estimates that 12-month and lifetime CCFs are materially the same. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period*. The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which Bank has a present contractual obligation to extend credit.

Management models *Lifetime ECL*, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL*, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes.

21 Financial Risk Management (Continued)

The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

For purposes of measuring PD, the Bank defines default for corporate and individual enterpreneurs, other than banks as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 30 days past due on its contractual payments;
- the bankruptcy proceedings initiated or the debtor declared bankrupt;
- the exposure to the Debtor classified as 'bad debt' in accordance with the CBU classification;
- the occurrence of an event of impairment (default) on the reporting date that affected classification of other financial instruments of the debtor to Stage 3
- the restructuring caused by financial difficulty of the debtor on the following conditions:
  - grace period on interest for over 90 days; and/or
  - changes in the principal repayment schedule when cumulative instalments over the next 12 months are reduced by more than 50% from the original repayment schedule; and/or
  - extension of maturity of the loan by more than 12 months compared to the original maturity; and/or
  - revision of the principal or interest repayment schedule and/or the interest rate if the resulting present value of contractual cash flows under the modified contracts is more than 10% lower than the present value of the original contractual cash flows.

For purposes of disclosure, the Bank fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Bank.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six month. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. For loans issued to corporate entities, interbank loans and debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. For loans issued to corporate and individual borrowers, other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Bank's Risk Management Department. There is a presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 15 days past due.

No assessment of SICR events is performed for financial instruments designated to low credit risk instruments.

The Bank defines financial instruments as low credit risk instruments based on the instrument default risk rather than on the ECL level. Therefore, financial assets may not be designated to the risk instruments only on the basis of the high level of collateralisation.

The Bank defines the following financial instruments as low credit risk assets and classifies them to Stage 1 (if no default/impairment indications exist):

21 Financial Risk Management (Continued)

- placements on the correspondent account with the Central Bank of the Republic of Uzbekistan;

- placements on correspondent accounts with non-resident banks with the investment grade assigned by international rating agencies as at the reporting date;

- securities issued by the Central Bank of the Republic of Uzbekistan;

- securities issued by central executive authorities of the Republic of Uzbekistan (i.e. government treasury bonds of the Republic of Uzbekistan).

Where any asset designated to low credit risk instruments experiences the event of impairment (default), this asset shall not be classified to low credit risk instruments. Where the events of impairment (default) exist for an individual issuer of financial instruments designated to low credit risk instruments, all instruments of this issuer should be removed from the list of low credit risk instruments and reclassified appropriately.

The Bank considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For loans issued to legal entities:

- The debtor's credit quality downgraded from the grade as of the comparison date by 2 or more notches;
- The contractual payments for the financial instrument are more than 10 days past due;
- The property disputes between the debtor's beneficiaries in the amount in excess of 30% of the exposure, corporate conflict between beneficiaries;
- The criminal charges brought against management or owner of the debtor;
- The assessment of the debtor's accounts that could result in liquidity issues;
- The debtor is not available at registered address;
- Information is available that the debtor has stopped operations;
- The collateral provider's title to collateral is challenged in court for one or more assets pledged as collateral to the Bank;
- Debtor and/or surety/guarantee provider challenges agreements with the Bank;
- Classification of the debtor's other financial instruments with the Bank to Stage 2 (due to a SICR event) provided that the date of classification to Stage 2 for those instruments is later than the initial recognition date of the financial instrument assessed;
- The early warning flags were triggered for the Debtor;
- The restructuring caused by financial difficulty of the debtor on the following conditions:
  - Grace period on interest for over 90 days; and/or
  - Changes in the principal repayment schedule when cumulative instalments over the next 12 months are reduced by more than 50% from the original repayment schedule; and/or
  - Extension of maturity of the loan by more than 12 months compared to the original maturity; and/or
  - Reduction of the interest rate on the loan to the below-market level, however not lower than the Bank's cost of funding.

21 Financial Risk Management (Continued)

For loans issued to individuals:

- Contractual payments are more than 15 days past due;
- Inclusion of loan into a watch list according to the internal credit risk monitoring process;
- The restructuring caused by financial difficulty of the debtor on the following conditions:
  - Grace period on interest for over 90 days; and/or
  - Changes in the principal repayment schedule when cumulative instalments over the next 12 months are reduced by more than 50% from the original repayment schedule; and/or
  - Extension of maturity of the loan by more than 12 months compared to the original maturity; and/or
  - Reduction of the interest rate on the loan to the below-market level, however not lower than the Bank's cost of funding.

For other banks:

- Contractual payments are more than 1 day past due;
- For resident banks - the debtor bank's credit quality downgraded from the comparison/recognition date by 2 or more notches;
- For non-resident banks - the rating assigned by an international credit rating agency downgraded by 2 or more notches from the comparison date or withdrawn by the international credit rating agency;
- Classification of the debtor's other financial instruments with the Bank to Stage 2 (due to a SICR event) provided that the date of classification to Stage 2 for those instruments is later than the recognition date of the financial instrument analysed.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. Stage 1- for a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs.

Stage 2 - If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. Stage 3 - If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Bank monitors whether that indicator continues to exist or has changed.

ECL for POCI financial assets is always measured on a lifetime basis. The Bank therefore only recognises the cumulative changes in lifetime expected credit losses.

The Bank has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Bank performs an assessment on a portfolio basis for loans issued to corporate customers (standard lending, specialised lending, loans to leasing companies, etc.), interbank loans.

The Bank performs assessments based on external ratings for interbank loans, debt securities issued by banks.

21 Financial Risk Management (Continued)

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Bank defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced officers from the Credit and Risk Management Department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

When assessment is performed on a portfolio basis, the Bank determines the staging of the exposures and measures the loss allowance on a collective basis. The Bank analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: product type, credit risk rating, term to maturity, the quality of collateral. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

An assessment of a 12-month PD is based on the expert judgment and adjusted for supportable forward-looking information when appropriate. At the date of preparation of this financial statements Bank has no sufficient data for development of statistical models for ECL assessment.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement can be divided into three possible approaches:

- measurement of LGD based on the specific characteristics of the collateral;
- calculation of LGD on a portfolio basis based on recovery statistics; or
- individually defined LGD depending on different factors and scenarios.

The Bank calculates LGD based on specific characteristics of the collateral, such as projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate loan portfolio and for retail secured and unsecured products.

ECL measurement for financial guarantees and loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment ("$ExOff$"). CCF for undrawn credit lines of corporate customers, credit cards issued to individuals and for financial guarantees is defined based on statistical analysis of past exposures at default. CCF for overdrafts is defined as 100% since the limits can be used by the customers at any time.

21 Financial Risk Management (Continued)

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to interbank loans, deposits and balances on correspondent accounts, as well as debt securities issued by other banks.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. The Bank identified certain key economic variables that correlate with developments in credit risk and ECLs. Taking into account that currently the Bank does not have history of defaults, the Bank has no ability to develop models for the purpose of statistical determination of correlation between macroeconomic factors and default rate for loan portfolio. Till the time when respective statistical data becomes available estimation of impact of macroeconomic factors on PD rates for corporate portfolio and LR for retail portfolio is to be made using the Bank's professional judgement. When the Bank has appropriate statistical information to develop models of credit portfolio quality sensitivity to macroeconomic factors several scenarios are to be analysed and several sets of adjusting factors are to be applied for the purpose of ECL calculations.

In addition to the base economic scenario, the Bank's Risk Department also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, considering the range of possible outcomes of which each chosen scenario is representative. Based on the analysis of SICR events date (Note 22) and events of impairment (default), the Bank classifies its financial instruments. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether a 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected.

The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The Bank regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such back testing is performed at least once a year.

The results of back testing the ECL measurement methodology are communicated to Bank Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

21 Financial Risk Management (Continued)

	At 31 December 2023			At 31 December 2022		
In millions of Uzbekistan Soums	Monetary financial assets	Monetary Financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
Uzbekistan Soums	2,695,788	(1,520,400)	1,175,388	2,205,333	(1,327,114)	878,219
US Dollars	5,744,549	(5,622,827)	121,722	6,160,699	(6,127,481)	33,218
Euros	500,104	(498,200)	1,904	353,861	(354,093)	(232)
Other	28,542	(27,722)	820	178,736	(177,130)	1,606
Total	**8,968,983**	**(7,669,149)**	**1,299,834**	**8,898,629**	**(7,985,818)**	**912,811**

The Bank takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Supervisory Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's Treasury Department measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses effect of actual annual appreciation/depreciation of that currency against Uzbekistan Soums to the profit and loss of the Bank.

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the balance sheet date, with all other variables held constant. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.:

	At 31 December 2023	At 31 December 2022
In millions of Uzbekistan Soums	Impact on profit or loss	Impact on profit or loss
US Dollar strengthening by 10% (2022: strengthening by 10%)	12,172	3,322
US Dollar weakening by 10% (2022: weakening by 10%)	(12,172)	(3,322)
Euro strengthening by 10% (2022: strengthening by 10%)	190	(23)
Euro weakening by 10% (2022: weakening by 10%)	(190)	23

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

21 Financial Risk Management (Continued)

In millions of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Total
31 December 2023					
Total financial assets	5,942,321	911,720	439,912	1,675,030	**8,968,983**
Total financial liabilities	(6,418,017)	(17,255)	-	(1,233,877)	**(7,669,149)**
Net interest sensitivity gap at 31 December 2023	**(475,696)**	**894,465**	**439,912**	**441,153**	**1,299,834**
31 December 2022					
Total financial assets	6,163,388	1,127,177	664,182	943,882	**8,898,629**
Total financial liabilities	(7,635,968)	(2,835)	(2,000)	(345,015)	**(7,985,818)**
Net interest sensitivity gap at 31 December 2022	**(1,472,580)**	**1,124,342**	**662,182**	**598,867**	**912,811**

The Bank is not significantly exposed to fluctuations in market interest rates as all of the Bank's financial assets and liabilities are carried at fixed interest rates. The Bank monitors interest rates on financial instruments.

An increase in interest rates by 1%, would result in an decrease in other comprehensive income for 2023 year of 523 million UZS (2022: 70 million UZS). A 1% decrease in interest rates would have an opposite effect: increase in other comprehensive income for 2023 year of 528 million UZS (2022: 71 million UZS).

The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel:

	2023			2022		
In % p.a.	UZS	USD	Euro	UZS	USD	Euro
Assets						
Cash and cash equivalents	12-18.5%	4.03 - 8%	2.5-4%	11 - 18%	0.08 - 5%	2.5-4%
Investments in debt securities	15.8-16%	-	-	-	0.125%	-
Due from other banks	14 - 19%	0 – 9.3%	-	13 - 19%	0 – 5.3%	-
Loans and advances to customers	14 - 24%	6 – 12.4%	-	14 - 21%	6 - 11%	-
Other financial assets	-	-	-	-	-	-
Liabilities						
Due to other banks	-	5.1 - 6.35%	-	0%	3 - 5%	-
Customer accounts	-	-	-	-	-	-
Lease liabilities	20%	-	-	20%	-	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in the corresponding currency.

21 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2023 is set out below:

In millions of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Financial assets				
Cash and cash equivalents	2,339,285	3,135,434	236,359	5,711,078
Due from other banks	861,686	4,441	7,114	873,241
Loans and advances to customers	1,996,390	-	-	1,996,390
Investments in debt securities	385,482	-	-	385,482
Other financial assets	2,792	-	-	2,792
Total financial assets	**5,585,635**	**3,139,875**	**243,473**	**8,968,983**
Financial liabilities				
Due to other banks	330	1,238,192	-	1,238,522
Customer accounts	6,423,565	-	-	6,423,565
Other financial liabilities	7,062	-	-	7,062
Total financial liabilities	**6,430,957**	**1,238,192**	**-**	**7,669,149**
Net position in on-balance sheet financial instruments	**(845,322)**	**1,901,683**	**243,473**	**1,299,834**
Credit related commitments *(Note 23)*	**354,588**	**-**	**2,838**	**357,426**

21 Financial Risk Management (Continued)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2022 is set out below:

In millions of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Financial assets				
Cash and cash equivalents	2,200,746	3,378,377	381,806	5,960,929
Due from other banks	641,762	56,256	485,867	1,183,885
Loans and advances to customers	1,659,605	-	-	1,659,605
Investments in debt securities	-	89,559	-	89,559
Other financial assets	4,651	-	-	4,651
Total financial assets	**4,506,764**	**3,524,192**	**867,673**	**8,898,629**
Financial liabilities				
Due to other banks	3,243	338,055	-	341,298
Customer accounts	7,637,739	-	-	7,637,739
Lease liabilities	1,060	-	-	1,060
Other financial liabilities	5,721	-	-	5,721
Total financial liabilities	**7,647,763**	**338,055**	**-**	**7,985,818**
Net position in on-balance sheet financial instruments	**(3,140,999)**	**3,186,137**	**867,673**	**912,811**
Credit related commitments *(Note 23)*	**539,959**	**-**	**-**	**539,959**

Cash and cash equivalents, due from other banks and due to other banks in OECD countries include accounts in German, Korean and US banks.

Cash and cash equivalents, due from other banks and due to other banks in Non-OECD countries include accounts in banks of Malaysia and Russia.

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand, due from other banks have been allocated based on the country in which they are physically held.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by Liquidity Management Committee of the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits. The Bank invests the funds in inter-bank placements of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

21 Financial Risk Management (Continued)

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratios are (ratios are calculated using unaudited figures based on National Accounting Standards) as at 31 December 2023:

- Liquidity coverage ratio (not to be less than 1.0), which is calculated as the ratio of high liquid assets to net outflow within 30 days; the ratio was 16.65 at 31 December 2023 (31 December 2022: 13.96);
- Net stable funding ratio (not to be less than 1.0), which is calculated as the ratio of available stable funding to required stable funding; the ratio was 2.08 at 31 December 2023 (31 December 2022: 2.18);
- Total assets to high liquid assets ratio (not to be less than 0.1) ; the ratio was 0.49 at 31 December 2023 (31 December 2022: 0.57).

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The table below shows liabilities at 31 December 2023 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

The table below shows the maturity analysis of non-derivative financial assets carried at carrying amounts based on their contractual maturities. Impaired loans and borrowings are included in the table at their carrying amounts less allowance for impairment and based on the expected timing of cash inflows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit as included in the below maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

21 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2023 is as follows:

In millions of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	5,651,733	62,052	-	-	**5,713,785**
Due from other banks	221,065	231,815	156,403	322,611	**931,893**
Loans and advances to customers	98,456	324,115	378,728	1,485,384	**2,286,683**
Investments in debt securities	-	395,000	-	-	**395,000**
Other financial assets	2,792	-	-	-	**2,792**
Total	**5,974,046**	**1,012,982**	**535,131**	**1,807,995**	**9,330,153**
Liabilities					
Due to other banks	83	4,562	-	1,390,110	**1,394,755**
Customer accounts	6,410,872	12,693	-	-	**6,423,565**
Other financial liabilities	7,062	-	-	-	**7,062**
Total potential future payments for financial obligations	**6,418,017**	**17,255**	**-**	**1,390,110**	**7,825,382**
Liquidity gap arising from financial instruments	**(443,971)**	**995,727**	**535,131**	**417,885**	**1,504,772**

The table below presents an analysis of contingent liabilities by maturity as of December 31, 2023:

In millions of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Import letter of credit	418,747	-	-	-	**418,747**
Gross loan commitments	216,993	-	-	-	**216,993**
Financial guarantees	91,546	-	-	-	**91,546**
Total potential future payments for contingent obligations	**727,286**	**-**	**-**	**-**	**727,286**

21 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2022 is as follows:

In millions of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	5,744,449	219,879	-	-	**5,964,328**
Due from other banks	367,295	507,416	115,220	669,356	**1,659,287**
Loans and advances to customers	66,555	375,096	628,642	770,490	**1,840,783**
Investments in debt securities	-	89,953	-	-	**89,953**
Other financial assets	4,651	-	-	-	**4,651**
Total	**6,182,951**	**1,192,344**	**743,862**	**1,439,846**	**9,559,002**
Liabilities					
Due to other banks	3,019	1,515	-	340,930	**345,464**
Customer accounts	7,626,771	717	2,000	8,251	**7,637,739**
Lease liabilities	517	543	-	-	**1,060**
Other financial liabilities	5,721	-	-	-	**5,721**
Total potential future payments for financial obligations	**7,636,028**	**2,775**	**2,000**	**349,181**	**7,989,984**
Liquidity gap arising from financial instruments	**(1,453,077)**	**1,189,569**	**741,862**	**1,090,665**	**1,569,018**

The table below presents an analysis of contingent liabilities by maturity as of December 31, 2022:

In millions of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Import letter of credit	430,665	-	-	-	**430,665**
Gross loan commitments	231,592	-	-	-	**231,592**
Financial guarantees	58,701	-	-	-	**58,701**
Total potential future payments for contingent obligations	**720,958**	-	-	-	**720,958**

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Uzbekistan Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank monitors expected maturities at December 31,2023 and the resulting expected liquidity gap as follows:

21 Financial Risk Management (Continued)

In millions of Uzbekistan Soums	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
At 31 December 2023					
Financial assets	5,942,321	911,720	439,912	1,675,030	**8,968,983**
Financial liabilities	6,418,017	17,255	-	1,233,877	**7,669,149**
Net liquidity gap based on expected maturities	**(475,696)**	**894,465**	**439,912**	**441,153**	**1,299,834**
At 31 December 2022					
Financial assets	6,163,388	1,127,177	664,182	943,882	**8,898,629**
Financial liabilities	7,636,028	2,775	2,000	345,015	**7,937,316**
Net liquidity gap based on expected maturities	**(1,472,640)**	**1,124,402**	**662,182**	**598,867**	**912,811**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank indicates that these customer accounts provide a long-term and stable source of funding for the Bank.

22 Management of Capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the CBU and (ii) to safeguard the Bank's ability to continue as a going concern. Compliance with capital adequacy ratios set by the CBU is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank's Chairman and Chief Accountant.

Under the current capital requirements set by the Central Bank of Uzbekistan, banks have to maintain a ratio:

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13 % (31 December 2022: 13%);

- Ratio of Bank's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2022: 10%); and

- Ratio of Bank's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2022: 6%).

The Bank complied with the above ratios at 31 December 2023.

Total capital is based on the Bank's reports prepared under Uzbekistan Accounting Legislation and related instructions and comprises:

In millions of Uzbekistan Soums	2023	2022
Tier 1 capital	880,813	689,521
Tier 2 capital	483,949	229,840
Total regulatory capital	**1,364,762**	**919,361**
Risk - weighted assets (unaudited)	**4,285,746**	**3,645,823**
Assets for calculating leverage	**9,658,635**	**9,580,651**
Regulatory capital ratio	31.8%	25.2%
Tier 1 Capital adequacy ratio	20.6%	18.9%
Leverage ratio	9.1%	7.2%

Regulatory capital consists of Tier 1 capital and Tier 2 capital. Tier 1 capital comprises share capital, retained earnings, excluding current year profit, less intangible assets. Tier 2 capital includes current year profit, provision for probable loss on standard assets in the amount not exceeding 1.25% of Risk-weighted assets and other adjustments.

23 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and both internal and external professional advice Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax contingencies. Uzbek tax, currency and customs legislation are subject to varying interpretations can occur frequently. Management's interpretation of legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities. Recent events within the Uzbekistan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2023 and 31 December 2022 no provision for potential tax liabilities had been recorded. The Bank estimates that it has no potential obligations from exposure to other than remote tax risks.

Capital expenditure commitments. The Bank had no material capital commitments outstanding at 31 December 2023 and 31 December 2022.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

In millions of Uzbekistan Soums	Note	2023	2022
Import letters of credit		418,747	430,665
Undrawn credit lines		216,993	231,592
Total loan commitments		**635,740**	**662,257**
Financial guarantees issued		91,546	58,701
Currency forwards		-	46,501
Less: Provision for loan commitments, guarantees and letters of credit	15	(114)	(116)
Less: Commitments collateralised by cash deposits		(369,746)	(227,384)
Total credit related commitments, net of provision and cash covered exposures		**357,426**	**539,959**

23 Contingencies and Commitments (Continued)

Credit related commitments are denominated in currencies as follows:

In millions of Uzbekistan Soums	2023	2022
US Dollars	415,993	562,968
Euros	283,314	105,335
Uzbekistan Soums	27,979	95,183
Other	-	3,973
Total credit related commitments	**727,286**	**767,459**

For the purpose of ECL measurement, credit related commitments are included in Stage 1. The credit quality of loan commitments and issued financial guarantees as of December 31, 2023 and December 31, 2022 is presented in the table below.

	31 December 2023		31 December 2022	
In millions of Uzbekistan Soums	Stage 1 (12-months ECL)	Total	Stage 1 (12-months ECL)	Total
- Excellent	349,745	349,745	742,430	742,430
- Good	32,565	32,565	22,520	22,520
- Satisfactory	344,976	344,976	2,509	2,509
Total credit related commitments	**727,286**	**727,286**	**767,459**	**767,459**
Valuation allowance for credit losses	(114)	(114)	(116)	(116)
Total credit related commitments, net of allowance	**727,172**	**727,172**	**767,343**	**767,343**

Refer to Note 21 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR for debt securities measured at amortized cost.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

24 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	31 December 2023				31 December 2022			
In millions of Uzbekistan Soums	Level 1 fair value	Level 2 fair value	Level 3 fair value	Total fair value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Total fair value
ASSETS								
Cash and cash equivalents	422,582	5,288,496	-	**5,711,078**	306,647	5,654,282	-	**5,960,929**
Due from other banks	-	873,241	-	**873,241**	-	1,183,885	-	**1,183,885**
Loans and advances to customers at AC	-	-	1,996,390	**1,996,390**	-	-	1,659,605	**1,659,605**
Other financial assets	-	-	2,792	**2,792**	-	-	4,651	**4,651**
TOTAL ASSETS	**422,582**	**6,161,737**	**1,999,182**	**8,583,501**	**306,647**	**6,838,167**	**1,664,256**	**8,809,070**
LIABILITIES								
Due to other banks	-	1,238,522	-	**1,238,522**	-	341,298	-	**341,298**
Customer accounts	-	6,423,565	-	**6,423,565**	-	7,637,739	-	**7,637,739**
Lease liabilities	-	-	-	-	-	-	1,060	**1,060**
Other financial liabilities	-	-	7,062	**7,062**	-	-	5,721	**5,721**
TOTAL LIABILITIES	-	**7,662,087**	**7,062**	**7,669,149**	-	**7,979,037**	**6,781**	**7,985,818**

Investments in debt securities measured at fair value through other comprehensive income are classified as level 2. The fair values in Level 2 and Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate financial instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Liabilities were discounted at the Bank's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Bank. The Bank's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

25 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

As of 31 December 2023, and 31 December 2022, all of the Bank's financial assets and financial liabilities were carried at AC, apart from debt instruments which were carried at FVOCI.

26 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2023, the outstanding balances with related parties were as follows:

In millions of Uzbekistan Soums	Parent company	Other share-holders	Entities under common control	Key manage-ment personnel
Cash and cash equivalents	-	7,199	-	-
Loans and advances to customers (contractual interest rate: 9)	-	-	-	61
Credit loss allowance	-	-	-	(1)
Due to banks (contractual interest rate: 5.99 – 6.27%)	**1,238,192**	-	-	-
Customer accounts (contractual interest rate: 0%)	-	-	-	**600**

The income and expense items with related parties for 2023 were as follows:

In millions of Uzbekistan Soums	Parent company	Other share-holders	Entities under common control	Key manage-ment personnel
Interest income on loans and advances to customers	-	-	-	7
Interest income on term placements of other banks	-	-	3,724	-
Interest expense on term placements of other banks	36,926	-	-	-
Salaries and other benefits		-	-	21,380
Social security costs	-	-	-	306

26 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by related parties during 2023 were:

In millions of Uzbekistan Soums	Parent company	Other share-holders	Entities under common control	Key manage-ment personnel
Amounts repaid by related parties during the year	-	-	-	26

At 31 December 2022, the outstanding balances with related parties were as follows:

In millions of Uzbekistan Soums	Parent company	Other share-holders	Entities under common control	Key manage-ment personnel
Cash and cash equivalents	-	5,497	-	-
Loans and advances to customers (contractual interest rate: 9-14%)	-	-	-	87
Credit loss allowance	-	-	-	(1)
Due to banks (contractual interest rate: 5,25%)	338,055	-	-	-
Customer accounts (contractual interest rate: 0%)	-	-	-	824

The income and expense items with related parties for 2022 were as follows:

In millions of Uzbekistan Soums	Parent company	Other share-holders	Entities under common control	Key manage-ment personnel
Interest income on loans and advances to customers	-	-	-	36
Interest income on term placements of other banks	-	-	765	-
Interest expense on term placements of other banks	6,202	-	-	-
Salaries and other benefits		-	-	18,570
Social security costs	-	-	-	263

Aggregate amounts lent to and repaid by related parties during 2022 were:

In millions of Uzbekistan Soums	Parent company	Other share-holders	Entities under common control	Key manage-ment personnel
Amounts repaid by related parties during the year	-	-	-	464

26 Related Party Transactions (Continued)

Key management compensation is presented below:

	2023		2022	
In millions of Uzbekistan Soums	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	14,950	1,554	11,954	2,351
- Short-term bonuses	3,347	2,381	4,314	3,146
- Benefits in-kind	3,083	418	2,302	780
Total	**21,380**	**4,353**	**18,570**	**6,277**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

As of 31 December 2023, and 31 December 2022, the Bank's immediate and controlling parent company was Korean Development Bank, which is ultimately controlled by Republic of Korea.

27 Abbreviations

The list of the abbreviations used in these consolidated financial statements is provided below:

Abbreviation	Full name
AC	Amortised Cost
CCF	Credit Conversion Factor
CBU	Central Bank of the Republic of Uzbekistan
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective interest rate
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX, Forex	Foreign Currency Exchange
IFRS	International Financial Reporting Standard
IRB system	Internal Risk-Based system
L&R	Loans and Receivables
LGD	Loss Given Default
LR	Loss Rate
PD	Probability of Default
POCI financial assets	Purchased or Originated Credit-Impaired financial assets
ROU asset	Right of use asset
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
SPPI test	Assessment whether the financial instruments' cash flows represent Solely Payments of Principal and Interest