Joint Stock Commercial Bank "Tenge Bank"

Financial Statements and
Independent Auditor's Report
For the Year Ended 31 December 2023

Joint Stock Commercial Bank "Tenge Bank"

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Joint Stock Commercial Bank "Tenge Bank"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Management of Joint Stock Commercial Bank "Tenge Bank" (the "Bank") is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2023, and the related statements of profit or loss and other comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements (the "financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance; and
- making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Uzbekistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- preventing and detecting fraud and other irregularities.

On behalf of the Management Board:

Talgat Joldasbekovich Ayupov	**Marzhan Nurtayevna Kassenova**
Chairman of the Board	**Chief Accountant**
7 March 2024	7 March 2024
Tashkent, Uzbekistan	Tashkent, Uzbekistan

"Deloitte & Touche"
Audit organization LLC
Business Center "Inkonel"
75, Mustakillik Avenue
Tashkent, 100000,
Republic of Uzbekistan

Tel: +998 (78) 120 44 45
deloitte.uz

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and the Council of Joint Stock Commercial Bank "Tenge Bank"

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "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.

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 International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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.

Turgunboy Tokhirov, Qualified Auditor/ Engagement Director

Deloitte.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- 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.

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

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

Management of the Bank is responsible for the Bank's compliance with prudential ratios set by the Central bank of the Republic of Uzbekistan ("Central bank") and ensuring that internal control and organization of risk management systems comply with Central bank requirements.

In accordance with Articles 74 of Law of the Republic of Uzbekistan No. LRU-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 set by the Central bank;

— whether the elements of the Bank's internal control and organization of risk management systems comply with Central bank requirements.

These procedures were selected based on our judgment, and were limited to an analysis and study of documents; a comparison of the Bank's approved requirements, procedures and methodologies with Central bank requirements, as well as recalculations, comparisons and reconciliations of numerical data and other information. Our findings from the procedures performed are as follows.

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

We have not performed any procedures on the underlying accounting data of 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 cash flows for the year then ended in accordance with IFRS.

Turgunboy Tokhirov, Qualified Auditor/ Engagement Director

Deloitte.

Based on our procedures with respect to whether the elements of the Bank's internal control and organization of risk management systems comply with Central bank requirements, we found that:

- in accordance with Central bank requirements and recommendations, as at 31 December 2023, the Bank's internal audit function was subordinated and accountable to the Council, and the risk management function of the Bank was not subordinated and accountable to subdivisions assuming corresponding risks;
- the frequency of reports prepared by the Bank's internal audit function during 2023 complied with Central bank requirements. The reports were approved by the Bank's Council and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2023 the Bank has an information security function in place as required by the Central bank, and an information security policy was approved by the Bank's Management Board. The 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 an assessment and analysis of information security risks, and the results of actions to manage such risks;
- the Bank's internal documentation, effective as at 31 December 2023, that sets out methodologies to identify and manage the Bank's significant risks, and carry out stress-testing, was approved by the Bank's authorised management bodies in accordance with Central bank requirements and recommendations;
- 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 during 2023 of reports prepared by the Bank's risk management functions, and which cover the Bank's management of significant risks, was in compliance with the Bank's internal documentation. Those reports included observations made by the Bank's risk management functions as to their assessment of the Bank's significant risks;
- as at 31 December 2023, the Council and Management of the Bank had responsibility to monitor the Bank's compliance with risk and capital adequacy limits set by Bank internal documentation. To exercise control over the effectiveness of Bank's risk management procedures and their consistent application during 2023, the Council and Management of the Bank regularly discussed the reports prepared by the risk management and internal audit functions of the Bank, and considered proposed measures to eliminate weaknesses.

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

"Deloitte & Touche" Audit Organisation LLC
is included in the register of audit organisations
of the Ministry of Economy and Finance of the
Republic of Uzbekistan dated 8 June 2021

Turgunboy Tokhirov
Qualified Auditor/Engagement Director
Auditor qualification certificate authorizing audit
of companies, #05422 dated 20 August 2016
issued by the Ministry of Economy and Finance
of the Republic of Uzbekistan

Auditor qualification certificate authorizing audit
of banks, #6/11 dated 29 March 2021 issued by
the Central bank of the Republic of Uzbekistan

Deloitte va Touche

Erkin Ayupov
Director
"Deloitte & Touche" Audit Organisation LLC

7 March 2024
Tashkent, Uzbekistan

Joint Stock Commercial Bank "Tenge Bank"

Statement of Financial Position
as at 31 December 2023
(in millions of Uzbekistan Soums)

	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	6, 25	1,754,901	1,580,960
Due from banks	7	116,371	217,101
Loans to customers	8	4,357,139	2,445,439
Financial assets at fair value through other comprehensive income	9	105,151	-
Property, equipment and intangible assets	10	421,385	134,840
Investment Property	11	13,371	13,371
Current income tax prepayment		12,064	23,168
Other assets	12	82,768	18,011
TOTAL ASSETS		**6,863,150**	**4,432,890**
LIABILITIES			
Amounts due to credit institutions	13	92,882	708
Deposits from the Parent	14, 24	2,643,606	1,509,988
Customer accounts	15, 24	2,580,853	1,589,620
Other liabilities	16	82,794	46,885
Deferred income tax liability	22	38,164	12,243
TOTAL LIABILITIES		**5,438,299**	**3,159,444**
EQUITY			
Share capital	17	1,149,000	1,149,000
Retained earnings and other reserves		275,851	124,446
TOTAL EQUITY		**1,424,851**	**1,273,446**
TOTAL LIABILITIES AND EQUITY		**6,863,150**	**4,432,890**

On behalf of the Management Board:

Talgat Joldasbekovich Ayupov
Chairman of the Board

7 March 2024
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

7 March 2024
Tashkent, Uzbekistan

The notes on pages 9 - 53 form an integral part of these financial statements.

Joint Stock Commercial Bank "Tenge Bank"

Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2023
(in millions of Uzbekistan Soums)

	Note	2023	2022
Interest income	18	744,422	464,263
Interest expense	18, 24	(429,068)	(183,432)
Net interest income before allowance for expected credit losses on loans to customers		**315,354**	**280,831**
Recovery of/(Allowance for) expected credit losses on loans to customers	20	16,673	(103,218)
Net interest income		**332,027**	**177,613**
Fee and commission income	19	45,975	28,186
Fee and commission expense	19	(42,829)	(21,555)
Net gain from trading in foreign currencies		84,591	66,974
Net gain/(loss) from foreign exchange translation		12,502	(6,535)
Other income		18,291	6,659
(Allowance)/Recovery for other expected credit losses	20	(417)	1,885
Net non-interest income		**118,113**	**75,614**
Operating income		**450,140**	**253,227**
Operating expenses	21	(257,655)	(166,565)
Profit before income tax		**192,485**	**86,662**
Income tax expense	22	(46,025)	(19,373)
Profit for the year		**146,460**	**67,289**
Other comprehensive income			
Items subsequently may be reclassified to profit or loss:			
Fair value adjustment on financial assets at fair value through other comprehensive income		4,945	-
Other comprehensive income for the year		**4,945**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**151,405**	**67,289**

On behalf of the Management Board:

Talgat Joldasbekovich Ayupov
Chairman of the Board

7 March 2024
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

7 March 2024
Tashkent, Uzbekistan

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Joint Stock Commercial Bank "Tenge Bank"

Statement of Changes in Equity
for the year ended 31 December 2023
(in millions of Uzbekistan Soums)

	Note	Share capital	Retained earnings	Revaluation reserve of financial asset measured at FVTOCI	Total equity
31 December 2021		**1,149,000**	**57,157**	**-**	**1,206,157**
Net profit for the year		-	67,289	-	67,289
Total comprehensive income for the year		-	67,289	-	67,289
31 December 2022		**1,149,000**	**124,446**	**-**	**1,273,446**
Net profit for the year		-	146,460	-	146,460
Other comprehensive income for the year		-	-	4,945	4,945
Total comprehensive income for the year		-	146,460	4,945	151,405
31 December 2023		**1,149,000**	**270,906**	**4,945**	**1,424,851**

On behalf of the Management Board:

Talgat Joldasbekovich Ayupov
Chairman of the Board

7 March 2024
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

7 March 2024
Tashkent, Uzbekistan

The notes on pages 9 - 53 form an integral part of these financial statements.

Joint Stock Commercial Bank "Tenge Bank"

Statement of Cash Flow
for the year ended 31 December 2023
(in millions of Uzbekistan Soums)

	Note	2023	2022
Cash flows from operating activities			
Interest received		707,445	452,401
Interest paid		(414,516)	(154,720)
Fees and commissions received		45,992	27,570
Fees and commissions paid		(42,829)	(21,555)
Receipts from trading in foreign currencies		84,591	66,974
Other operating income received		18,291	6,659
Staff costs paid		(125,184)	(82,773)
Administrative and other operating expenses paid		(87,459)	(47,817)
Income tax paid		(9,000)	(15,003)
Cash flows from operating activities before changes in operating assets and liabilities		**177,331**	**231,736**
Changes in operating assets and liabilities			
Net decrease in due from banks		126,564	25,627
Net increase in loans to customers		(1,687,134)	(867,216)
Net (increase)/decrease in other assets		(53,673)	519
Net increase/(decrease) in amounts due to credit institutions		86,215	(217,328)
Net increase in customer accounts		982,038	1,089,876
Net increase in other liabilities		14,188	6,571
Net cash (used in)/from operating activities		**(354,471)**	**269,785**
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(312,268)	(51,574)
Proceeds from sale of premises, equipment and intangible assets		-	1,273
Net increase in investment to financial assets at FVTOCI		(97,646)	-
Return of advances paid for premises, equipment and intangible assets	12	10,779	11,576
Net cash used in investing activities		**(399,135)**	**(38,725)**
Cash flows from financing activities			
Proceeds from deposits from the Parent	14	4,412,498	4,013,679
Repayment of deposits from the Parent	14	(3,525,895)	(3,960,614)
Repayment of lease liability		(12,458)	(10,138)
Net cash from financing activities		**874,145**	**42,927**
Effect of exchange rate changes on cash and cash equivalents		53,402	8,550
Net increase in cash and cash equivalents		**173,941**	**282,537**
CASH AND CASH EQUIVALENTS at the beginning of the year	6	1,580,960	1,298,423
CASH AND CASH EQUIVALENTS at the end of the year	6	**1,754,901**	**1,580,960**

On behalf of the Management Board:

TENGE BANK

Talgat Joldasbekovich Ayupov
Chairman of the Board

7 March 2024
Tashkent, Uzbekistan

Marzhan Nurtayevna Kassenova
Chief Accountant

7 March 2024
Tashkent, Uzbekistan

The notes on pages 9 – 53 form an integral part of these financial statements.

(in millions of Uzbekistan Soums)

1. Principal activities

Joint Stock Commercial Bank "Tenge Bank" was founded as Joint Stock Commercial Bank on 18 May 2019 in accordance with decision of the Board of Directors of Joint Stock Company "Halyk Bank", the sole shareholder of the Bank ("JSC Halyk Bank" or "the Parent") who remains the owner as at 31 December 2023.

The Bank provides corporate and retail banking services principally in Uzbekistan. The Bank operates under license No. 85 for carrying out banking and foreign exchange activities, issued by the Central bank of Uzbekistan ("CBU") on 25 December 2021.

The Bank participates in the state deposit insurance scheme introduced by the Uzbek Law #360-II "Insurance of Individual Bank Deposit" dated 5 April 2002. On 28 November 2008, the President of Uzbekistan issued the Decree #UP-4057 stating that in case of the bank license withdrawal, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in foreign currencies, executing transfers, cash and payment card operations, as well as rendering other banking services to its customers.

The Bank's legal address is 66 Parkent Street, Yashnabad District, 100007, Tashkent, Republic of Uzbekistan.

Shareholders	31 December 2023	31 December 2022
JSC "Halyk Bank"	100%	100%
Total	**100%**	**100%**

Operating environment

Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Uzbekistan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Uzbekistan produces and exports gold in large volume, its economy is sensitive to the price of gold on the world market.

During 2023, the gold price was subject to significant fluctuations with the average price of 1,943.00 USD per troy ounce (2022: 1,801.97 USD per troy ounce). At the end of 2023 the Uzbekistan's gross domestic product ("GDP") grew by 6% (2022: 5.7%). In 2023 inflation rate in the country declined to 8.8% per annum (2022: inflation was 12.3% per annum).

The military and political conflict between Russian Federation and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises. As a result of these sanctions, level of remittances to Uzbekistan has significantly reduced in 2023.

In March 2023, the Central bank of the Republic of Uzbekistan reduced the base rate to 14% per annum comparing to 15% per annum at the beginning of the period. However, the uncertainty still exists related to future development of the geopolitical risks and their impact on the economy of Uzbekistan.

Management of the Bank is monitoring developments in the economic, political, and geopolitical situation and taking measures it considers necessary to support the sustainability and development of the Bank's business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Bank's operations.

2. Basis of preparation

Going concern

These financial statements have been prepared assuming that the Bank is a going concern, as the Bank have the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and resources.

As a result, the Management believes that the Bank will continue as a going concern for the foreseeable future.

Statement of compliance

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

These financial statements are presented in millions of Uzbekistan Soums ("UZS million"), unless otherwise indicated.

The financial statements have been prepared under the historical cost convention.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 24.

Functional currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The functional currency of the Bank is UZS. The presentation currency of the financial statements is UZS.

3. Material accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts, amounts due from credit institutions and short-term investments with original maturities of less than three months. Cash and cash equivalents are carried net of any allowance for expected credit losses.

Due from banks

In the normal course of business, the Bank maintains current accounts or deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Due from banks are carried net of any allowance for expected credit losses.

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Bank accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

All financial assets are recognized and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 *Financial Instruments* ("IFRS 9") are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- *Retention of an asset to obtain the cash flows stipulated by the contract.* This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- *Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets.* This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.
- *Retention of an asset for other purposes.* Within the framework of this business model, financial assets can be managed with the following purposes:

  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis.

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Debt instruments at amortised cost or at fair value through other comprehensive income ("FVTOCI")

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Bank determines the business models at a level that reflects how Banks of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments that reflect how the Bank manages its financial assets in order to generate cash flows.

The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Bank has not identified a change in its business models.
When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans to customers granted by the Bank are initially recognised at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Subsequently, loans are carried out at amortised cost using the effective interest method. Loans to customers are carried net of any allowance for expected credit losses.

Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

Reclassification of financial assets

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Bank's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate ("EIR"). Renegotiated terms are evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers qualitative factors, such as contractual cash flows modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

When a financial asset is modified due to commercial reasons, the Bank considers various qualitative factors (change in currency, interest rate, maturity) and on that basis concludes whether old loan should be derecognised and new loan should be recognised at fair value.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification.

Impairment

Calculation of financial assets impairment is carried out taking into account the following factors:

- In order to calculate the ECL, the Bank performs loan assessment on an individual basis and on a collective basis depending on general credit risk features.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Bank's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of credit risk, based on debt servicing capabilities and borrower's credit track record.

- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Allowances for expected credit losses

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. The decision to use cross-default is based on case by case assessment of borrower and facility conditions such as collateral and materiality of exposure.

Write off

Loans are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains. Where loans are secured, they are generally written off after receipt of any proceeds from the sale of collateral. When such net realizable value of collateral has been determined and no reasonable expectation of further recovery, write off may be earlier.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Modification and derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Uzbekistan.

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

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity. Deferred tax assets and deferred tax liabilities are offset and reported net in the statement of financial position if:

- the Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Uzbekistan has various operating taxes that are assessed on the Bank's activities. These taxes are recorded as taxes other than income tax.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment. Right to use land are carried at cost.

Except for permanent right to use land, depreciation of a property and equipment begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Right to use a land plot	Not depreciated
Vehicles	5
Computers and banking equipment	5-7

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses.

Intangible assets

The Bank's intangible assets have finite useful lives and primarily comprise capitalised computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring them to use. 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 five years.

Customer accounts, Amounts due to credit institutions and Deposits from Parent

Customer accounts, due to credit institutions and deposits from Parent are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the statement of profit or loss.

Share capital

Ordinary shares are 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, if any.

Recognition of income and expense

Interest income and expense for all financial instruments are recognized in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

(in millions of Uzbekistan Soums)

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities.

For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets POCI the EIR reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Bank identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognizes income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Bank determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Bank's influence. The consideration is subsequently allocated to the identified performance obligation. Fee and commission income from maintenance of customer accounts and cash operations include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products are recognized over time as services are provided.

Other banking fees include fees for various transactional banking activities such as bank transfers, letters of credit fees and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided. Letter of credit fees primarily includes fees received related to letter of credit agreements and are generally recognized upon execution of the contract.

Staff costs and related contributions

Wages, salaries, contributions to 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. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Foreign currency translation

The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates 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 the Bank's functional currency at the official exchange rate of the CBU at the end of respective reporting period.

Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Bank's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. 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. As at 31 December 2023 and 2022, the principal rate of exchange used for translating foreign currency balances was:

	31 December 2023	31 December 2022
UZS/1 USD	12,338.77	11,225.46
UZS/1 EUR	13,731.82	11,961.85

4. Significant accounting estimates and judgments

The preparation of the Bank's financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statement and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Bank's financial condition.

Business model assessment

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default. The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated. PD for individually assessed loans of corporate, small and medium businesses is estimated using an internal rating model based on the quantitative and qualitative characteristics of the borrower. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll-rates.

Loss Given Default

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, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch, Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated, sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

Exposure at Default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that is permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Measurement of allowances for expected credit losses ("ECL")

The allowances for ECL of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in Uzbekistan and what effect such changes might have on the adequacy of the allowances for ECL of financial assets in future years.

Historically, the Bank estimated the amount of expected credit losses on loans to customers based on the best available information reflecting the performance of loan portfolio of similar financial institutions operating in the Republic of Uzbekistan, i.e. the Management had calculated ECL on the Bank's loan portfolio using the weighted average provision rate derived from the loan portfolios of other local market participants that share similar credit risk characteristics as the Bank did not posses sufficient statistical data to utilize own IFRS 9 model.

Starting 1 January 2023, the Management of the Bank used own statistical data on the performance of its loan portfolio to build an arrears migration matrix to determine key ECL model parameters such as PD and LGD rates. This is considered as a change in accounting estimate.

Had the change to the estimate described not occurred, the Bank would have charged its Statement of Profit or Loss and Other Comprehensive Income by additional UZS 61,342 million increasing its allowance for expected credit losses up to UZS 129,882 million as at 31 December 2023.

The Bank incorporates forward-looking information into a measurement of ECL when there is a statistically proven correlation between the macro-economic variables and the Non-Performing Loans ("NPL"). As at the reporting date, statistical tests have failed and ECL across all loan portfolios has not been adjusted for forward-looking information and macroeconomic scenarios. The Management updates its statistical tests for correlation as at each reporting date.

The results of backtesting after the reporting date, performed by the Management of the Bank, demonstrate the adequacy of the Bank's allowances created for ECL on loans to customers as of 31 December 2023.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2023 and 2022 is UZS 68,540 million and UZS 59,476 million, respectively.

5. Application of new and revised International Financial Reporting Standards (IFRS)

5.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Bank has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The Bank has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

(in millions of Uzbekistan Soums)

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The Bank has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.
Amendments to IAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules	The Bank has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the Bank is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	The Bank has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

The above standards and interpretations were reviewed by the Bank's management, but did not have a significant effect on the financial statements of the Bank.

5.2 New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

New or revised standard or interpretation	
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The Bank does not expect that the adoption of the Standards listed above will have a material impact on the Bank's financial statements in future periods.

(in millions of Uzbekistan Soums)

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2023	31 December 2022
Cash balances with the CBU (other than obligatory reserve deposits)	994,049	569,730
Cash on hand	238,097	294,182
Government bonds of the Republic of Uzbekistan	201,162	612,533
Correspondent accounts with other banks	200,802	104,417
Placements with other banks with original maturities of less than three months	120,913	400
Total cash and cash equivalents, gross	**1,755,023**	**1,581,262**
Less: Allowance for expected credit losses (Note 20)	(122)	(302)
Total cash and cash equivalents	**1,754,901**	**1,580,960**

Interest rates of cash and cash equivalents are disclosed in Note 24.

The credit quality of cash and cash equivalents, excluding cash on hand, as at 31 December 2023 and 2022 are summarized below:

	31 December 2023	31 December 2022
Stage 1	1,516,926	1,287,080
Total cash and cash equivalents excluding cash on hand, gross	**1,516,926**	**1,287,080**
Less: Allowance for expected credit losses (Note 20)	(122)	(302)
Total cash and cash equivalents excluding cash on hand	**1,516,804**	**1,286,778**

The credit rating of cash and cash equivalents, excluding cash on hand, as at 31 December 2023 and 2022 is summarized below:

31 December 2023	Cash balances with the CBU (other than mandatory reserve deposits)	Government bonds of the Republic of Uzbekistan	Correspondent accounts with other banks	Placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired					
- CBU	994,049	201,162	-	-	**1,195,211**
- Aa2 (Moody's)	-	-	89	-	**89**
- A1 (Moody's)	-	-	-	44	**44**
- A2 (Moody's)	-	-	-	3	**3**
- BB+ (S&P)	-	-	12,594	-	**12,594**
- Ba3 (Moody's)	-	-	-	120,187	**120,187**
- BB- (Fitch)	-	-	1,563	-	**1,563**
- BB- (S&P)	-	-	20,381	-	**20,381**
- B (S&P)	-	-	165,468	-	**165,468**
- B3 (Moody's)	-	-	-	679	**679**
- CCC- (Fitch)	-	-	707	-	**707**
Less: Allowance for expected credit losses (Note 20)	(14)	(53)	(44)	(11)	**(122)**
Total cash and cash equivalents, excluding cash on hand	**994,035**	**201,109**	**200,758**	**120,902**	**1,516,804**

(in millions of Uzbekistan Soums)

31 December 2022	Cash balances with the CBU (other than mandatory reserve deposits)	Government bonds of the Republic of Uzbekistan	Correspondent accounts with other banks	Placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired					
- CBU	569,730	612,533	9		**1,182,272**
- Baa3 (Moody's)		-	26,556	400	**26,956**
- Baa2 (Moody's)		-	43,460		**43,460**
- BB- (Fitch)		-	34,392		**34,392**
Less: Allowance for expected credit losses (Note 20)	(35)	(262)	(5)	-	**(302)**
Total cash and cash equivalents, excluding cash on hand	**569,695**	**612,271**	**104,412**	**400**	**1,286,778**

7. Due from banks

	31 December 2023	31 December 2022
Short term placements with other banks with original maturities of more than three months	111,526	216,402
Restricted cash	5,011	1,198
Total due from other banks, gross	**116,537**	**217,600**
Less: Allowance for expected credit losses (Note 20)	(166)	(499)
Total due from banks	**116,371**	**217,101**

Analysis by credit quality of amounts due from banks outstanding as at 31 December 2023 and 2022 is summarized below:

	31 December 2023	31 December 2022
Stage 1	116,537	217,600
Total due from other banks, gross	**116,537**	**217,600**
Less: Allowance for expected credit losses (Note 20)	(166)	(499)
Total due from other banks	**116,371**	**217,101**

Analysis by credit rating of due from other banks outstanding as at 31 December 2023 and 2022 is summarized below:

	31 December 2023	31 December 2022
Neither past due nor impaired		
- A1 (Moody's)	4,935	1,123
- Ba3 (Moody's)	111,602	96,402
- BB- (Fitch)	-	120,025
- B1 (Moody's)	-	50
Less: Allowance for expected credit losses (Note 20)	(166)	(499)
Total due from banks	**116,371**	**217,101**

(in millions of Uzbekistan Soums)

8. Loans to customers

Loans to customers comprise:

	31 December 2023	31 December 2022
Corporate loans	2,581,333	1,423,846
Loans to individuals	1,844,346	1,081,069
Total loans to customers, gross	**4,425,679**	**2,504,915**
Less: Allowance for expected credit losses (Note 20)	(68,540)	(59,476)
Total loans to customers	**4,357,139**	**2,445,439**

	31 December 2023	31 December 2022
Stage 1	3,969,101	2,211,405
Stage 2	146,564	73,441
Stage 3	310,014	220,069
Total loans to customers, gross	**4,425,679**	**2,504,915**
Less: Allowance for expected credit losses (Note 20)	(68,540)	(59,476)
Total loans to customers	**4,357,139**	**2,445,439**

Loans to customers are granted to the following sectors:

	31 December 2023		31 December 2022	
	Amount	%	Amount	%
Car loans	1,546,788	35	915,410	37
Manufacturing	1,532,396	35	991,998	40
Trade and services	994,129	22	388,525	15
Individual Entrepreneurs	248,398	5	137,663	5
Mortgage loans	49,160	1	27,996	1
Financial services	39,215	1	33,329	1
Construction	15,593	1	9,994	1
Total loans to customers, gross	**4,425,679**	**100**	**2,504,915**	**100**

As at 31 December 2023, the Bank had a concentration of loans of UZS 1,716,682 million to ten largest borrowers that comprised 39% of the Bank's total gross loan portfolio and 120% of the Bank's total equity (31 December 2022: UZS 807,592 million to ten largest borrowers that comprised 32% of the Bank's total gross loan portfolio and 64% of the Bank's total equity). As at 31 December 2023, the allowance for expected credit losses created against these loans was UZS 11,372 million (31 December 2022: UZS 14,662 million).

(in millions of Uzbekistan Soums)

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

31 December 2023	Corporate loans	Loans to individuals	Total
Unsecured loans	-	-	-
Loans collateralised by:			
- real estate	1,335,056	49,942	**1,384,998**
- letter of surety and third party guarantee	908,527	-	**908,527**
- equipment and inventory	316,776	-	**316,776**
- cash deposits	20,644	-	**20,644**
- vehicles	330	607,356	**607,686**
- insurance	-	1,187,048	**1,187,048**
Total loans collateralised	**2,581,333**	**1,844,346**	**4,425,679**
Less: Allowance for expected credit losses (Note 20)	(33,200)	(35,340)	(68,540)
Total loans to customers	**2,548,133**	**1,809,006**	**4,357,139**

31 December 2022	Corporate loans	Loans to individuals	Total
Unsecured loans	-	-	-
Loans collateralised by:			
- real estate	859,343	29,114	**888,457**
- vehicles	27,958	652,876	**680,834**
- insurance	70,809	399,079	**469,888**
- letter of surety and third party guarantee	309,996	-	**309,996**
- equipment and inventory	152,681	-	**152,681**
- cash deposits	3,059	-	**3,059**
Total loans collateralised	**1,423,846**	**1,081,069**	**2,504,915**
Less: Allowance for expected credit losses (Note 20)	(41,195)	(18,281)	(59,476)
Total loans to customers	**1,382,651**	**1,062,788**	**2,445,439**

(in millions of Uzbekistan Soums)

Analysis by credit quality of loans outstanding at 31 December 2023 is as follows:

31 December 2023	**Corporate loans**	**Loans to individuals**	**Total**
Not past due loans	2,299,380	1,423,817	**3,723,197**
Total not past due loans	**2,299,380**	**1,423,817**	**3,723,197**
Loans collectively determined to be impaired (gross)			
Past due loans:			
- less than 30 days overdue	25,475	221,808	**247,283**
- 31 to 60 days overdue	-	93,457	**93,457**
- 61 to 90 days overdue	-	47,902	**47,902**
- 91 to 180 days overdue	-	41,140	**41,140**
-181 to 360 days overdue	-	15,490	**15,490**
- over 360 days overdue	-	732	**732**
Total past due loans	**25,475**	**420,529**	**446,004**
Loans individually determined to be impaired (gross)			
Not past due loans	32,175	-	**32,175**
Past due loans:			
- 61 to 90 days overdue	4,032	-	**4,032**
-181 to 360 days overdue	45,005	-	**45,005**
- over 360 days overdue	175,266	-	**175,266**
Total individually impaired loans	**256,478**	-	**256,478**
- Allowance for expected credit losses on collective basis	(14,888)	(35,340)	**(50,228)**
- Allowance for expected credit losses on individual basis	(18,312)	-	**(18,312)**
Less: Allowance for expected credit losses (Note 20)	(33,200)	(35,340)	**(68,540)**
Total loans to customers	**2,548,133**	**1,809,006**	**4,357,139**

(in millions of Uzbekistan Soums)

Analysis by credit quality of loans outstanding at 31 December 2022 is as follows:

31 December 2022	Corporate loans	Loans to individuals	Total
Not past due loans	1,140,872	1,030,322	**2,171,194**
Total not past due loans	**1,140,872**	**1,030,322**	**2,171,194**
Loans collectively determined to be impaired (gross)			
Past due loans:			
- less than 30 days overdue	1,129	39,181	**40,310**
- 31 to 60 days overdue	-	7,343	**7,343**
- 61 to 90 days overdue	-	2,365	**2,365**
- 91 to 180 days overdue	-	1,736	**1,736**
- 181 to 360 days overdue	-	122	**122**
Total past due loans	**1,142,001**	**1,081,069**	**2,223,070**
Loans individually determined to be impaired (gross)			
Not past due loans	104,748	-	**104,748**
Past due loans:			
- less than 30 days overdue	9,110	-	**9,110**
- 31 to 60 days overdue	9,947	-	**9,947**
- 61 to 90 days overdue	26,882	-	**26,882**
- 91 to 180 days overdue	4,099	-	**4,099**
- 181 to 360 days overdue	127,059	-	**127,059**
Total individually impaired loans	**281,845**	**-**	**281,845**
- Allowance for expected credit losses on collective basis	(24,605)	(18,281)	**(42,886)**
- Allowance for expected credit losses on Individual basis	(16,590)	-	**(16,590)**
Less: Allowance for expected credit losses (Note 20)	(41,195)	(18,281)	**(59,476)**
Total loans to customers	**1,382,651**	**1,062,788**	**2,445,439**

Movement in allowance for expected credit losses during 2023 was as follows:

	Corporate loans	Loans to individuals	Total
As at 1 January 2023	**41,195**	**18,281**	**59,476**
(Recovery of)/Impairment charge during the year	(33,732)	17,059	(16,673)
Recovery of previously written-off balance	23,203	-	23,203
Effect of foreign currency exchange difference	2,534	-	2,534
As at 31 December 2023	**33,200**	**35,340**	**68,540**

Movement in allowance for expected credit losses during 2022 was as follows:

	Corporate loans	Loans to individuals	Total
As at 1 January 2022	**87,127**	**7,462**	**94,589**
Impairment charge during the year	92,399	10,819	103,218
Written-off balance	(140,300)	-	(140,300)
Effect of foreign currency exchange difference	1,969	-	1,969
As at 31 December 2022	**41,195**	**18,281**	**59,476**

(in millions of Uzbekistan Soums)

The tables below analyze information about the changes in the gross carrying amount of loans to customers during 31 December 2023:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2022	**2,211,405**	**73,441**	**220,069**	**2,504,915**
Changes in the gross carrying amount				
- Transfer from stage 1	(246,140)	246,140	-	-
- Transfer from stage 2	34,480	(149,607)	115,127	-
- Transfer from stage 3	-	172	(172)	-
Changes due to modifications that did not result in derecognition	(436,552)	(7,009)	(15,876)	**(459,437)**
New financial assets originated	3,384,547	-	-	**3,384,547**
Financial assets that have been derecognised	(1,133,486)	(17,025)	(2,109)	**(1,152,620)**
Recovery of previously written-off balance	4,764	-	18,439	**23,203**
Transfer to other financial assets	-	-	(36,522)	**(36,522)**
Foreign exchange differences	150,083	452	11,058	**161,593**
Gross carrying amount as at 31 December 2023	**3,969,101**	**146,564**	**310,014**	**4,425,679**
Allowance for expected credit losses as at 31 December 2023	**(31,126)**	**(9,197)**	**(28,217)**	**(68,540)**

The tables below analyze information about the changes in the gross carrying amount of loans to customers during the period from 31 December 2021 to 31 December 2022:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2021	**1,242,303**	**373,728**	**125,094**	**1,741,125**
Changes in the gross carrying amount				
- Transfer from stage 1	(127,898)	127,898	-	-
- Transfer from stage 2	55,538	(282,135)	226,597	-
- Transfer from stage 3	-	-	-	-
Changes due to modifications that did not result in derecognition	(194,397)	24,799	7,749	**(161,849)**
New financial assets originated	1,672,962	-	-	**1,672,962**
Financial assets that have been derecognised	(453,235)	(173,608)	(3,024)	**(629,867)**
Written-off balance	-	-	(140,300)	**(140,300)**
Foreign exchange differences	16,132	2,759	3,953	**22,844**
Gross carrying amount as at 31 December 2022	**2,211,405**	**73,441**	**220,069**	**2,504,915**
Allowance for expected credit losses as at 31 December 2022	**(41,136)**	**(9,578)**	**(8,762)**	**(59,476)**

Geographical and interest rate analyses of loans to customers are disclosed in Note 24.

9. Financial assets at fair value through other comprehensive income

	31 December 2023
Treasury bills of the Ministry of Economy and Finance of the Republic of Uzbekistan	105,151
Total financial assets at FVTOCI	**105,151**

During 2023, the Bank acquired the Treasury bills of the Ministry of Economy and Finance of the Republic of Uzbekistan for the amount of UZS 97,991 million for five years via the brokerage service of JSC "Halyk Finance".

(in millions of Uzbekistan Soums)

10. Property, equipment and intangible assets

The movement in property, equipment and intangible assets is as follows:

	Right to use land plot	Office and computer Equipment	Motor vehicles	Construction in progress	Intangible assets	Leasehold rights and improve-ments	Right-of-use assets	Total
Carrying amount at 01 January 2022	**13,371**	**33,170**	**2,899**	**174**	**18,710**	**4,545**	**32,354**	**105,223**
Additions	-	54,312	5	-	10,493	5,942	15,958	**86,710**
Disposals	-	(17)	-	(174)	(496)	(614)	(21,425)	**(22,726)**
Net transfers	-	(1,568)	1,629	-	-	(61)	-	**-**
Depreciation/amortisation charge	-	(12,466)	(987)	-	(4,916)	(364)	(16,125)	**(34,858)**
Disposals of accumulated depreciation	-	-	-	-	-	29	13,833	**13,862**
Transferred to Investment property (Note 11)	(13,371)	-	-	-	-	-	-	**(13,371)**
Carrying amount at 31 December 2022	**-**	**73,431**	**3,546**	**-**	**23,791**	**9,477**	**24,595**	**134,840**
Cost at 31 December 2022	-	90,628	5,691	-	31,897	9,930	50,342	**188,488**
Accumulated depreciation/ amortisation	-	(17,197)	(2,145)	-	(8,106)	(453)	(25,747)	**(53,648)**
Carrying amount at 01 January 2023	**-**	**73,431**	**3,546**	**-**	**23,791**	**9,477**	**24,595**	**134,840**
Additions	-	41,608	791	210,890	50,438	1,153	47,806	**352,686**
Disposals	-	(45)	-	-	-	-	(47,901)	**(47,946)**
Net transfers	-	(964)	852	-	-	112		**-**
Depreciation/amortisation charge	-	(17,727)	(1,234)	-	(7,140)	(521)	(19,606)	**(46,228)**
Disposals of accumulated depreciation	-	2	-	-	-	-	28,031	**28,033**
Carrying amount at 31 December 2023	**-**	**96,305**	**3,955**	**210,890**	**67,089**	**10,221**	**32,925**	**421,385**
Cost at 31 December 2023	-	131,227	7,334	210,890	82,335	11,195	50,247	**493,228**
Accumulated depreciation/ amortisation	-	(34,922)	(3,379)	-	(15,246)	(974)	(17,322)	**(71,843)**
Carrying amount at 31 December 2023	**-**	**96,305**	**3,955**	**210,890**	**67,089**	**10,221**	**32,925**	**421,385**

(in millions of Uzbekistan Soums)

During 2023, the Bank entered into an investment agreement for the purchase of an administrative office located in Tashkent City in the amount of UZS 286,913 million and made the initial payment in the amount of UZS 210,890 billion.

As at 31 December 2023, office and computer equipment and intangible assets amounted to UZS 163,394 million UZS (31 December 2022: UZS 97,222 million) and increased mainly due to:

- ATMs, credit card and cash equipment amounting UZS 48,249 million;
- Acquisition and development of bank operating software "Colvir" for corporate and individual clients in the amount of UZS 28,918 million;
- Acquisition of office and computer equipment with the value of UZS 22,874 million;

The buildings and premises for head office, branch and centers for retail services are leased by the Bank. The Bank has no option to purchase the buildings under the lease agreement at the end of the lease term.

Lease liability as at 1 January 2022	**34,577**
Additions	13,793
Derecognition of lease liability due to termination of contract	(11,107)
Repayment	(10,138)
Interest expense	5,680
Interest paid	(5,680)
Lease liability as at 31 December 2022	**27,125**
Additions	23,921
Repayment	(15,891)
Interest expense	7,543
Interest paid	(7,543)
Lease liability as at 31 December 2023	**35,155**

As at 31 December 2023, the carrying amount of right of use assets comprises UZS 32,925 million (31 December 2022: UZS 24,595 million) and lease payment liability in the amount of UZS 35,155 million (31 December 2022: UZS 27,125 million) in accordance with IFRS 16.

11. Investment property

	31 December 2023
Right of use land plot, transferred from property and equipment	13,371
Total rights of use land plot	**13,371**

According to the Tashkent city Khokim's decision № 593 from 26 April 2019, and decision № 154 from 14 February 2020, the Bank acquired the right to permanent use of a land plot with a total area of 0.7 hectares, for the construction of an office building located at : Tashkent city, Mustakillik avenue, st. Kh.Alimjan and st. Abdulla Kodiriy, this investment project was included in the Investment Program of the Republic of Uzbekistan for 2021-2023, developed in the framework the Republic of Uzbekistan President's Decree № PP-4937 from 28 December 2020. At the same time, from the moment of acquisition, taking into account the nature of the received permanent right to use the land plot for the investment project, the Bank decided to account for this land plot as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment.

However, on September 18, 2020, Tenge Bank received an open letter of appeal from Tashkent city, Mirzo Ulugbek district's residents (324 residents), regarding the objection that the park would be the site of the construction of the administrative building of Tenge Bank, due to the fact that there are perennial trees and shrubs, in connection with which they ask the Bank to demand from the city authorities to find another appropriate place for building an office. On 2 March, 2021, the Bank received letter № 01/08 from the Directorate regarding the suspension of design work until a new location for the project is determined due to incoming claims and dissatisfaction related to the cutting of trees on the allocated land plot from local residents. Taking into account the current situation regarding the temporary suspension of construction work on the administrative building for the investment project, the Bank decided to transfer the right to permanent use of the land plot from the Bank's Long-Term Assets from 2022, and continue accounting for the land plot as part of investment property in accordance with IFRS 40 "Investment Property".

(in millions of Uzbekistan Soums)

12. Other assets

	31 December 2023	31 December 2022
Other financial assets		
Receivable from insurance company	36,522	-
Receivable from ex-employee	593	593
Commission income receivable	518	535
Receivable from Raduga Properties LLC	-	10,779
Other	2,013	-
Total other financial assets, gross	**39,646**	**11,907**
Less: allowance for expected credit losses (Note 20)	(2,151)	(1,347)
Total other financial assets	**37,495**	**10,560**
Other non-financial assets		
Prepayment for property, equipment and intangible assets	16,223	2,471
Asset held for sale	15,905	-
Prepayment for services	9,999	3,597
Other	3,146	1,383
Total other non-financial assets	**45,273**	**7,451**
Total other assets	**82,768**	**18,011**

As at 31 December 2023, the Bank has reclassified loans to individuals in the amount of UZS 36,522 million to other financial assets due to non-compliance of borrowers with terms of loan agreements. The collateral was an insurance policy and the insurance company has admitted obligation to fully compensate the amount by 30 June 2024.

The investment contract with Raduga Properties LLC dated 27 February 2019 initiated by JSC Halyk Bank has been terminated and the receivable from the construction company has been fully recovered during 2023.

During 2023, the Bank has repossessed collaterals from certain borrowers and classified them as assets held for sale. The assets held for sale comprise a factory and 2 hotels.

13. Amounts due to credit institutions

	31 December 2023	31 December 2022
Short-term placements of credit institutions	92,265	148
Security deposit on payment transfers	617	560
Total due to credit institutions	**92,882**	**708**

As at 31 December 2023, the short-term placements of credit institutions comprise a short term placement from the local bank in the amount of UZS 90,000 million.

Interest rate analysis of due to credit institutions are disclosed in Note 24.

14. Deposits from the Parent

	31 December 2023	31 December 2022
Long-term placements	2,599,222	538,994
Short-term placements	43,546	970,877
Correspondent accounts	838	117
Total deposits from the Parent	**2,643,606**	**1,509,988**

The placements of JSC Halyk bank are deposits in USD and EUR interest bearing of 4.3%-5.6% and in KZT interest bearing 16.50%-16.70%. Interest rate analyses of deposits from the Parent are disclosed in Note 24.

(in millions of Uzbekistan Soums)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows as cash flows from financing activities.

	31 December 2022	Financing cash flows	non-cash changes		31 December 2023
			Effect of exchange rate changes	Interest accrued	
Deposits from the Parent	**1,509,871**	886,603	143,445	102,849	**2,642,768**
	1,509,871	**886,603**	**143,445**	**102,849**	**2,642,768**

	31 December 2021	Financing cash flows	non-cash changes		31 December 2022
			Effect of exchange rate changes	Interest accrued	
Deposits from the Parent	**1,396,525**	53,065	20,352	39,929	**1,509,871**
	1,396,525	**53,065**	**20,352**	**39,929**	**1,509,871**

15. Customer accounts

	31 December 2023	31 December 2022
Legal entities		
- Current/settlement accounts	713,324	391,530
- Term deposits	525,856	397,166
Individuals		
- Current/settlement accounts	85,213	56,429
- Term deposits	1,256,460	744,495
Total customer accounts	**2,580,853**	**1,589,620**

As at 31 December 2023 and 2022, the Bank had top 10 customers with 39.5% and 32% of total customer accounts, respectively.

An analysis of customer accounts by type is as follows:

	31 December 2023		31 December 2022	
	Amount	%	Amount	%
Individuals	1,341,673	52	800,924	50
Private enterprises	888,109	35	607,700	38
State and budgetary organisations	190,072	7	12,538	1
Joint ventures	83,836	3	86,521	6
Insurance companies	77,163	3	81,937	5
Total customer accounts	**2,580,853**	**100**	**1,589,620**	**100**

Geographical and interest rate analyses of customer accounts are disclosed in Note 24.

16. Other liabilities

	31 December 2023	31 December 2022
Lease payment liability (Note 10)	35,155	27,125
Payables to employees	19,733	9,140
Payable to suppliers	19,106	4,336
Other payables	1,948	95
Total other financial liabilities	**75,942**	**40,696**
Other tax liabilities	2,898	2,171
Other	3,954	4,018
Total other non - financial liabilities	**6,852**	**6,189**
Total other liabilities	**82,794**	**46,885**

17. Share capital

In millions of Uzbekistan Soums except for number of shares	Number of outstanding shares	Ordinary shares	Total
At 31 December 2021	**229,800,000**	**1,149,000**	**1,149,000**
Ordinary shares issued	-	-	-
At 31 December 2022	**229,800,000**	**1,149,000**	**1,149,000**
Ordinary shares issued	-	-	-
At 31 December 2023	**229,800,000**	**1,149,000**	**1,149,000**

18. Net interest income

	2023	2022
Interest income		
Loans to customers	616,993	328,547
Cash and cash equivalents	113,235	113,374
Due from banks	12,828	22,342
Interest income on financial assets at FVTOCI	1,366	-
Total interest income	**744,422**	**464,263**
Interest expenses		
Customer accounts	310,280	137,722
Deposits from the Parent	102,849	39,929
Amounts due to credit institutions	8,396	101
Lease payment liability	7,543	5,680
Total interest expense	**429,068**	**183,432**
Net interest income	**315,354**	**280,831**

The total interest income calculated for financial assets measured at amortized cost is UZS 744,422 million and UZS 464,236 million for the year ended 31 December 2023 and 2022, respectively. The total interest expense calculated for financial liabilities measured at amortized cost is UZS 429,068 million and UZS 183,432 million for the period ended 31 December 2023 and 2022, respectively.

(in millions of Uzbekistan Soums)

19. Fee and Commission Income and Expense

	2023	2022
Fee and commission income		
Settlement transactions	29,182	21,954
Foreign currency conversion operations	12,139	6,060
Other	4,654	172
Total fee and commission income	**45,975**	**28,186**
Fee and commission expense:		
Settlement transactions	34,854	19,554
Foreign currency conversion operations	6,817	1,496
Other	1,158	505
Total fee and commission expense	**42,829**	**21,555**
Net fee and commission income	**3,146**	**6,631**

(in millions of Uzbekistan Soums)

20. Allowance for expected credit losses

The movements in accumulated allowances of financial assets were as follows:

	Cash and cash equivalents (Note 6)	Due from banks (Note 7)	Loans to customers (Note 8)			Other ssets (Note 12)	
	Stage 1 12-month ECL	**Stage 1 12-month ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
31 December 2022	**302**	**499**	**41,136**	**9,578**	**8,762**	**1,347**	**61,624**
Changes in the gross carrying amount							
- Transfer from stage 1	-	-	(18,599)	18,599	-	-	-
- Transfer from stage 2	-	-	8,916	(19,754)	10,838	-	-
- Transfer from stage 3	-	-	-	78	(78)	-	-
- Changes due to modifications that did not result in derecognition	79	-	(24,055)	1,259	(11,539)	-	**(34,256)**
New financial assets originated	109	196	41,642	-	-	2,151	**44,098**
Financial assets that have been derecognised	(272)	(499)	(22,698)	(577)	(705)	(1,347)	**(26,098)**
Recovery of provision for previously written-off balance	-	-	4,764	-	18,439	-	**23,203**
Foreign exchange differences	(96)	(30)	20	14	2,500	-	**2,408**
31 December 2023	**122**	**166**	**31,126**	**9,197**	**28,217**	**2,151**	**70,979**

(in millions of Uzbekistan Soums)

	Cash and cash equivalents (Note 6)	Due from banks (Note 7)	Loans to customers (Note 8)			Other ssets (Note 12)	
	Stage 1 12-month ECL	**Stage 1 12-month ECL**	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Stage 1 12-month ECL**	**Total**
31 December 2021	**1,196**	**356**	**19,046**	**7,842**	**67,701**	**2,446**	**98,587**
Changes in the gross carrying amount							
- Transfer from stage 1	-	-	(2,170)	2,170	-	-	-
- Transfer from stage 2	-	-	65	(2,266)	2,201	-	-
- Transfer from stage 3	-	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	241	-	(97)	8,807	77,610	(1,099)	85,462
New financial assets originated	23	500	31,247	-	-	-	31,770
Financial assets that have been derecognised	(1,175)	(375)	(7,145)	(6,975)	(229)	-	(15,899)
Written off balances	-	-	-	-	(140,300)	-	(140,300)
Foreign exchange differences and other movements	17	18	190	-	1,779	-	2,004
31 December 2022	**302**	**499**	**41,136**	**9,578**	**8,762**	**1,347**	**61,624**

(in millions of Uzbekistan Soums)

21. Operating expenses

	Note	2023	2022
Staff costs		135,777	83,985
Depreciation and amortisation	10	26,622	18,733
Depreciation expense on right-of-use assets	10	19,606	16,125
Membership Fees		11,229	5,404
Professional services		10,446	8,311
Advertising and Publicity		9,215	6,384
Insurance		8,620	3,498
Stationery and Supplies		6,874	6,188
Security Service		6,714	4,128
Communication charges		6,110	2,732
Rent and maintenance		4,256	2,547
Expenses on Payment System registration and setup		3,607	1,079
Taxes other than Income Taxes		2,785	2,163
Representation expenses		1,830	1,895
Business trip and travel expenses		1,026	595
Fuel and utilities		737	570
Other operating expenses		2,201	2,228
Total operating expenses		**257,655**	**166,565**

22. Taxation

The Bank measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Uzbekistan where the Bank operates, which may differ from IFRS.

(a) Components of income tax expense

Income tax expense comprises the following:

	2023	2022
Current tax charge	20,104	1,289
Deferred tax charge	25,921	18,084
Income tax expense	**46,025**	**19,373**

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

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2023 and 2022 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets. The income tax rate applicable to the majority of the Bank's income is 20%.

(in millions of Uzbekistan Soums)

Reconciliation between the expected and the actual taxation charge is provided below:

	2023	2022
Profit before tax	**192,485**	**86,662**
Theoretical tax charge at statutory rate of 20% (2022: 20%)	38,497	17,332
Tax effect of items which are not deductible or assessable for taxation purposes	-	(243)
Income which is exempt from taxation:		
- interest receivable/received	(5,630)	(12,484)
Non-deductible expenses	13,201	12,810
Other permanent differences	(43)	1,958
Income tax expense for the year	**46,025**	**19,373**

(in millions of Uzbekistan Soums)

(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, and is recorded at the rate of 20% (2022: 20%).

	31 December 2023	Credited/ (charged) to profit or loss	31 December 2022	Credited/ (charged) to profit or loss	31 December 2021
Tax effect of deductible/(taxable) temporary differences					
Cash and cash equivalents	24	(36)	60	(179)	239
Due from banks	(747)	(752)	5	23	(18)
Loans to customers	(41,658)	(28,073)	(13,585)	(16,266)	2,681
Premises, equipment and intangible assets	(6,585)	(1,735)	(4,850)	1,620	(6,471)
Other assets	902	577	325	(1,004)	1,329
Other liabilities	9,900	4,098	5,802	(2,278)	8,080
Net deferred tax (liability)/asset	**(38,164)**	**(25,921)**	**(12,243)**	**(18,083)**	**5,840**
Recognised deferred tax asset	10,826	4,675	1,342	7,069	12,329
Recognised deferred tax liability	(48,990)	(30,596)	(13,585)	(25,152)	(6,489)
Net deferred tax (liability)/asset	**(38,164)**	**(25,921)**	**(12,243)**	**(18,083)**	**5,840**

Management believes that the Bank is in compliance with the tax law affecting its operations, however, the risk that relevant authorities could take differing positions with regard to interpretive issues remains.

(in millions of Uzbekistan Soums)

23. Commitments and contingencies

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. On the basis of its own estimate and both internal and external professional advice the 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 statement.

Contingencies

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. The Bank's financial commitments and contingencies comprise the following:

	31 December 2023	31 December 2022
Guarantees issued	7,175	-
Letters of credit	542	227
Loan commitments of the bank	3	7
Total gross commitments and contingencies	**7,720**	**234**
Less – Cash held as security against letters of credit	-	(227)
Total net commitments and contingencies	**7,720**	**7**

The total outstanding contractual amount of import letters of credit, loan commitments of the bank and guarantees and Undrawn loan commitments do not represent any amount, as these financial instruments may expire or terminate without being funded.

Credit related commitments are denominated in currencies as follows:

	31 December 2023	31 December 2022
USD	7,175	-
UZS	3	7
Other	542	227
Total	**7,720**	**234**

24. Risk management policy

Risk management is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. Through the risk management framework, the Bank manages the following risks:

Credit risk

Credit risk is the risk of loss arising for the Bank when a counterparty is unable to meet its contractual obligations on time or in full.

The risk management division plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification, evaluation and implementation of control and monitoring measures. The risk management division directly participates in credit decision-making processes and the consideration of internal rules, regulations and loan programs. In addition, the division provides independent recommendations concerning credit exposure minimization measures, controls limits and monitors credit risks, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee ("ALMC"). Limits on credit risk exposure with respect to credit programmes (Small and medium enterprises (SME) and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures, which are reviewed by the Credit Committees and the ALMC. Actual exposures against limits are monitored daily. The risk, that the counterparty will not meet its obligations, is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards.

The Bank applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the statement of financial position (i.e. the policy based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring). The Bank monitors the term to maturity of off-balance sheet contingencies, as longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Structure and authorities of credit committees

Credit committees, the ALMC, the Management Board and the Board of Directors are credit authorities responsible for the implementation of the Bank's Credit Policy and credit decision-making process.

ALMC

The primary goal of the ALMC is profit maximization and to limit the risks of banking activities related to raising and allocating funds. The main tasks of the ALMC are: liquidity management, interest rate risk management, price risk and other banking risks management.

The ALMC is also responsible for establishing country and counterparty-banks limits. The ALMC reports to the Board of Directors.

Credit Committees of the Bank

The primary goal of the Credit Committee is the implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers. Approval of loans to borrowers within the limits established by the Management of the Board and the Council.

The Management Board

Approval of allowances creation for bad debt, approval of loan limits for Credit Committees of the Bank, making decisions on restructuring loans, replacing or releasing collateral for loans related to Management' authority, making decisions for allowances creation on repossessed assets.

Approval of the loan applications exceeding the authority of the Credit Committees.

The Council of the Bank

Approval of unsecured loans and loans to related parties, making decisions on restructuring loans, replacing or releasing collateral for loans related to Council authority, approval of repossess assets taking. Approval of the loan applications exceeding the authority of the Management of the Board.

(in millions of Uzbekistan Soums)

The sole shareholder of the Bank

Approval of the creation of any loans, with the exception of those committed in the normal course of business of the Bank. Approval of the final write-off loan or other debt from off-balance sheet items in accordance with the requirements of the legislation of the Republic of Uzbekistan. Approval of the loan applications exceeding the authority of the Council of the Bank.

Maximum Exposure

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

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on. The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2023	
	Maximum exposure and net exposure after offset	**Collateral pledged**
Cash and cash equivalents, excluding cash on hand	1,516,804	-
Due from banks	116,371	-
Loans to customers	4,357,139	4,357,139
Other financial assets	37,495	-
Commitments and contingencies	7,720	-

	31 December 2022	
	Maximum exposure and net exposure after offset	**Collateral pledged**
Cash and cash equivalents, excluding cash on hand	1,286,778	-
Due from banks	217,101	-
Loans to customers	2,445,439	2,445,439
Other financial assets	10,560	-
Commitments and contingencies	7	-

As at 31 December 2023 and 2022, there is no any difference between maximum exposure and net exposure after offset.

Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.
The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

For treasury operations, a significant increase in credit risk is determined individually for each financial asset on the basis of quantitative indicators (rating downgrades by 3 or more steps, overdue by 1 day or more) and qualitative indicators (negative information relating to the issuer/counterparty, including deterioration of financial condition, change of shareholders, the realization of the risk of loss of reputation, the systematic violation of prudential standards).

(in millions of Uzbekistan Soums)

For bank loans assessed on a collective basis, a significant increase in credit risk is determined for loans with an overdue of over 30 days since initial recognition, for loans assessed on an individual basis - additionally in case of the decrease of internal credit rating and increase in lifetime PD on 10 percentage points in accordance with the internal rating model (the presence of restructuring during deterioration of the financial position for classification to Stage 3), expert opinions of the Bank's specialists based on the changes in the qualitative and quantitative indicators of the borrower, a significant deterioration of collateral and other objective evidence of significant financial difficulties since initial recognition. Stage 3 is determined for loans that are assessed on a collective basis with an overdue of over 60-90 days, for loans assessed on an individual basis - over 90 days past due, restructuring related to the deterioration of financial condition, deterioration of the internal credit rating and expert opinion of the Bank's specialists.

The Bank considers that certain financial instruments with low credit risk at the reporting date, have not experienced a significant increase in credit risk. The Bank applies this policy to financial instruments issued to sovereign and financial institutions only. The Bank considers a financial instrument to have low credit risk when its external credit risk rating is equivalent to definition of 'investment grade' by international rating agencies.
The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Bank to provide funds for repayment of its obligations in a due time. The Bank's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.
Short-term liquidity needs are managed by the Bank's Treasury function collecting daily cash inflow/outflow forecasts. Long-term liquidity management is performed by ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Bank analyzes the financial assets and liabilities, and obligatory reserves taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss in the form of securities, which are included in the column "Less than 1 month" as they are available to meet the Bank's short-term liquidity needs.

As at 31 December 2023	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 1 year**	**Total**
Assets					
Cash and cash equivalents	1,553,791	201,110	-	-	**1,754,901**
Due from banks	6,516	109,855	-	-	**116,371**
Loans to customers	188,886	619,282	1,184,504	2,364,467	**4,357,139**
Other financial assets	37,495	-	-	-	**37,495**
Total financial assets	**1,786,688**	**930,247**	**1,184,504**	**2,364,467**	**6,265,906**
Liabilities					
Amounts due to credit institutions	2,882	90,000	-	-	**92,882**
Deposits from the Parent	1,156	84,563	-	2,557,887	**2,643,606**
Customer accounts	974,673	495,795	1,039,629	70,756	**2,580,853**
Other financial liabilities	42,349	8,213	10,545	14,835	**75,942**
Total financial liabilities	**1,021,060**	**678,571**	**1,050,174**	**2,643,478**	**5,393,283**
Net liquidity gap based on contractual maturities	**765,628**	**251,676**	**134,330**	**(279,011)**	**872,623**
Cumulative liquidity gap at 31 December 2023	**765,628**	**1,017,304**	**1,151,634**	**872,623**	**-**

(in millions of Uzbekistan Soums)

As at 31 December 2022	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	1,268,542	312,418	-	-	**1,580,960**
Due from banks	61,618	35,913	119,570	-	**217,101**
Loans to customers	143,667	416,375	456,976	1,428,421	**2,445,439**
Other financial assets	10,560	-	-	-	**10,560**
Total financial assets	**1,484,387**	**764,706**	**576,546**	**1,428,421**	**4,254,060**
Liabilities					
Amounts due to credit institutions	708	-	-	-	**708**
Deposits from the Parent	168,199	150,445	652,351	538,993	**1,509,988**
Customer accounts	1,090,626	180,739	231,079	87,176	**1,589,620**
Other financial liabilities	14,998	7,345	9,242	9,111	**40,696**
Total financial liabilities	**1,274,531**	**338,529**	**892,672**	**635,280**	**3,141,012**
Net liquidity gap based on contractual maturities	**209,856**	**426,177**	**(316,126)**	**793,141**	**1,113,048**
Cumulative liquidity gap at 31 December 2022	**209,856**	**636,033**	**319,907**	**1,113,048**	**-**

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. A significant portion of the Bank's liabilities is represented by deposits from the Parent. Further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

The Bank monitors remaining contractual maturities, which may be summarized as follows at 31 December 2023:

As at 31 December 2023	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Liabilities					
Amounts due to credit institutions	4,287	93,857	-	-	**98,144**
Deposits from the Parent	12,373	139,225	66,905	2,723,662	**2,942,165**
Customer accounts	1,004,832	630,379	1,096,276	73,300	**2,804,787**
Other financial liabilities	42,956	10,762	12,702	18,698	**85,118**
Guarantees issued	-	-	-	7,175	**7,175**
Letters of credit	-	449	93	-	**542**
Loan commitments of the bank	3	-	-	-	**3**
Total potential future payments for financial obligations	**1,064,451**	**874,672**	**1,175,976**	**2,822,835**	**5,937,934**

(in millions of Uzbekistan Soums)

Remaining contractual maturities summarized as follows at 31 December 2022:

As at 31 December 2022	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Liabilities					
Amounts due to credit institutions	708	-	-	-	**708**
Deposits from the Parent	173,300	172,951	673,719	548,853	**1,568,823**
Customer accounts	1,107,819	216,214	248,768	90,745	**1,663,546**
Other financial liabilities	14,998	7,345	9,242	9,111	**40,696**
Letters of credit	-	-	227	-	**227**
Loan commitments of the bank	7	-	-	-	**7**
Total potential future payments for financial obligations	**1,296,832**	**396,510**	**931,956**	**648,709**	**3,274,007**

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.

Market risk

Market risk is a risk that Bank's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Bank is exposed to market risks which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimize risk/return, minimize losses in case of adverse events and decrease deviation of factual financial results from the expected one.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review at least on an annual basis and should be monitored continuously.

Interest rate risk

The Bank is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decrease, interest expense increase or negative impact on equity resulting from adverse changes of market interest rates. The Bank determines interest rate risk resulting from assets and liabilities maturity dates (dates of interest rates repricing) mismatch that are sensitive to the interest rates changes (risk of interest rates changes).

ALMC manages interest rate risks and market risks through the Management of the Bank's position on interest rates to reach positive interest margins.

The Bank manages interest rates by determining the Bank's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Bank's exposure to the interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities.

Sensitivity analysis of interest rate risk

The Management regularly reviews sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The Bank assesses the reasonably possible changes in interest rates in UZS and foreign currencies separately, in which financial assets and liabilities are denominated due to the different volatility of interest rates.

(in millions of Uzbekistan Soums)

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk management Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in fair value interest rates and its influence on the Bank's profitability and reports on them to the Management. 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.

As at 31 December 2023	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Total interest bearing financial assets	736,593	930,247	1,184,504	2,364,467	**5,215,811**
Cash and cash equivalents	546,201	201,110	-	-	**747,311**
Due from banks	1,506	109,855	-		**111,361**
Loans to customers	188,886	619,282	1,184,504	2,364,467	**4,357,139**
Total interest bearing financial liabilities	(176,453)	(670,358)	(1,039,629)	(2,628,643)	**(4,515,083)**
Amounts due to credit institutions	-	(90,000)	-	-	**(90,000)**
Deposits from the Parent	(318)	(84,563)	-	(2,557,887)	**(2,642,768)**
Customer accounts	(176,135)	(495,795)	(1,039,629)	(70,756)	**(1,782,315)**
Net interest sensitivity gap at 31 December 2023	**560,140**	**259,889**	**144,875**	**(264,176)**	**700,728**

As at 31 December 2022	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Total interest bearing financial assets	1,079,852	1,074,654	573,458	1,412,107	**4,140,071**
Cash and cash equivalents	885,684	624,836	-	-	**1,510,520**
Due from banks	59,784	35,841	119,570	-	**215,195**
Loans to customers	134,384	413,977	453,888	1,412,107	**2,414,356**
Total interest bearing financial liabilities	(702,476)	(331,184)	(883,430)	(626,169)	**(2,543,259)**
Amounts due to credit institutions	(708)	-	-	-	**(708)**
Deposits from the Parent	(59,101)	(150,445)	(652,351)	(538,993)	**(1,400,890)**
Customer accounts	(642,667)	(180,739)	(231,079)	(87,176)	**(1,141,661)**
Net interest sensitivity gap at 31 December 2022	**377,376**	**743,470**	**(309,972)**	**785,938**	**1,596,812**

As at 31 December 2023 and 2022, the Bank was not exposed to floating interest rates and all interest bearing financial assets and liabilities had fixed interest rate. Interest rates will change after the maturity of interest bearing financial assets and liabilities, when the repricing occurs.

Currency Risk

The Bank is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Bank.

The ALMC controls currency risk by management of the open currency position based on the estimations of UZS devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rate fluctuations of national and foreign currencies.

The treasury department performs daily monitoring of the Bank's open currency position with the aim to comply with the requirements of the regulatory authority.

(in millions of Uzbekistan Soums)

The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position, results of operations and cash flows, which are monitored daily. ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority. The Bank's principal cash flows are generated in UZS and USD. As a result, potential movements in the exchange rate between UZS and USD will affect the carrying values of the Bank's USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the statement of financial position and off-balance sheet positions.

The current Bank's sensitivity to fluctuations in exchange rates is acceptable due to the fact that the off-balance sheet items significantly neutralize the statement of financial position.

As at 31 December 2023 and 2022, the Bank's exposure to foreign currency exchange rate risk is as follows:

	UZS	USD	Euro	Other	Total
Monetary financial assets					
Cash and cash equivalents	1,063,469	586,686	92,354	12,392	**1,754,901**
Due from banks	4,936	111,360	75	-	**116,371**
Loans to customers	2,118,032	1,839,024	319,574	80,509	**4,357,139**
Other financial assets	37,247	248	-	-	**37,495**
Total financial assets	**3,223,684**	**2,537,318**	**412,003**	**92,901**	**6,265,906**
Monetary financial liabilities					
Amounts due to credit institutions	90,493	643	311	1,435	**92,882**
Deposits from the Parent	147	2,065,776	495,105	82,578	**2,643,606**
Customer accounts	2,208,782	367,846	2,630	1,595	**2,580,853**
Other financial liabilities	64,413	10,432	-	1,097	**75,942**
Total financial liabilities	**2,363,835**	**2,444,697**	**498,046**	**86,705**	**5,393,283**
Net balance sheet position	**859,849**	**92,621**	**(86,043)**	**6,196**	**872,623**
Net off-balance sheet position	**3**	**7,175**	**-**	**-**	**7,178**
Net position at 31 December 2023	**859,846**	**85,446**	**(86,043)**	**6,196**	**865,445**

	UZS	USD	Euro	Other	Total
Monetary financial assets					
Cash and cash equivalents	1,116,726	375,498	75,248	13,488	**1,580,960**
Due from Banks	119,645	1,123	96,333	-	**217,101**
Loans to customers	1,274,389	994,832	88,760	87,458	**2,445,439**
Other financial assets	10,560	-	-	-	**10,560**
Total financial assets	**2,521,320**	**1,371,453**	**260,341**	**100,946**	**4,254,060**
Monetary financial liabilities					
Amounts due to credit institutions	7	560	-	141	**708**
Deposits from the Parent	117	1,176,088	243,681	90,102	**1,509,988**
Customer accounts	1,467,822	117,528	1,591	2,679	**1,589,620**
Other financial liabilities	40,637	59	-	-	**31,496**
Total financial liabilities	**1,508,583**	**1,294,235**	**245,272**	**92,922**	**3,141,012**
Net balance sheet position	**1,012,737**	**77,218**	**15,069**	**8,024**	**1,113,048**
Net off-balance sheet position	**7**	**-**	**-**	**-**	**7**
Net position at 31 December 2022	**1,012,730**	**77,218**	**15,069**	**8,024**	**1,113,041**

(in millions of Uzbekistan Soums)

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Bank had exposure at 31 December 2023 and 2022, and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate with all other variables held constant on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase.

Sensitivity of currency risk is assessed based on balance sheet and off-balance sheet open currency positions. The Management of the Bank believes income tax not to have substantial effect for the purpose of currency risk management.

The impact on income before tax and equity, based on asset values as at 31 December 2022 and 2021, was calculated using the annual analysis of the exchange rates volatility based on historical data of the exchange rates dynamics over the period; see the details in the following table:

	31 December 2023	31 December 2022
	Impact on profit or loss	Impact on profit or loss
USD strengthening by 10% (2022: 10%)	9,263	7,722
USD weakening by 10% (2022: 10%)	(9,263)	(7,722)
Euro strengthening by 10% (2022: 10%)	(8,604)	1,507
Euro weakening by 10% (2022: 10%)	8,604	(1,507)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Bank has no material exposure to equity price risk.
The Bank is exposed to prepayment risk through providing fixed loans, which give the borrower the right to early repay the loans. The Bank's current profit or loss and equity at the current balance sheet date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the customers. The Bank monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

(in millions of Uzbekistan Soums)

In % p.a.	31 December 2023			
	UZS	**USD**	**Euro**	**Other**
Assets				
Cash and cash equivalents	0%-19.00%	-	-	-
Due from banks	19.00%	-	7.50%-7.80%	-
Loans to customers	5.00%-38.90%	5.50%-12.87%	6.50%-9.00%	15.60%-22.85%
Liabilities				
Amounts due to credit institutions	0%-19.00%	-	-	-
Deposits from the Parent	-	4.30%-5.60%	5.10%-5.60%	16.50%-16.70%
Customer accounts	0%-23.00%	-	-	-

In % p.a.	31 December 2022			
	UZS	**USD**	**Euro**	**Other**
Assets				
Cash and cash equivalents	13.00%-18.00%	-	-	-
Due from banks	18.00%	-	5.80%-6.00%	-
Loans to customers	20.00%-38.90%	5.50%-12.00%	6.50%-9.00%	15.60%
Liabilities				
Amounts due to credit institutions	-	-	-	-
Deposits from the Parent	-	0%-5.90%	0%-3.63%	0%-15.50%
Customer accounts	0.00%-23.00%	-	-	-

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2023 and 2022 is set out below:

	Uzbekistan	OECD	Non OECD	Total
Financial assets				
Cash and cash equivalents	1,721,085	135	33,681	**1,754,901**
Due from banks	111,435	4,936	-	**116,371**
Loans to customers	4,357,139	-	-	**4,357,139**
Other financial assets	37,299	157	39	**37,495**
Total financial assets	**6,226,958**	**5,228**	**33,720**	**6,265,906**
Financial liabilities				
Amounts due to credit institutions	-	-	92,882	**92,882**
Deposits from the Parent	-	-	2,643,606	**2,643,606**
Customer accounts	2,580,853	-	-	**2,580,853**
Other financial liabilities	75,942	-	-	**75,942**
Total financial liabilities	**2,656,795**	**-**	**2,736,488**	**5,393,283**
Net position in on-balance sheet financial instruments	**3,570,163**	**5,228**	**(2,702,768)**	**872,623**
Net off-balance sheet position	**7,175**	**-**	**-**	**7,175**
Net position at 31 December 2023	**3,562,988**	**5,228**	**(2,702,768)**	**865,448**

(in millions of Uzbekistan Soums)

	Uzbekistan	OECD	Non OECD	Total
Financial assets				
Cash and cash equivalents	1,537,503	-	43,457	**1,580,960**
Due from banks	215,978	1,123	-	**217,101**
Loans to customers	2,445,439	-	-	**2,445,439**
Other financial assets	10,560	-	-	**10,560**
Total financial assets	**4,209,480**	**1,123**	**43,457**	**4,254,060**
Financial liabilities				
Amounts due to credit institutions	-	-	708	**708**
Deposits from the Parent	-	-	1,509,988	**1,509,988**
Customer accounts	1,589,620	-	-	**1,589,620**
Other financial liabilities	40,696	-	-	**40,696**
Total financial liabilities	**1,630,316**	**-**	**1,510,696**	**3,141,012**
Net position in on-balance sheet financial instruments	**2,579,164**	**1,123**	**(1,467,239)**	**1,113,048**
Net off-balance sheet position	**-**	**-**	**-**	**-**
Net position at 31 December 2022	**2,579,164**	**1,123**	**(1,467,239)**	**1,113,048**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held. Non-OECD includes Kazakhstan and Tajikistan.

25. Capital risk management

The Bank's objectives when managing capital, which are a broader concept than the "equity" on the face of the statement of financial position, are as follows:

- To comply with the capital requirements set by the CBU;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
  - To maintain a strong capital base to support the development of its business.

The Bank manages regulatory capital as Bank's capital. The Bank's objectives when managing capital are to comply with the capital requirements set by the CBU, and 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 Chairman of the Board and Chief Accountant.

Under the current capital requirements set by the CBU, banks have to maintain ratios of (actual ratios given below are unaudited):

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13%. Actual ratio as at 31 December 2023: 20.8% (31 December 2022: 34.2%).
- Ratio of Bank's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10%. Actual ratio as at 31 December 2023: 19.4% (31 December 2022: 33.3%).
- Ratio of Bank's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6.0%. Actual ratio as at 31 December 2023: 18.2% (31 December 2022: 27.9%).

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

	31 December 2023 (unaudited)	31 December 2022 (unaudited)
Tier 1 capital	1,205,836	1,217,401
Tier 2 capital	90,729	30,363
Total regulatory capital	**1,296,565**	**1,247,764**

26. Fair Value of Financial Instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

Fair value measurements are analyzed 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 categorizing 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.

Financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

As at 31 December 2023, the fair value of financial assets and financial liabilities except for those shown below approximate their carrying value.

Financial Assets/ Liabilities as at 31 December 2023	Carrying value	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans to customers	4,357,139	4,363,294	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value
Customer accounts	2,580,853	2,554,302	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value

The fair value of the financial assets at fair value through other comprehensive income were determined based on the quoted prices in a market that is not active. The Management believes that this is the best reliable independent quoted prices available. Such financial instruments were categorised as Level 2.

(in millions of Uzbekistan Soums)

As at 31 December 2022, the fair value of financial assets and financial liabilities except for those shown below approximate their carrying value.

Financial Assets/ Liabilities as at 31 December 2022	Carrying value	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans to customers	2,445,439	2,523,484	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value
Customer accounts	1,589,620	1,594,713	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	Not applicable	The greater the discount - the smaller the fair value

As at 31 December 2023 and 2022, the Bank determined fair value for some of its financial assets and liabilities using the discounted cash flow model by applying CBU statistical bulletin, which became open to public starting 2019. Such financial instruments were categorized as Level 2.

For those financial instruments, where interest rates were not directly available in the CBU's Statistical bulletin, the Management uses discounted cash flow model by applying market interest rates based on the rates of the deals concluded towards the end of the reporting period, thereby, categorizing such instruments as Level 3.

27. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Considering each possible related party not only, their legal status is taken into account but also the substance of the relationship between these parties.

Other related parties include entities which are under common control of the Parent.

As at 31 December 2023, the Bank had the following transactions outstanding with related parties:

	31 December 2023	
	Related party balances	**Total category as per the financial statements caption**
Cash and cash equivalents	**12,594**	**1,754,901**
- Parent	*12,594*	
Deposits from the Parent	**2,643,629**	**2,643,606**
- Parent	2,643,606	
- other related entities	23	
Loans to customers	**12**	**4,357,139**
- key management personal	*12*	
Customer accounts	**6,666**	**2,580,853**
- key management personal	2,350	
- other related entities	*4,316*	

(in millions of Uzbekistan Soums)

Included in the statements of profit or loss for the period ended 31 December 2023, are the following amounts which arose due to transactions with related parties:

	31 December 2023	
	Related party transactions	**Total category as per the financial statements caption**
Interest expense	**102,849**	**429,068**
- Parent	*102,849*	
Fee and commission income	**2**	**45,975**
- other related entities	2	
Fee and commission expense	**2,834**	**42,829**
- Parent	2,702	
- Key management personal	39	
- other related entities	93	
Operating expenses	**29**	**257,655**
- Parent	*29*	
- key management personal	*7,578*	

As at 31 December 2022, the Bank had the following transactions outstanding with related parties:

	31 December 2022	
	Related party balances	**Total category as per the financial statements caption**
Cash and cash equivalents	**4,750**	**1,580,960**
- Parent	*3,037*	
- other related entities	*1,713*	
Loans to customers	**1**	**2,445,439**
- entities with significant influence over the Bank	1	
Deposits from the Parent	**1,509,988**	**1,509,988**
- Parent	*1,509,988*	
Customer accounts	**1,355**	**1,589,620**
- key management personal	*1,353*	
- other related entities	2	

Included in the statements of profit or loss for the period ended 31 December 2022, are the following amounts which arose due to transactions with related parties:

	31 December 2022	
	Related party balances	**Total category as per the financial statements caption**
Interest expense	**39,929**	**183,432**
- Parent	*39,929*	
Fee and commission income	**1**	**28,186**
- other related entities	*1*	
Fee and commission Expence	**2,186**	**21,555**
- Parent	1921	
- other related entities	265	
Operating expenses	**7,308**	**166,565**
- key management personal	*7,308*	

(in millions of Uzbekistan Soums)

	31 December 2023	31 December 2022
Short-term benefits:		
- Salaries and other short term benefits	6,766	6,525
- Social Security costs	812	783
Total key management personnel compensation	**7,578**	**7,308**

28. Subsequent events

The Management is not aware of any material developments after the end of the reporting period.

29. Approval of the financial statements

The financial statements were approved by the Management of the Bank on 7 March 2024.