JOINT STOCK COMMERCIAL BANK
WITH FOREIGN CAPITAL

Consolidated Financial Statements and Independent Auditor's Report

Joint Stock Commercial Bank with Foreign capital "Hamkorbank"

31 December 2023

CONTENTS

Independent Auditor's Report

To the Shareholders and the Supervisory Board of the Joint-Stock Commercial Bank with Foreign Capital "Hamkorbank":

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Joint-Stock Commercial Bank with Foreign Capital "Hamkorbank" (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2023, and Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.

General ~~Director/Certified~~ Auditor

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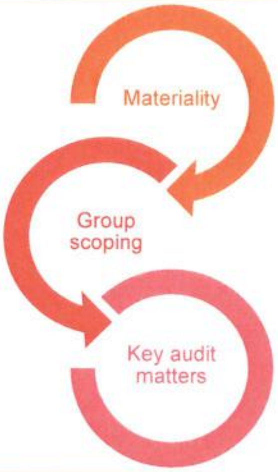
Our audit approach

Overview



- Overall Group materiality: UZS 75,300 million, which represents 5% of profit before tax.
- We performed audit procedures on the financial statements of the Bank and on the material balances and transactions of subsidiaries included in the consolidated financial statements of the Group.
- Assessment of expected credit losses (ECL) provision for loans and advances to customers, including finance lease receivables in accordance with IFRS 9, Financial Instruments.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	UZS 75,300 million
How we determined it	We determined overall materiality as being 5% of the profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% threshold as in our professional experience this is a widely accepted quantitative measure for this benchmark.

General Director/Certified Auditor

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses (ECL) provision for loans and advances to customers, including finance lease receivables in accordance with IFRS 9, Financial Instruments. We considered impairment of loans and advances to customers, including finance lease receivables as a key audit matter due to the significance of loans and advances to customer balance and a complex financial reporting standard, which requires significant judgment to determine the ECL provision. The Bank performed ECL assessment: • on individual balances basis: a number of scenarios of loan recovery were analysed for each customer and ECL was calculated based on weighted expected recoveries from the realisation of these scenarios; and • on a portfolio basis: internal ratings were estimated on individual balances basis but the same credit risk parameters (e.g. probability of default, loss given default) were applied during the process of ECL calculations for the loans with the same credit risk ratings. Key areas of judgment included: • Allocation of loans to stages; • Definition of significant increase in credit risk (SICR); • Definition of default; • Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default and loss given default.	In assessing ECL provision we have performed, among others, the following audit procedures: • We assessed the methodology and models for collective and individual ECL provision assessment developed by the Group in order to evaluate their compliance with IFRS 9 requirements. We focused our procedures on default definition, factors for determining a "significant increase in credit risk", allocation of the loans to stages, and estimation of key risk parameters. • On a sample basis we tested individually assessed ECL provision levels to determine if they appropriately reflect the risk profile, credit risk and the macroeconomic environment. We considered trends in the economy and industries to which the Bank's borrowers are exposed. • On a sample basis we tested the assumptions, inputs and formulae used in the ECL models for collective and individual allowance assessment. • On a sample basis we tested segmentation and allocation to stages. • We assessed the design and on a sample basis tested operating effectiveness of the controls on the processes that identify overdue loans. • To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data including loan agreements and collateral agreements.

General Director/Certified Auditor

Note 3 "Material Accounting Policy Information", Note 4 "Critical Accounting Estimates, and Judgements in Applying Accounting Policies", Note 10 "Loans and Advances to Customers, including Finance Lease Receivables" and Note 30 "Financial Risk Management" to the consolidated financial statements provide detailed information on the credit loss allowance.

- On an overall basis we checked the Group assessment of the effect of forward-looking information on the ECL level. In particular, we assessed whether forecasted macroeconomic variables were appropriate (such as inflation level, unemployment rate, exchange rates and GDP), compared input data to the external sources and checked appropriateness of the model used.
- We assessed the adequacy and appropriateness of disclosures for compliance with the IFRS.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group includes six entities and accounting is maintained by centralized accounting team for the entire Group. Our audit procedures included the audit of these entities together with the Bank. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed. These subsidiaries represent approximately 1.2% of the Group's total assets as at 31 December 2023 and 2.2% of the Group's total comprehensive income for the period. We carried out a full audit of the Bank and carried out selected audit procedures on significant balances and transactions of the subsidiaries.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

General Director/Certified Auditor

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

General Director/Certified Auditor

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

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

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

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

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

Our findings from the procedures performed are reported below.

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

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

- As at 31 December 2023, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.

General Director/Certified Auditor

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- The frequency of reports prepared by the Bank's internal audit function during 2023 was in compliance with the requirements of the Central Bank of the Republic of Uzbekistan. The reports were approved by the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems.
- As at 31 December 2023 the Bank has the established Information security function as required by the Central Bank of the Republic of Uzbekistan, and the information security policy was approved by the Bank's Management Board. Information security function was subordinated to, and reported directly to, the Chairman of the Management Board.
- Reports by the Bank's Information security function to the Chairman of the Management Board during 2023 included assessment and analysis of information security risks, and results of actions to manage such risks.
- The Bank's internal documentation, effective on 31 December 2023, establishing the procedures and methodologies for identifying and managing the Bank's significant risks: external-internal fraud risk, process management risk, business disruptions and system failures/IT risk, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.
- As at 31 December 2023, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank's capital to the Central Bank of Uzbekistan.
- The frequency of reports prepared by the Bank's risk management and internal audit functions during 2023, which cover the Bank's significant risk management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the Bank's significant risks, risk management system and recommendations for improvement.
- As at 31 December 2023, the Supervisory Board and Executive Management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2023, the Supervisory Board and Executive Management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

General Director/Certified Auditor

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

Suhrab Azimov
General Director/Certified Auditor

Certificate of auditor No. 05338
dated 7 November 2015 issued by the
Ministry of Finance of Uzbekistan

Certificate of auditor No. 28
dated 25 August 2023 issued by the
Central Bank of Uzbekistan

Audit Organization 'PricewaterhouseCoopers' LLC

Audit Organization "PricewaterhouseCoopers" LLC
Tashkent, Uzbekistan
9 April 2024

In millions of Uzbekistan Soums	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	7	2,874,372	3,339,493
Due from other banks	8	188,928	278,032
Investments in debt securities	9	1,339,015	1,416,338
Investments in equity securities		4,322	4,260
Derivative financial instruments	32	3,930	27,028
Loans and advances to customers, including finance lease receivables	10	15,929,787	11,450,537
Premises and equipment	12	382,854	285,383
Intangible assets	12	30,212	29,783
Right of use assets	13	69,715	5,772
Current income tax prepayment	25	31,434	13,754
Other financial assets		6,464	1,055
Other assets	11	291,686	63,185
TOTAL ASSETS		**21,152,719**	**16,914,620**
LIABILITIES			
Due to other banks	14	239,227	572,366
Customer accounts	15	7,661,735	6,685,870
Debt securities in issue		22,345	650
Other borrowed funds	16	8,405,690	6,241,607
Subordinated debt	19	502,173	411,230
Lease liabilities	13	73,681	11,281
Other financial liabilities	17	30,944	18,790
Deferred income tax liability	25	43,251	38,741
Other liabilities	18	117,938	97,431
TOTAL LIABILITIES		**17,096,984**	**14,077,966**
EQUITY			
Share capital	20	325,479	109,929
Share premium	20	77,751	77,751
Retained earnings	20	3,646,024	2,648,188
Other reserves		6,481	786
TOTAL EQUITY		**4,055,735**	**2,836,654**
TOTAL LIABILITIES AND EQUITY		**21,152,719**	**16,914,620**

Approved for issue and signed on behalf of Management Board on 9 April 2024.

Juraev B.T.
Chairman of the Management Board

Mukhitdinov Sh.Z.
Chief Financial Officer

In millions of Uzbekistan Soums	**Note**	**2023**	**2022**
Interest income calculated using the effective interest method	21	3,208,627	2,273,606
Other similar income	21	48,124	41,946
Interest expense	21	(1,518,535)	(1,070,134)
Other similar expense	21	(29,971)	(88,048)
Net margin on interest and similar income		**1,708,245**	**1,157,370**
Credit loss allowance	7,8,9,10	60,989	(17,180)
Net margin on interest and similar income after credit loss allowance		**1,769,234**	**1,140,190**
Fee and commission income	22	590,292	498,191
Fee and commission expense	22	(157,224)	(93,742)
Gains less losses from securities at fair value through profit or loss		(335)	(7,556)
Gains less losses from trading in foreign currencies		370,657	282,067
Gains less losses from financial derivative		4,228	(5,195)
Gains less losses from foreign exchange translation		12,943	(21,187)
Other operating income	23	49,966	40,812
Administrative and other operating expenses	24	(1,134,294)	(899,976)
Profit before tax		**1,505,467**	**933,604**
Income tax expense	23	(291,262)	(174,470)
PROFIT FOR THE YEAR		**1,214,205**	**759,134**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Debt securities at fair value through other comprehensive income:			
- Gains less losses arising during the period		7,119	982
Income tax recorded directly in other comprehensive income		(1,424)	(196)
Other comprehensive income for the year		5,695	786
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,219,900**	**759,920**
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (in UZS)	28	**34.6**	**36.3**

In millions of Uzbekistan Soums	**Share capital**	**Share premium**	**Revaluation reserve for securities at FVOCI**	**Retained earnings**	**Total**
Balance at 1 January 2022	**109,929**	**77,751**	**-**	**1,890,064**	**2,077,744**
Profit for the year	-	-	-	759,134	**759,134**
Other comprehensive gain	-	-	786	-	**786**
Total comprehensive income for 2022	**-**	**-**	**786**	**759,134**	**759,920**
Dividends declared (note 26)	-	-	-	(1,010)	**(1,010)**
Balance at 31 December 2022	**109,929**	**77,751**	**786**	**2,648,188**	**2,836,654**
Effects of adoption of IFRS 17 (Note 5)	-	-	-	11,537	**11,537**
Restated balance at 1 January 2023	**109,929**	**77,751**	**786**	**2,659,725**	**2,848,191**
Profit for the year	-	-	-	1,214,205	**1,214,205**
Other comprehensive income	-	-	5,695	-	**5,695**
Total comprehensive income for 2023	**-**	**-**	**5,695**	**1,214,205**	**1,219,900**
Dividends declared (note 26)	-	-	-	(12,356)	**(12,356)**
Share issue	215,550	-	-	(215,550)	**-**
Balance at 31 December 2023	**325,479**	**77,751**	**6,481**	**3,646,024**	**4,055,735**

In millions of Uzbekistan Soums	Note	2023	2022
Cash flows from operating activities			
Interest income received calculated using the effective interest method received		3,141,045	2,282,305
Other similar Interest received		47,110	60,989
Interest paid calculated using the effective interest method		(1,425,512)	(971,453)
Other similar Interest paid		(39,038)	(115,274)
Fees and commissions received		591,351	492,712
Fees and commissions paid		(157,224)	(93,742)
Income received from trading in foreign currencies		370,657	282,067
Income received from financial derivatives		27,712	18,073
Other operating income received		49,833	41,205
Personnel expenses paid		(781,144)	(569,914)
Other operating expenses paid		(250,426)	(222,584)
Income tax paid		(304,432)	(173,518)
Cash flows from operating activities before changes in operating assets and liabilities		**1,269,932**	**1,030,866**
Net (increase) / decrease in:			
- Investments in debt securities at fair value through profit or loss		(22,854)	691,181
- Investments in equity securities at fair value through profit or loss		(62)	(293)
- Due from other banks		69,067	(94,515)
- Loans and advances to customers, including finance lease receivables		(3,883,476)	(1,962,170)
- Other assets		(214,534)	(8,150)
Net increase / (decrease) in:			-
- Due to other banks		(316,679)	380,227
- Customer accounts		778,462	2,259,617
- Other liabilities		17,878	19,224
Net cash from (used in) operating activities		**(2,302,266)**	**2,315,987**
Cash flows from investing activities			
Acquisition of premises and equipment		(162,470)	(61,223)
Acquisition of intangible assets		(11,652)	(14,267)
Proceeds from disposal of premises and equipment		13,108	685
Acquisition of debt securities at fair value through other comprehensive income	9	(2,863,881)	(1,089,459)
Proceeds from redemption of debt securities at fair value through other comprehensive income	9	2,920,227	-
Acquisition of investments in debt securities carried at amortised cost		-	(5,289,401)
Proceeds from redemption of debt securities carried at amortised cost	9	70,780	5,006,862
Net cash used in investing activities		**(33,888)**	**(1,446,803)**
Cash flows from financing activities			
Proceeds from debt securities in issue		22,045	-
Repayment of debt securities in issue		(350)	(13,400)
Proceeds from other borrowed funds	16	2,919,293	2,380,965
Repayment of other borrowed funds	16	(1,164,443)	(1,615,169)
Proceeds from subordinated debt	19	60,891	94,125
Repayment of subordinated debt	19	(11,446)	-
Repayment of principal of lease liabilities		(14,704)	(7,914)
Dividends paid	26	(11,440)	(1,008)
Net cash from financing activities		**1,799,846**	**837,599**
Effect of exchange rate changes on cash and cash equivalents		**75,636**	**6,211**
Effect of expected credit losses on cash and cash equivalents		**(4,449)**	**3,053**
Net (decrease) in cash and cash equivalents		**(465,121)**	**1,716,047**
Cash and cash equivalents at the beginning of the year	7	3,339,493	1,623,446
Cash and cash equivalents at the end of the period	7	**2,874,372**	**3,339,493**

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards of Accounting for the year ended 31 December 2023 for Joint Stock Commercial Bank with Foreign capital "Hamkorbank" (the "Bank") and its subsidiaries (the "Group").

The Bank was incorporated on 31 August 1991 under the laws of the Republic of Uzbekistan. The Bank operates under a general banking license issued by the Central Bank of Uzbekistan (the "CBU") on 29 July 2000, which was renewed by the CBU on 25 December 2021. As of 31 December 2023 and 2022 the Bank was ultimately controlled by Mr. Ibragimov Ikram.

Principal activity. The Bank accepts deposits from the public and extends credit, transfers payments in Uzbekistan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The Bank's lending activity is primarily focused on small and medium enterprises and individual entrepreneurs. As at 31 December 2023 the Bank conducts its operations from its Head Office located in Andijan, Uzbekistan. At 31 December 2023 156 banking services centres operate (31 December 2022: 153 banking services centres) throughout the country.

The Bank participates in the state deposit insurance program. The State Deposit Insurance Fund guarantees repayment of 100% of deposits of individuals in case of revocation of the CBU banking license.

Registered address and place of business. The Bank's registered legal address is 85 Bobur Ave., Andijan, Republic of Uzbekistan, 170119.

Presentation currency. The functional currency of the Bank, which 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").These consolidated financial statements are presented in millions of Uzbek Soums ("UZS"), unless otherwise indicated.

The shareholders of the Bank were as follows:

Shareholders	**31 December 2023**	**31 December 2022**
Individuals		
Ibragimov Ikram	59.21%	55.77%
Ibragimova Aziza	0.00%	2.88%
	59.21%	**58.65%**
Legal entities		
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden n.v. (FMO)	14.55%	14.55%
ResponsAbility Participations Aktiengesellschaft	10.53%	10.53%
International Finance Corporation	7.28%	7.28%
Responsability Sicav (lux) micro and SME finance leaders	2.68%	2.68%
Motanak Capital Management Pte. Ltd	1.21%	1.14%
	36.25%	**36.17%**
Others, individually owning less than 1%	4.54%	5.17%
Total	**100.00%**	**100.00%**

Subsidiaries. These consolidated financial statements include the following subsidiaries (domiciled in Uzbekistan):

Subsidiaries	**Ownership 2023**	**Ownership 2022**	**Year of incorporation**	**Industry**
Hamkor Invest Lizing LLC	100%	100%	2011	Leasing
Hamkormazlizing LLC	100%	100%	2008	Leasing
Hamkor Sugurta LLC	100%	100%	2009	Insurance
HB Capital LLC	100%	100%	2007	Depository
Partner Business Lizing LLC	100%	100%	2014	Leasing
Istiklol Nikhollari LLC (Subsidiary of Hamkor Invest Lizing LLC)	100%	100%	2014	Education

Abbreviations. A glossary of various abbreviations used in this document is included in Note 36.

2 Operating Environment of the Group

***Republic of Uzbekistan**.* The Uzbekistan economy displays characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the banking sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments. The largest Uzbek banks are state-controlled and act as an arm of the Government to develop the country's economy. The Government distributes funds from the country's budget, which flow through the banks to various government agencies, and other state and privately owned entities.

Uzbekistan experienced following key economic indicators in 2023:

- Inflation(www.stat.uz) : 8.8% (2022: 12.3%)
- GDP growth (www.stat.uz) 6% (2022: 5.7%).
- Central Bank refinancing rate (www.cbu.uz) – 14% (2022: 14%).

At 31 December 2023, the principal rate of exchange used for translating foreign currency balances was USD 1 = UZS 12,338.77 (31 December 2022: USD 1 = UZS 11,225.46). The principal average rate of exchange used for translating income and expenses was USD 1 = UZS 11,738.08 (2022: USD 1 = UZS 11,045.7).

Influence of geopolitical events in the world. In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation. This conflict affected some export-import operations of the Uzbekistan's legal entities, there has been increased in volatility in the currency markets and export-import operations. In order to minimize the impact on consumers, the Government of Uzbekistan adopted the relevant regulatory Documents.

After some decrease in the degree of influence of the external environment due to geopolitical events around Ukraine and Russia on the economy of the Republic of Uzbekistan, on March 17, 2023, the Board of the Central Bank of the Republic of Uzbekistan decreased the CBU refinancing rate by 1% to 14%

For the purpose of managing the country risk, the Group controls transactions with counterparties within the limits set by the Group's collegial body, which are reviewed regularly. The Group continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance.

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

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 3 provides more information on how the Group incorporated forward-looking information in the ECL models.

3 Material Accounting Policy Information

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

Going concern. Management prepared these consolidated financial statements on a going concern basis.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect

3 Material Accounting Policy Information (Continued)

the amount of investor's returns. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

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

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value.

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC.

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

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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

3 Material Accounting Policy Information (Continued)

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 30 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

The Group's definition of credit impaired assets and definition of default is explained in Note 30. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

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

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

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

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include 80 percent of mandatory reserve deposits (Group can use this amount for liquidity in any time, but should save average amount for a day at the during the month) with the CBU and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Mandatory reserve with the CBU are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows. Mandatory reserve with the CBU are presented in Due from other banks.

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

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories: at AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL.

3 Material Accounting Policy Information (Continued)

Impairment allowances are determined based on the forward-looking ECL models. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition.

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

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

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

Types of assets	Useful lives in years
Premises	20
Office and computer equipment	2.5-5
Right-of-use assets	1-5
Leasehold improvements	5

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

Accounting for leases by the Group. The Group leases office premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease.

3 Material Accounting Policy Information (Continued)

If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments (such as small spaces for ATM locations) as an operating expense on a straight line basis.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within in profit or loss.

Credit loss allowance is recognised in accordance with the general ECL model/using a simplified approach at lifetime ECL. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at AC. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

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

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

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations..

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 30 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 30.

3 Material Accounting Policy Information (Continued)

	31 December 2023			31 December 2022		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In millions of Uzbekistan Soums	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
ASSETS						
Current income tax prepayment	31,434	-	31,434	13,754	-	13,754
Intangible assets	-	30,212	30,212	-	29,783	29,783
Premises and equipment	-	382,864	382,864	-	285,383	285,383
Right of use assets	-	69,715	69,715	-	5,772	5,772
Other assets	291,686	-	291,686	63,185	-	63,185
LIABILITIES						
Deferred income tax liability	-	43,251	43,251	-	38,741	38,741
Other liabilities	117,938	-	117,938	97,431	-	97,431

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 30. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"),and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Group used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model.

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

The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2023:

Variable	Scenario	Assigned weight	Assumption for: 2024	2025	2026
Export Growth rate	Scenario1	25%	20.0%	17.0%	17.0%
	Base	50%	20.0%	17.0%	17.0%
	Scenario3	25%	20.0%	17.0%	17.0%
Import Growth rate	Scenario1	25%	17.8%	16.5%	16.5%
	Base	50%	17.7%	16.5%	14.5%
	Scenario3	25%	12.5%	4.6%	5.4%
GDP Growth rate	Scenario1	25%	7.1%	5.4%	6.3%
	Base	50%	7.2%	5.0%	7.7%
	Scenario3	25%	7.6%	7.4%	8.2%
CPI rate	Scenario1	25%	10.0%	9.9%	9.9%
	Base	50%	10.7%	9.3%	7.1%
	Scenario3	25%	10.0%	9.9%	9.9%

The assumptions and assigned weights were as follows at 31 December 2022:

Variable	Scenario	Assigned weight	Assumption for: 2023	2024	2025
Export Growth rate	Scenario 1	25%	16.1%	14.8%	14.8%
	Base	50%	18.9%	13.3%	13.7%
	Scenario 3	25%	2.0%	2.2%	2.2%
Import Growth rate	Scenario 1	25%	15.6%	16.2%	16.2%
	Base	50%	15.0%	17.0%	14.9%
	Scenario 3	25%	5.6%	5.6%	5.6%
GDP Growth rate	Scenario 1	25%	4.5%	5.5%	5.6%
	Base	50%	4.7%	5.0%	5.0%
	Scenario 3	25%	5.0%	5.5%	5.5%

The main assumption related to the weighting of the scenarios was related to the reliability of the information, i.e. IMF is considered the most reliable and available information (information from IMF is easily accessible - usually publicly available). Since other sources are considered similar in terms of reliability and accessibility, management decided to allocate equally 25% for both scenarios 1 (e.g., World Bank) and 3 (S&P Global), while significant weight - 50% was allocated to scenario 2.

Changing the weightings in the aforementioned scenarios to 10%, 60%, and 30%, respectively, would lead to a decrease of UZS 735 million (compared to UZS 373 million increase as of 31 December 2022) in the overall ECL provision.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level (Note 30).

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

Analysis of the sensitivity. The Group performed the following analysis of the sensitivity of the level of ECL on change in PD, LGD and macroeconomic coefficient by 10%:

At 31 December 2023 *In millions of Uzbekistan Soums*	**Increase (Decrease) in %**	**Sensitivity of ECL**	**Sensitivity of Equity**
PD	+10%	5,676	(4,541)
	-10%	(5,676)	4,541
Macroeconomic coefficient	+10%	5,676	(4,541)
	-10%	(5,676)	4,541
LGD	+10%	4,534	(3,627)
	-10%	(4,534)	3,627

At 31 December 2022 *In millions of Uzbekistan Soums*	**Increase (Decrease) in %**	**Sensitivity of ECL**	**Sensitivity of Equity**
PD	+10%	5,115	(4,092)
	-10%	(5,115)	4,092
Macroeconomic coefficient	+10%	5,115	(4,092)
	-10%	(5,115)	4,092
LGD	+10%	1,210	(968)
	-10%	(1,210)	968

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 34.

5 Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2023:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 with amendments issued on 25 June 2020 and 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers are now recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as it is released from risk. If a group of contracts is or becomes loss-making, an entity is recognising the loss immediately. The adoption of the standard did not have a material impact on these consolidated financial statements.

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

The adoption of the standard did not have a material impact on these consolidated financial statements.

Transition effect

The transition resulted in cumulative increases to common shareholders' equity as of 1 January 2023, as outlined below:

In millions of Uzbekistan Soums	**1 January 2023**
Contractual service margin	(8,148)
Removal of IFRS 4 liabilities and recording of IFRS 17 fulfilment cash flows	22,864
Tax effect	(3,178)
Total effect	**11,537**

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments resulted in changes in presentation of these consolidated financial statements, primarily by removing significant accounting policies that do not represent material accounting policy information.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The adoption of the amendments did not have a material impact on these consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment did not have a material impact on these consolidated financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023. The amendment did not have a material impact on these consolidated financial statements.

The application of the amendments had no significant impact on the Group's consolidated financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The Group is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). The Group is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). The Group is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

7 Cash and Cash Equivalents

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Cash on hand	1,273,505	1,567,728
Placements with other banks with original maturity of less than three months	897,200	430,551
Mandatory cash balances with CBU	350,524	298,620
Correspondent accounts and overnight placements with other banks	310,684	410,907
Cash balances with the CBU (other than mandatory reserve deposits)	8,386	620,707
Receivables from financial institutions - related to Money transfers of individuals	41,358	13,816
Less – Credit loss allowance	(7,285)	(2,836)
Total cash and cash equivalents (carrying amount)	**2,874,372**	**3,339,493**

Cash balances with the CBU are maintained at a level to ensure compliance with the CBU liquidity ratio.

The following table discloses the changes in the credit loss allowance and gross carrying amount for cash and cash equivalents, excluding cash on hand, between the beginning and the end of the reporting period:

In millions of Uzbekistan Soums	**Credit loss allowance (Stage1)**	**Gross carrying amount (Stage1)**
Cash and cash equivalents, excluding Cash on hand		
At 1 January 2023	**(2,836)**	**1,774,601**
New originated or purchased	(7,285)	566,269,026
Derecognised during the period	2,836	(566,511,110)
Foreign exchange translation and other movements	-	75,635
At 31 December 2023	**(7,285)**	**1,608,152**

In millions of Uzbekistan Soums	**Credit loss allowance (Stage1)**	**Gross carrying amount (Stage1)**
Cash and cash equivalents, excluding Cash on hand		
At 1 January 2022	**(5,889)**	**1,136,104**
New originated or purchased	(2,836)	596,858,015
Derecognised during the period	5,889	(596,225,729)
Foreign exchange translation and other movements	-	6,211
At 31 December 2022	**(2,836)**	**1,774,601**

As at 31 December 2023 and 31 December 2022, for the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. There were no transitions between stages in 2023 and 2022. Refer to Note 31 for the ECL measurement approach.

7 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2023. Refer to Note 30 for the description of the Group's credit risk grading system.

In millions of Uzbekistan Soums	**Cash balances with the CBU, including mandatory reserves**	**Correspondent accounts and overnight placements with other banks**	**Receivables from financial institutions - related to Money transfers of individuals**	**Placements with other banks with original maturity of less than three months**	**Total**
- BBB- to AAA+ rated	-	142,933	-	207,865	**350,798**
- BB- to BB+ rated	358,910	-	-	-	**358,910**
- B- to B+ rated	-	158,374	-	689,335	**847,709**
- C- to CCC+ rated	-	9,377	41,358	-	**50,735**
Total cash and cash equivalents, excluding cash on hand	**358,910**	**310,684**	**41,358**	**897,200**	**1,608,152**

The credit rating is based on the credit rating agency Standard&Poor's or the rating agencies Moody's and Fitch, which are converted to the nearest equivalent value on the Standard&Poor's rating scale.

The financial instruments with no available credit quality i.e., unrated, as per provision methodology were rated C by the Group. These amounts are related to Russian banks and financial institutions, which do not have credit ratings.

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

In millions of Uzbekistan Soums	**Cash balances with the CBU, including mandatory reserves**	**Correspondent accounts and overnight placements with other banks**	**Receivables from financial institutions - related to Money transfers of individuals**	**Placements with other banks with original maturity of less than three months**	**Total**
- BBB- to AAA+ rated	-	297,303	-	310,280	**607,583**
- BB- to BB+ rated	919,327	-	-	-	**919,327**
- B- to B+ rated	-	84,862	-	120,271	**205,133**
- C- to CCC+ rated	-	28,742	13,816	-	**42,558**
Total cash and cash equivalents, excluding cash on hand	**919,327**	**410,907**	**13,816**	**430,551**	**1,774,601**

The credit rating is based on the credit rating agency Standard&Poor's or the rating agencies Moody's and Fitch, which are converted to the nearest equivalent value on the Standard&Poor's rating scale. The financial instruments with not available credit quality i.e., unrated, as per methodology were rated C by the Group.

At 31 December 2023 the Group had 3 counterparty banks (2022: 3 counterparty bank) with aggregated cash and cash equivalent balances above UZS 200,000 million. The total aggregate amount of these balances was UZS 1,248,768 million wh(31 December 2022: UZS 1,379,368 million) or 78% of the cash and cash equivalents (2022: 78%). Refer to Note 33 for the disclosure of the fair value of cash and cash equivalents. Interest rate analysis and credit quality information are disclosed in Note 30.

8 Due from Other Banks

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Placements with other banks with original maturities of more than three months	87,628	203,674
Mandatory reserve deposits with the CBU	87,631	74,655
Restricted cash in respect of security deposits	14,148	5
Less – Credit loss allowance	(479)	(302)
Total amounts due from other Banks	**188,928**	**278,032**

The table below discloses the credit quality of due from other banks balances based on credit risk grades at 31 December 2023. For the purpose of ECL measurement due from other banks balances are included in Stage 1 due to absence of SICR and default criteria. Refer to Note 30 for the description of the Group's credit risk grading system.

In millions of Uzbekistan Soums	**Mandatory reserve deposits with the CBU**	**Placements with other banks with original maturities of more than three months**	**Restricted cash in respect of security deposits**	**Total**
- BBB- to AAA+ rated	-	-	14,143	**14,143**
- BB- to BB+ rated	87,631	-	-	**87,631**
- B- to B+ rated	-	87,628	5	**87,633**
Gross carrying amount	**87,631**	**87,628**	**14,148**	**189,407**
Less – Credit loss allowance	-	(474)	(5)	**(479)**
Carrying amount	**87,631**	**87,154**	**14,143**	**188,928**

The credit quality of due from other banks balances based on credit risk grades at 31 December 2022 is as follows.

In millions of Uzbekistan Soums	**Mandatory reserve deposits with the CBU**	**Placements with other banks with original maturities of more than three months**	**Restricted cash in respect of security deposits**	**Total**
- BBB- to AAA+ rated	-	139,463	-	**139,463**
- BB- to BB+ rated	74,655	-	-	**74,655**
- B- to B+ rated	-	62,011	5	**62,016**
- Unrated	-	2,200	-	**2,200**
Gross carrying amount	**74,655**	**203,674**	**5**	**278,334**
Less – Credit loss allowance	(53)	(249)	-	**(302)**
Carrying amount	**74,602**	**203,425**	**5**	**278,032**

The credit rating is based on the credit rating agency Standard&Poor's or the rating agencies Moody's and Fitch, which are converted to the nearest equivalent value on the Standard&Poor's rating scale. The financial instruments with not available credit quality i.e., unrated, as per methodology were rated C by the Group.

8 Due from Other Banks (Continued)

The following tables explain the changes in the credit loss allowance due from other banks between the beginning and the end of the annual period:

In millions of Uzbekistan Soums	**Credit loss allowance (Stage1)**	**Gross carrying amount (Stage1)**
Due from other banks		
At 1 January 2023	**(302)**	**278,334**
New originated or purchased	(479)	90,293,889
Derecognised during the period	302	(90,362,905)
Foreign exchange translation and other movements	-	(19,911)
At 31 December 2023	**(479)**	**189,407**

In millions of Uzbekistan Soums	**Credit loss allowance (Stage1)**	**Gross carrying amount (Stage1)**
Due from other banks		
At 1 January 2022	**(3,322)**	**201,980**
New originated or purchased	(210)	6,823,287
Derecognised during the period	3,230	(6,731,031)
Foreign exchange translation and other movements	-	(15,902)
At 31 December 2022	**(302)**	**278,334**

As at 31 December 2023 and 31 December 2022 due from other banks balances are not collateralised.

Refer to Note 33 for the estimated fair value of due from other banks. Interest rate analysis is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

9 Investments in Debt Securities

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Debt securities at FVOCI	1,067,109	1,090,441
Debt securities at AC	216,981	276,502
Debt securities designated as at FVTPL at initial recognition (Ministry of Economy and finance of Uzbekistan)	54,925	49,395
Total investments in debt securities	**1,339,015**	**1,416,338**

(a) Investments in debt securities at FVTPL

Debt securities are designated at FVTPL (Ministry of Economy and finance of Uzbekistan) by the Group represent securities held for trading and securities in a ‘held to sell’ business model. The debt securities at FVTPL are not collateralised.

Debt securities at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group’s maximum exposure to credit risk. The debt securities at FVTPL are not collateralised. Investment in debt securities are included in the standard grade that are equivalent to Moody’s rate of below Baa3 but above B3. Refer to Note 33 for the estimated fair value of investments in debt securities. Interest rate analysis is disclosed in Note 30.

9 Investments in Debt Securities (Continued)

(b) Investments in debt securities at AC

The following table contains an analysis of debt securities at AC by credit quality at 31 December 2023 and discloses the balances by stages for the purpose of ECL measurement.

The carrying amount of debt securities at AC below represents the Group's maximum exposure to credit risk on these assets:

In millions of Uzbekistan Soums	**31 December 2023** Stage 1 (12-months ECL)	**31 December 2022** Stage 1 (12-months ECL)
Corporate bonds		
- Excellent	39,941	41,412
Gross carrying amount	**39,941**	**41,412**
Less credit loss allowance	(62)	(67)
Carrying amount	**39,879**	**41,345**
Uzbekistan government bonds		
- Excellent	60,477	128,632
Gross carrying amount	**60,477**	**128,632**
Less credit loss allowance	-	(91)
Carrying amount	**60,477**	**128,541**
Uzbekistan government Eurobonds		
- Excellent	116,625	106,691
Gross carrying amount	**116,625**	**106,691**
Less credit loss allowance	-	(75)
Carrying amount	**116,625**	**106,616**
Total investments in debt securities measured at AC (gross carrying amount)	**217,043**	**276,735**
Credit loss allowance	**(62)**	**(233)**
Total investments in debt securities measured at AC (carrying amount)	**216,981**	**276,502**

At 31 December 2023 debt securities at AC with a carrying value of UZS 126,395 million have been pledged to third parties as collateral with respect to other borrowed funds (Mortgage refinancing company of Uzbekistan) (2022: UZS 68,430 million). Refer to 16. The counterparty is not allowed to sell further or repledge the investments.

Movements in the credit loss allowance and in the gross carrying amount of Uzbekistan government bonds at AC were as follows:

In millions of Uzbekistan Soums	**Credit loss allowance Stage 1 (12-months ECL)**	**Gross carrying amount Stage 1 (12-months ECL)**
Uzbekistan government bonds		
At 31 December 2022	(91)	**128,632**
Movements with impact on credit loss allowance charge for the period:		
Changes to ECL measurement model assumptions	48	-
Derecognised during the period	43	(65,000)
Changes in accrued interest	-	(3,155)
Total movements with impact on credit loss allowance charge for the period	**91**	**(68,155)**
At 31 December 2023	-	**60,477**

9 Investments in Debt Securities (Continued)

In millions of Uzbekistan Soums	Credit loss allowance Stage 1 (12-months ECL)	Gross carrying amount Stage 1 (12-months ECL)
Uzbekistan government bonds		
At 31 December 2021	-	-
Movements with impact on credit loss allowance charge for the period:		
New originated or purchased	(91)	128,284
Changes in accrued interest	-	348
Total movements with impact on credit loss allowance charge for the period	(91)	128,632
At 31 December 2022	**(91)**	**128,632**

(c) Investments in debt securities at FVOCI

The following table contains an analysis of debt securities at FVOCI by types:

In millions of Uzbekistan Soums	31 December 2023	31 December 2022
Central Bank of Uzbekistan	602,922	993,923
Ministry of Economy and finance of Uzbekistan	403,960	46,434
Corporate bonds	60,227	50,084
Debt securities at FVOCI	**1,067,109**	**1,090,441**

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2023, for which an ECL allowance is recognised, based on credit risk grades.

In millions of Uzbekistan Soums	Stage 1 (12-months ECL)	Total
Uzbekistan government bonds		
- Excellent	402,013	402,013
Total AC gross carrying amount	402,013	402,013
fair value adjustment	1,947	1,947
Carrying value (fair value)	**403,960**	**403,960**
Central Bank of Uzbekistan		
- Excellent	602,380	602,380
Total AC gross carrying amount	602,380	602,380
fair value adjustment	542	542
Carrying value (fair value)	**602,922**	**602,922**
Corporate bonds		
- Excellent	54,615	54,615
Total AC gross carrying amount	**54,615**	**54,615**
fair value adjustment	5,612	5,612
Carrying value (fair value)	**60,227**	**60,227**

9 Investments in Debt Securities (Continued)

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2022, for which an ECL allowance is recognised, based on credit risk grades.

In millions of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Total**
Uzbekistan government bonds		
- Excellent	46,131	46,131
Total AC gross carrying amount	46,131	46,131
fair value adjustment	303	303
Carrying value (fair value)	**46,434**	**46,434**
Central Bank of Uzbekistan		
- Excellent	993,686	993,686
Total AC gross carrying amount	993,686	993,686
fair value adjustment	237	237
Carrying value (fair value)	**993,923**	**993,923**
Corporate bonds		
- Excellent	49,642	49,642
Total AC gross carrying amount	**49,642**	**49,642**
fair value adjustment	442	442
Carrying value (fair value)	**50,084**	**50,084**

S&P Global Ratings affirmed Uzbekistan's sovereign credit ratings in foreign and local currencies at “BB-/B-” with a stable outlook. (2022: S&P Global Ratings affirmed the "BB-" Foreign Currency LT credit rating, the outlook is stable).

10 Loans and Advances to Customers, including Finance Lease Receivables

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Gross carrying amount of loans and advances to customers, including financial lease receivables at AC	16,099,708	11,605,151
Less credit loss allowance	(169,921)	(154,614)
Total carrying amount of loans and advances to customers, including financial lease receivables at AC	**15,929,787**	**11,450,537**

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

	At 31 December 2023			**31 December 2022**		
In millions of Uzbekistan soums	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**	**Gross carrying amount**	**Credit loss allowance**	**Carrying amount**
Car loans	3,778,423	(6,769)	3,771,654	1,412,560	(454)	1,412,106
Large corporate	3,732,198	(33,328)	3,698,870	3,682,223	(74,129)	3,608,094
SME	3,709,140	(19,006)	3,690,134	2,554,842	(5,007)	2,549,835
Consumer	1,994,033	(103,456)	1,890,577	1,638,798	(69,036)	1,569,762
Micro	1,605,532	(5,877)	1,599,655	1,420,375	(5,758)	1,414,617
Mortgage	1,280,382	(1,485)	1,278,897	896,353	(230)	896,123
Total loans and advances to customers, including financial lease receivables at AC	**16,099,708**	**(169,921)**	**15,929,787**	**11,605,151**	**(154,614)**	**11,450,537**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

The Loans and advances to customers, including finance lease receivables carrying amount presented in the statement of financial position best represents the Group's maximum exposure to credit risk arising from Loans and advances to customers.

More detailed explanation of classes of loans to customers are provided below:

Type of borrower	Segment of borrower
Legal entities State and non-commercial organizations Individuals entrepreneurs	Large corporate - The Loans and advances to large corporate customers of the Group. Large corporate means that the Loans and advances to one customer or customer's Group with more than UZS five billion (or equivalents of this amount) SME 1.2-5 - the Loans and advances to Small and Medium enterprises (customers) of the Group. SME means that the Loans and advances to one customer or customer's Group with more than UZS 1.2 billion until UZS 5 billion (or equivalents of these amounts) Micro - the Loans and advances to one customer or customer's Group with less than UZS 1.2 billion (or equivalent of this amount)
Individuals	Mortgage - long-term loan for the purchase or reconstruct of house or an apartment; Car loans - loan for the purchase of car, Consumer - loans given to individuals for the purchase of consumer goods (works, services). And other type loans also included for this segment.

The following tables disclose the changes in the credit loss allowance and gross carrying amount of Car loans at AC between the beginning and the end of the reporting and comparative periods:

Car loans	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2023	**1,408,670**	**2,210**	**1,680**	**1,412,560**
New originated or purchased	3,096,630	-	-	**3,096,630**
Derecognized during the period	(727,498)	(1,759)	(1,510)	**(730,767)**
Transfers from Stage 1	(17,395)	10,172	7,223	**-**
Transfers from Stage 2	396	(450)	54	**-**
Transfers from Stage 3	11	48	(59)	**-**
At 31 December 2023	**3,760,814**	**10,221**	**7,388**	**3,778,423**

Car loans	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2023	**304**	**4**	**146**	**454**
New originated or purchased	3,563	-	-	**3,563**
Derecognized during the period	(116)	(4)	(127)	**(247)**
Transfers from Stage 1	(687)	21	666	**-**
Transfers from Stage 2	1	(10)	9	**-**
Transfers from Stage 3	3	-	(3)	**-**
Net remeasurement of loss allowance	1,261	114	1,624	**2,999**
At 31 December 2023	**4,329**	**125**	**2,315**	**6,769**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Car loans	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**719,813**	**3,639**	**4,344**	**727,796**
New originated or purchased	1,089,685	-	-	**1,089,685**
Derecognized during the period	(400,875)	(1,254)	(2,792)	**(404,921)**
Transfers from Stage 1	(769)	468	301	**-**
Transfers from Stage 2	638	(690)	52	**-**
Transfers from Stage 3	178	48	(226)	**-**
At 31 December 2022	**1,408,670**	**2,211**	**1,679**	**1,412,560**

Car loans	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**71**	**1**	**216**	**288**
New originated or purchased	416	-	-	**416**
Derecognized during the period	(70)	-	(204)	**(274)**
Transfers from Stage 1	(11)	-	11	**-**
Transfers from Stage 2	-	(1)	1	**-**
Net remeasurement of loss allowance	(102)	4	122	**24**
At 31 December 2022	**304**	**4**	**146**	**454**

The following tables disclose the changes in the credit loss allowance and gross carrying amount of loans and advances to Mortgage at AC between the beginning and the end of the reporting and comparative periods:

Mortgage	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2023	**894,196**	**1,204**	**953**	**896,353**
New originated or purchased	459,510	-	-	**459,510**
Derecognized during the period	(74,699)	(55)	(727)	**(75,481)**
Transfers from Stage 1	(1,062)	580	482	**-**
Transfers from Stage 2	730	(945)	215	**-**
At 31 December 2023	**1,278,675**	**784**	**923**	**1,280,382**

Mortgage	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2023	**146**	**1**	**83**	**230**
New originated or purchased	463	-	-	**463**
Derecognized during the period	(11)	-	(83)	**(94)**
Transfers from Stage 1	(126)	8	118	**-**
Transfers from Stage 2	-	(31)	31	**-**
Net remeasurement of loss allowance	818	32	36	**886**
At 31 December 2023	**1,290**	**10**	**185**	**1,485**

Mortgage	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**522,373**	**2,610**	**2,553**	**527,536**
New originated or purchased	393,176	-	-	**393,176**
Derecognized during the period	(22,612)	(357)	(1,390)	**(24,359)**
Transfers from Stage 1	(1,228)	794	434	**-**
Transfers from Stage 2	1,843	(1,843)	-	**-**
Transfers from Stage 3	645	-	(645)	**-**
At 31 December 2022	**894,197**	**1,204**	**952**	**896,353**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Mortgage	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**68**	**1**	**83**	**152**
New originated or purchased	123	-	-	**123**
Derecognized during the period	(46)	-	(23)	**(69)**
Transfers from Stage 1	(6)	-	6	**-**
Net remeasurement of loss allowance	7	1	16	**24**
At 31 December 2022	**146**	**2**	**82**	**230**

At 31 December 2023 Mortgage loans to customers at AC with a carrying value of UZS 667,594 million (2022: UZS 408,663 million) was pledged to third parties as collateral with respect to other borrowed funds (Mortgage refinancing company of Uzbekistan). It refers in Note 16.

The following tables disclose the changes in the credit loss allowance and gross carrying amount of loans to Consumer at AC between the beginning and the end of the reporting and comparative periods:

Consumer	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2023	**1,600,975**	**14,002**	**23,821**	**1,638,798**
New originated or purchased	1,356,502	-	-	**1,356,502**
Derecognized during the period	(980,147)	(10,530)	(10,585)	**(1,001,262)**
Transfers from Stage 1	(65,588)	24,129	41,459	**-**
Transfers from Stage 2	1,821	(2,914)	1,093	**-**
Transfers from Stage 3	256	162	(418)	**-**
Write-offs	-	-	(5)	**(5)**
At 31 December 2023	**1,913,819**	**24,849**	**55,365**	**1,994,033**

Consumer	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2023	**45,820**	**1,372**	**21,844**	**69,036**
New originated or purchased	41,318	-	-	**41,318**
Derecognized during the period	(30,972)	(1,097)	(20,092)	**(52,161)**
Transfers from Stage 1	(8,599)	381	8,218	**-**
Transfers from Stage 2	95	(1,162)	1,067	**-**
Transfers from Stage 3	12	13	(25)	**-**
Net remeasurement of loss allowance	10,620	2,923	31,725	**45,268**
Write-offs	-	-	(5)	**(5)**
At 31 December 2023	**58,294**	**2,430**	**42,732**	**103,456**

Consumer	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**1,458,980**	**18,640**	**63,526**	**1,541,146**
New originated or purchased	1,008,724	-	-	**1,008,724**
Derecognized during the period	(856,986)	(8,131)	(45,846)	**(910,963)**
Transfers from Stage 1	(12,584)	6,694	5,890	**-**
Transfers from Stage 2	2,407	(3,281)	874	**-**
Transfers from Stage 3	434	81	(515)	**-**
Write-offs	-	-	(109)	**(109)**
At 31 December 2022	**1,600,975**	**14,003**	**23,820**	**1,638,798**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Consumer	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**39,172**	**1,477**	**56,007**	**96,656**
New originated or purchased	29,501	-	-	**29,501**
Derecognized during the period	(19,888)	(1,251)	(53,021)	**(74,160)**
Transfers from Stage 1	(5,524)	635	4,889	**-**
Transfers from Stage 2	85	(801)	716	**-**
Transfers from Stage 3	16	7	(23)	**-**
Net remeasurement of loss allowance	2,460	1,304	13,384	**17,148**
Write-offs	-	-	(109)	**(109)**
At 31 December 2022	**45,822**	**1,371**	**21,843**	**69,036**

The following tables disclose the changes in the credit loss allowance and gross carrying amount of loans to Large corporate at AC between the beginning and the end of the reporting and comparative periods:

Large corporate	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2023	**3,199,813**	**372,777**	**109,633**	**3,682,223**
New originated or purchased	1,844,829	-	-	**1,844,829**
Derecognized during the period	(1,773,662)	(193,501)	(103,515)	**(2,070,678)**
Transfers from Stage 1	(63,448)	39,356	24,092	**-**
Transfers from Stage 2	160,899	(166,543)	5,644	**-**
Transfers from Stage 3	409	-	(409)	**-**
Foreign exchange adjustments	268,838	4,157	2,829	**275,824**
At 31 December 2023	**3,637,678**	**56,246**	**38,274**	**3,732,198**

Large corporate	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2023	**2,399**	**13,503**	**58,227**	**74,129**
New originated or purchased	3,051	-	-	**3,051**
Derecognized during the period	(1,756)	(11,000)	(58,227)	**(70,983)**
Transfers from Stage 1	(20,604)	11,520	9,084	**-**
Transfers from Stage 2	195	(224)	29	**-**
Transfers from Stage 3	1	-	(1)	**-**
Net remeasurement of loss allowance	22,346	20	2,638	**25,004**
Foreign exchange adjustments	384	942	801	**2,127**
At 31 December 2023	**6,016**	**14,761**	**12,551**	**33,328**

The decline in large corporate loans' ECL compared to the prior year is related to BF Textile SC LLC, where a total of UZS 55,734 million was fully repaid by the customer. This repayment encompassed both the gross loans and the UZS 73,951 million in write-off loans, which were accounted for in 2021.

Large corporate	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**3,199,376**	**83,205**	**138,020**	**3,420,601**
New originated or purchased	1,883,315	-	-	**1,883,315**
Derecognized during the period	(1,592,777)	(26,863)	(37,761)	**(1,657,401)**
Transfers from Stage 1	(356,864)	346,463	10,401	**-**
Transfers from Stage 2	33,115	(34,273)	1,158	**-**
Transfers from Stage 3	2,552	622	(3,174)	**-**
Foreign exchange adjustments	31,096	3,623	1,065	**35,784**
Write-offs	-	-	(76)	**(76)**
At 31 December 2022	**3,199,813**	**372,777**	**109,633**	**3,682,223**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Large corporate	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**2,387**	**10,266**	**12,784**	**25,437**
New originated or purchased	3,823	-	-	**3,823**
Derecognized during the period	(1,576)	(10,247)	(6,671)	**(18,494)**
Transfers from Stage 1	(10,890)	10,890	-	**-**
Transfers from Stage 2	10	(10)	-	**-**
Transfers from Stage 3	-	-	-	**-**
Net remeasurement of loss allowance	8,617	2,449	51,521	**62,587**
Foreign exchange adjustments	28	155	669	**852**
Write-offs	-	-	(76)	**(76)**
At 31 December 2022	**2,399**	**13,503**	**58,227**	**74,129**

The following tables disclose the changes in the credit loss allowance and gross carrying amount of loans to SME at AC between the beginning and the end of the reporting and comparative periods:

SME	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2023	**2,450,298**	**59,885**	**44,659**	**2,554,842**
New originated or purchased	2,406,041	-	-	**2,406,041**
Derecognized during the period	(1,389,359)	(25,242)	(13,192)	**(1,427,793)**
Transfers from Stage 1	(64,951)	55,922	9,029	**-**
Transfers from Stage 2	20,881	(22,430)	1,549	**-**
Transfers from Stage 3	650	-	(650)	**-**
Foreign exchange adjustments	170,592	3,395	2,063	**176,050**
At 31 December 2023	**3,594,152**	**71,530**	**43,458**	**3,709,140**

SME	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2023	**872**	**156**	**3,979**	**5,007**
New originated or purchased	3,763	-	-	**3,763**
Derecognized during the period	(302)	(106)	(2,558)	**(2,966)**
Transfers from Stage 1	(5,988)	3,839	2,149	**-**
Transfers from Stage 2	42	(332)	290	**-**
Transfers from Stage 3	3	-	(3)	**-**
Net remeasurement of loss allowance	7,096	1,520	4,126	**12,742**
Foreign exchange adjustments	136	126	198	**460**
At 31 December 2023	**5,622**	**5,203**	**8,181**	**19,006**

SME	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**1,993,154**	**39,022**	**83,620**	**2,115,796**
New originated or purchased	1,555,657	-	-	**1,555,657**
Derecognized during the period	(1,067,040)	(13,768)	(47,875)	**(1,128,683)**
Transfers from Stage 1	(55,555)	41,844	13,711	**-**
Transfers from Stage 2	5,993	(8,250)	2,257	**-**
Transfers from Stage 3	4,512	705	(5,217)	**-**
Foreign exchange adjustments	13,576	332	247	**14,155**
Write-offs	-	-	(2,083)	**(2,083)**
At 31 December 2022	**2,450,297**	**59,885**	**44,660**	**2,554,842**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

SME	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**1,354**	**223**	**7,890**	**9,467**
New originated or purchased	951	-	-	**951**
Derecognized during the period	(955)	(223)	(7,593)	**(8,771)**
Transfers from Stage 1	(890)	156	734	**-**
Net remeasurement of loss allowance	412	-	5,026	**5,438**
Foreign exchange adjustments	1	-	4	**5**
Write-offs	-	-	(2,083)	**(2,083)**
At 31 December 2022	**873**	**156**	**3,978**	**5,007**

The following tables disclose the changes in the credit loss allowance and gross carrying amount of loans to Micro at AC between the beginning and the end of the reporting and comparative periods:

Micro	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2023	**1,376,755**	**11,593**	**32,027**	**1,420,375**
New originated or purchased	1,127,850	-	-	**1,127,850**
Derecognized during the period	(922,197)	(5,176)	(24,210)	**(951,583)**
Transfers from Stage 1	(14,300)	7,345	6,955	**-**
Transfers from Stage 2	1,029	(1,110)	81	**-**
Transfers from Stage 3	395	27	(422)	**-**
Foreign exchange adjustments	8,786	71	81	**8,938**
Write-offs	-	-	(48)	**(48)**
At 31 December 2023	**1,578,318**	**12,750**	**14,464**	**1,605,532**

Micro	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2023	**347**	**11**	**5,400**	**5,758**
New originated or purchased	2,128	-	-	**2,128**
Derecognized during the period	(196)	(11)	(5,000)	**(5,207)**
Transfers from Stage 1	(1,403)	27	1,376	**-**
Transfers from Stage 2	1	(10)	9	**-**
Transfers from Stage 3	1	-	(1)	**-**
Net remeasurement of loss allowance	2,091	45	1,095	**3,231**
Foreign exchange adjustments	8	-	7	**15**
Write-offs	-	-	(48)	**(48)**
At 31 December 2023	**2,977**	**62**	**2,838**	**5,877**

Micro	*Stage1*	*Stage2*	*Stage3*	*Total*
Gross carrying value as at 1 January 2022	**1,230,585**	**23,327**	**47,489**	**1,301,401**
New originated or purchased	922,206	-	-	**922,206**
Derecognized during the period	(767,117)	(14,908)	(21,746)	**(803,771)**
Transfers from Stage 1	(13,877)	6,598	7,279	**-**
Transfers from Stage 2	3,110	(3,752)	642	**-**
Transfers from Stage 3	843	321	(1,164)	**-**
Foreign exchange adjustments	1,004	8	23	**1,035**
Write-offs	-	-	(496)	**(496)**
At 31 December 2022	**1,376,754**	**11,594**	**32,027**	**1,420,375**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Micro	*Stage1*	*Stage2*	*Stage3*	*Total*
ECL as at 1 January 2022	**772**	**255**	**3,842**	**4,869**
New originated or purchased	539	-	-	**539**
Derecognized during the period	(738)	(252)	(3,357)	**(4,347)**
Transfers from Stage 1	(265)	3	262	**-**
Transfers from Stage 2	-	(63)	63	**-**
Transfers from Stage 3	1	2	(3)	**-**
Net remeasurement of loss allowance	38	67	5,088	**5,193**
Foreign exchange adjustments	-	-	-	**-**
Write-offs	-	-	(496)	**(496)**
At 31 December 2022	**347**	**12**	**5,399**	**5,758**

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

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Individuals and individual entrepreneurs	8,288,676	5,086,623
Trade and services	2,900,812	2,406,732
Manufacturing	2,612,812	2,527,341
Transportation	1,309,221	800,362
Construction	492,360	413,623
Agriculture	166,857	191,091
Other	328,970	179,379
Total loans and advances to customers, including financial lease receivables carried at AC	**16,099,708**	**11,605,151**

Loans to trade and services enterprises included not-for-profit service organisations. At 31 December 2023 Loans amount to not-profit organisations were UZS 1,755 million (31 December 2022: UZS 9,094 million).

At 31 December 2023 the Group had 4 borrowers (31 December 2022: 6 borrowers) with aggregated loan amounts above UZS 100,000 million. The total aggregate amount of these loans was UZS 613,333 million (31 December 2022: UZS 806,401 million) or 3.8% of the gross loan portfolio (31 December 2022: 6.9%).

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

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

In millions of Uzbekistan Soums	**Car loans**	**SME**	**Micro**	**Consumer**	**Mortgage**	**Large corporate**	**Total**
Loans guaranteed by other parties	394	266,586	18,746	999,796	433	1,058,418	**2,344,373**
Loans guaranteed by Insurance companies	467,553	242,263	53,641	30	242	170,784	**934,513**
Loans collateralised by:							
Motor vehicles	3,310,066	1,629,819	1,009,773	369,319	227	200,805	**6,520,009**
Real estate	-	1,462,167	520,052	15,259	1,279,480	1,622,472	**4,899,430**
Equipment	-	58,529	670	-	-	557,568	**616,767**
Cash deposit	-	25,769	1,188	365	-	85,660	**112,982**
Inventory	-	438	1,411	250	-	32,989	**35,088**
Total	**3,778,013**	**3,685,571**	**1,605,481**	**1,385,019**	**1,280,382**	**3,728,696**	**15,463,162**
Unsecured exposures	410	23,569	51	609,014	-	3,502	**636,546**
Total carrying value loans and advances to customers, including financial lease receivables at AC	**3,778,423**	**3,709,140**	**1,605,532**	**1,994,033**	**1,280,382**	**3,732,198**	**16,099,708**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

Description of collateral held for loans to customers carried at amortised cost, including finance lease receivables is as follows at 31 December 2022:

In millions of Uzbekistan Soums	Car loans	SME	Micro	Consumer	Mortgage	Large corporate	Total
Loans guaranteed by other parties	108	174,317	23,489	1,299,274	706	1,021,506	**2,519,400**
Loans guaranteed by Insurance companies	202,387	200,304	57,098	27	357	201,990	**662,163**
Loans collateralised by:							
Real estate	-	1,068,396	498,817	14,906	894,232	1,631,969	**4,108,320**
Motor vehicles	1,209,129	1,050,082	836,536	274,554	486	221,788	**3,592,575**
Equipment	-	45,172	366	-	-	519,956	**565,494**
Cash deposit	9	13,288	1,328	180	-	45,115	**59,920**
Inventory	-	109	2,196	-	-	38,849	**41,154**
Other	-	-	-	282	**-**	**-**	**282**
Total	**1,411,633**	**2,551,668**	**1,419,830**	**1,589,223**	**895,781**	**3,681,173**	**11,549,308**
Unsecured exposures	927	3,174	545	49,575	**572**	**1,050**	**55,843**
Total carrying value loans and advances to customers, including financial lease receivables at AC	**1,412,560**	**2,554,842**	**1,420,375**	**1,638,798**	**896,353**	**3,682,223**	**11,605,151**

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). The tables below provides such analysis at 31 December 2023 and 31 December 2022:

	Over-collateralised assets		**Under-collateralised assets**	
In millions of Uzbekistan Soums	**Carrying value of the assets**	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
SME	43,458	131,485	-	-
Large corporate	37,333	91,696	941	-
Micro	14,069	30,516	394	354
Consumer	10,720	18,548	44,646	3,035
Car loans	7,386	9,329	2	-
Mortgage	923	1,193	-	-
Total	**113,889**	**282,767**	**45,983**	**3,389**

10 Loans and Advances to Customers, including Finance Lease Receivables (Continued)

In millions of Uzbekistan Soums	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets	**Value of collateral**	**Carrying value of the assets**	**Value of collateral**
Large corporate	109,633	316,269	-	-
SME	44,034	104,988	625	586
Micro	25,380	53,688	6,647	6,108
Consumer	15,569	29,333	8,252	6,676
Car loans	1,680	3,975	-	-
Mortgage	892	1,321	61	-
Total	**197,188**	**509,574**	**15,585**	**13,370**

The Group obtains collateral valuation at the time of granting loans and generally updates it every one to three years, depending on the significance of the loan exposure. The values of collateral considered in this disclosure are after a valuation haircut of 20-50% applied to consider liquidity and quality of the pledged assets.

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In millions of Uzbekistan Soums	**Not later than one year**	**From one year to five years**	**Total**
Finance lease payments receivable at 31 December 2023	144,105	162,238	**306,343**
Unearned finance income	(33,878)	(25,982)	**(59,860)**
Credit loss allowance	(1,091)	(1,349)	**(2,440)**
Present value of lease payments receivable At 31 December 2023	**109,136**	**134,907**	**244,043**

In millions of Uzbekistan Soums	**Not later than one year**	**From one year to five years**	**Total**
Finance lease payments receivable at 31 December 2022	104,211	66,078	**170,289**
Unearned finance income	(22,015)	(9,821)	**(31,836)**
Credit loss allowance	(166)	(114)	**(280)**
Present value of lease payments receivable at 31 December 2022	**82,030**	**56,143**	**138,173**

Refer to Note 33 for the estimated fair value of each class of loans and advances to customers, including finance lease receivables. Interest rate analysis of loans and advances to customers is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

11 Other Assets

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Prepayments with property and equipment under finance lease agreement	220,479	19,483
Prepayments to suppliers	25,843	8,321
Prepayments to suppliers for Construction in progress	13,253	6,125
Repossessed collateral	11,586	14,977
Inventory	17,471	9,113
Prepaid origination fee on other borrowed fund	-	2,226
Settlements with employees	61	86
Other	2,993	2,854
Total other assets	**291,686**	**63,185**

Prepayments to suppliers included Prepayments for services. They were UZS 11,924 million for the year ended 31 December 2023 (31 December 2022: UZS 10,419 million).

11 Other Assets (Continued)

Repossessed collateral represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future.

All of the above assets are expected to be recovered within twelve months after the year end.

12 Premises, Equipment and Intangible Assets

Construction in progress consists of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to premises and equipment.

Intangible assets mainly comprises bespoke computer softwares for the bank, provided by third party vendors, with finite useful lives that amortized over 5 years.

Cost In millions of Uzbekistan Soums	**Premises**	**Construc-tion in progress**	**Office and computer equip-ment**	**Payment terminals (under operating lease)**	**Total property and equip-ment**	**Intangible assets**	**Total**
1 January 2022	**188,742**	**-**	**221,260**	**22,812**	**432,814**	**45,814**	**478,628**
Additions	13,419	16,603	30,610	-	**60,632**	14,267	**74,899**
Disposals	(488)	-	(7,422)	(194)	**(8,104)**	-	**(8,104)**
Transfers	15,857	(16,603)	378	368	**-**	-	**-**
31 December 2022	**217,530**	**-**	**244,826**	**22,986**	**485,342**	**60,081**	**545,423**
Additions	93,479	24,672	57,006	-	**175,157**	11,652	**186,809**
Disposals	(11,082)	-	(10,644)	(332)	**(22,058)**	(2,107)	**(24,165)**
Transfers	24,178	(24,672)	(639)	1,133	**-**	-	**-**
31 December 2023	**324,105**	**-**	**290,549**	**23,787**	**638,441**	**69,626**	**708,067**

Accumulated depreciation, In millions of Uzbekistan Soums	**Premises**	**Construc-tion in progress**	**Office and computer equip-ment**	**Payment terminals (under operating lease)**	**Total property and equip-ment**	**Intangible assets**	**Total**
1 January 2022	**32,467**	**-**	**102,147**	**9,938**	**144,552**	21,907	**166,459**
Charge for the year	9,209	-	49,146	4,471	**62,826**	8,391	**71,217**
Disposals	(23)	-	(7,270)	(126)	**(7,419)**	-	**(7,419)**
Transfers	127	-	24	(151)	**-**	-	**-**
31 December 2022	**41,780**	**-**	**144,047**	**14,132**	**199,959**	**30,298**	**230,257**
Charge for the year	10,943	-	49,162	4,475	**64,580**	11,222	**75,802**
Disposals	(3,056)	-	(5,643)	(253)	**(8,952)**	(2,106)	**(11,058)**
Transfers	-	-	52	(52)	**-**	-	**-**
31 December 2023	**49,667**	**-**	**187,618**	**18,302**	**255,587**	**39,414**	**295,001**
Net book value							
31 December 2022	**175,750**	**-**	**100,779**	**8,854**	**285,383**	**29,783**	**315,166**
31 December 2023	**274,438**	**-**	**102,931**	**5,485**	**382,854**	**30,212**	**413,066**

13 Right of Use Assets and Lease Liabilities

The Group leases various offices. Rental contracts are typically made for fixed periods of 5.5 years.

All leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

The right of use assets by class of underlying items is analysed as follows:

In thousands of Uzbekistan Soums	**Note**	**Buildings**
Carrying amount at 1 January 2022		**11,723**
Depreciation charge	12	(5,951)
Carrying amount at 31 December 2022		**5,772**
Addition		75,525
Depreciation charge	12	(9,281)
derecognition of the right of use asset		(2,301)
Carrying amount At 31 December 2023		**69,715**

Interest expense on lease liabilities was UZS 6,536 million (2022: UZS 2,766 million). Total cash outflow for leases in 2023 was UZS 14,704 million (2022: UZS 10,680 million).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

Expenses relating to leases of low-value assets that are not shown as short-term leases are included in general and administrative expenses (Note 24). Related Party Transactions are disclosed in Note 34.

14 Due to Other Banks

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Correspondent accounts and overnight placements of other banks	126,315	352,653
Term placements of other banks	61,777	125,312
Security deposits of other financial institutions	51,135	94,401
Total due to other banks	**239,227**	**572,366**

Refer to Note 33 for the disclosure of the fair value of due to other banks. Interest rate analysis of due to other banks is disclosed in Note 30.

15 Customer Accounts

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Private and legal entities:		
- Current accounts	1,868,871	1,915,055
- Time deposits	1,371,073	1,379,599
Individuals:		
- Time deposits	3,392,550	2,618,522
- Current accounts	1,029,241	772,694
Total amounts due to customers	**7,661,735**	**6,685,870**

15 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

In millions of Uzbekistan Soums	31 December 2023 Amount	%	31 December 2022 Amount	%
Individuals	4,421,791	58%	3,391,215	51%
Trade and services	1,165,597	15%	1,070,594	16%
Manufacturing	1,056,298	14%	1,164,460	17%
State and budgetary organizations	514,910	7%	752,910	11%
Construction	216,826	3%	218,921	3%
Non-governmental organizations	106,414	1%	71,675	1%
Other	179,899	2%	16,095	0%
Total customer accounts	**7,661,735**	**100%**	**6,685,870**	**100%**

At 31 December 2023, the Group had 8 customers (31 December 2022: 8 customers) with balances above UZS 50,000 million. The aggregate balance of these customers was UZS 925,805 million (31 December 2022: UZS 1,081,926 million) or 12% (31 December 2022: 16%) of total customer accounts.

At 31 December 2023, included in customer accounts are deposits of UZS 38,607 million (31 December 2022: UZS 53,292 million) held as collateral for irrevocable commitments under import letters of credit (Note 31). Refer to Note 33 for the disclosure of the fair value of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 30.

Information on related party balances is disclosed in Note 34.

16 Other Borrowed Funds

In millions of Uzbekistan Soums	31 December 2023	31 December 2022
Nederlandse Finacierings - Maatschappij Voor Ontwikkelingsladen ("FMO")	923,178	565,899
Asian Development Bank ("ADB")	901,538	961,053
Symbiotics Sicav	685,651	466,568
Mortgage refinancing company of Uzbekistan	645,990	395,598
Ministry of Economy and finance of Uzbekistan	467,719	346,627
Blue Orchard Microfinance Fund	458,814	415,812
European Bank for Reconstruction and Development	458,684	458,641
JICA	431,336	-
IIV - Mikrofinanzfonds ("Mikrofinanzfonds")	428,856	378,730
ResponsAbility Investments AG	428,487	275,466
DEG - Deutsche Investitions- und Entwicklungsgesellschaft	416,692	-
International Development Association ("IDA")	364,048	363,165
International Bank for Reconstruction and Development - World Bank	338,934	304,288
Reconstruction and development fund of Republic of Uzbekistan	188,110	51,284
International Finance Corporation	168,353	169,004
Frankfurt School	138,422	90,762
Triodos Microfinance Fund	129,796	112,607
Microfinance Enhancement Facility SA	124,122	112,640
Bank Im Bistum Essen ("BIBS")	111,081	96,969
Fund of Supporting agriculture sector under Ministry of Finance of Uzbekistan	88,255	75,566
Microfinance Fund Triple Jump B.V. ("Triple Jump")	82,011	119,119
EMF Microfinance Fund	80,707	73,019
Stucture of the Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan	73,944	53,530
AgRIF	65,449	-
Others	205,513	355,259
Total other borrowed funds at AC	**8,405,690**	**6,241,607**

16 Other Borrowed Funds (Continued)

Borrowings from "FMO" represent four UZS (15.89-19.56% p.a.), and one USD 4.05% p.a. denominated long-term loans maturing untill July 2026. The loans were borrowed to finance the development of microfinancing and SME.

Borrowings from "ADB" represent one UZS (17.25%), and four USD denominated long-term loans maturing until November 2036 issued with interest rates ranging from 3% to SOFR plus 0.7% per annum. The loans were borrowed to finance small business sector of economy and agricultural sector.

Borrowings from "Symbiotics" represent six USD (4% p.a), one EUR (5.25% p.a.) and ten UZS (17-20.25% p.a) denominated long-term loans maturing between June 2024 untill April 2026 These loans were borrowed to finance the development of microfinancing and SME.

Borrowings from "Mortgage refinancing company of Uzbekistan" represent eighteen UZS (12.5-13% p.a) denominated long-term loans maturing between December 2024 untill April 2042 These loans were borrowed to finance individuals to development of mortgages in Uzbekistan.

Borrowings from "European Bank for Reconstruction and Development" represent six EUR (6-8% p.a.), five USD (SOFR+3.5 until SOFR+5%), three UZS (15.34-20.02%) denominated long-term loans maturing from January 2024 untill June 2028. The loans were borrowed to finance the development of microfinancing and SME.

Borrowings from "Blue Orchard Microfinance Fund" represent three USD (5%-7.9% p.a.) denominated long-term loans maturing from February 2024 untill December 2025. The loans were borrowed to finance the development of microfinancing and SME.

The Group has to comply with specific financial and non-financial covenants on obtained funds. Information compliance on covenants are given in Note 31. As of 31 December 2023 and 31 December 2022, the Group has not breached covenants on other borrowed funds. Information on maturity analysis is given in Note 30. Refer to Note 33 for disclosure of the fair value of other borrowed funds. Interest rate analysis of other borrowed funds is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

17 Other Financial Liabilities

Other financial liabilities comprise the following:

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Other financial liabilities at AC		
Payable to State deposit insurance fund	11,186	8,449
Plastic card transactions	8,818	1,951
Payable to suppliers	6,419	4,370
Dividends payable	929	14
Provisions for Commitments and contingencies	289	275
Other financial liabilities	2,917	3,731
Total other financial liabilities at AC	**30,558**	**18,790**
Other financial liabilities mandatorily measured at FVTPL		
Other derivative financial instruments	386	-
Total other financial liabilities at FVTPL	**386**	**-**
Total other financial liabilities	**30,944**	**18,790**

Refer to Note 31 for analysis of exposure from financial guarantees and loan commitments by credit risk grades.

18 Other Liabilities

Other liabilities comprise the following:

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Insurance liability (IFRS 17):	40,488	-
- Insurance liability	*39,676*	-
- Insurance and reinsurance accounts payable	*812*	-
Unearned premium provision of insurances	-	43,134
Payable to employees	38,625	22,150
Accrued unused vacation	22,560	15,297
Other tax liabilities	9,315	6,436
Unearned commission revenue	1,002	5,205
Advances received	2,782	2,999
Other non-financial liabilities	3,166	2,210
Total other liabilities	**117,938**	**97,431**

The transition effect of adopting of IFRS 17 for Insurance liability of the Group as at 1 January 2023 is provided in the following table:

In millions of Uzbekistan Soums	***Unearned premium provision of insurances under IFRS 4 at 31 December 2022***	***Remeasurement***	***Insurance liability under IFRS 17 at 1 January 2023***
Unearned premium provision of insurances	43,134	(43,134)	-
Insurance liability	-	27,699	27,699
Insurance and reinsurance accounts payable	-	874	874
Total	**43,134**	**(14,561)**	**28,573**

An analysis of the insurance contract liabilities for remaining coverage and liabilities for incurred claims at the end of the reporting period in profit or loss is provided in the following table:

In millions of Uzbekistan Soums	**Liabilities for remaining coverage**	**Liabilities for incurred claims**	**Total**
Insurance contract liabilities as at 1 January 2023	**23,772**	**3,927**	**27,699**
Insurance contract revenue	(22,816)	-	(22,816)
Insurance service expenses	1,227	13,994	15,221
Insurance service result	**(21,589)**	**13,994**	**(7,595)**
Insurance finance expenses	8,459	-	8,459
Total charges in the statement of PL	**(13,130)**	**13,994**	**864**
Cash flows in the period			
Premiums received	28,817	-	28,817
Claims and other directly attributable expenses paid	-	(15,548)	(15,548)
Insurance acquisition cash flows	(2,156)	-	(2,156)
Total cash flows	**26,661**	**(15,548)**	**11,113**
Net insurance contract liabilities as at 31 December 2023	**37,303**	**2,373**	**39,676**

Insurance finance expenses is presented within ‘other similar expenses’ line in profit or loss (Note 21) and insurance services expenses were included in administrative and other operating expenses (Note 24).

19 Subordinated Debt

Subordinated debt of UZS 502,173 million (31 December 2022: UZS 411,230 million) carries a fixed interest rate of 6.2 % p.a.(in EUR), 7.5-12 % p.a. (in USD), 18.5% (in UZS) and matures between April 2024 and September 2030. The debt ranks after all other creditors in the case of liquidation.

Refer to Note 33 for the disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

20 Share Capital

In millions of Uzbekistan Soums	Number of outstanding shares (in million)	Ordinary shares	Share premium	Inflation adjustment	Preference shares	Total
At 1 January 2022	**21,555**	**104,408**	**77,751**	**2,154**	**3,367**	**187,680**
At 31 December 2022	**21,555**	**104,408**	**77,751**	**2,154**	**3,367**	**187,680**
New shares issued	43,110	208,816	-	-	6,734	215,550
At 31 December 2023	**64,665**	**313,224**	**77,751**	**2,154**	**10,101**	**403,230**

The total authorised number of ordinary shares is 62,645 million shares (31 December 2022: 20,882 million shares), with a par value of UZS 5 per share (31 December 2022: UZS 5 per share). All issued ordinary shares are fully paid.

The total authorised number of preference shares is 2,020 million shares (31 December 2022: 673 million shares), with a par value of UZS 5 per share (31 December 2022: UZS 5 per share). All issued preference shares are fully paid.

The preferred shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. Preference share dividends are discretionary and set at 30 % p.a. (2021: 30% p.a.) and rank above ordinary dividends.

Share premium represents the excess of contributions received over the nominal value of shares issued.

Retained earnings includes "General Purpose Fund" which was approved by decision of General meeting of shareholders of the Group: at 31 December 2023 – UZS 1,458,376 million (2022: UZS 958,376 million)

21 Interest Income and Expense

In millions of Uzbekistan Soums	**2023**	**2022**
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	2,861,247	2,003,287
Debt securities at FVOCI	151,632	154,402
Due from other banks at AC	152,108	65,518
Cash and cash equivalents	25,153	26,686
Debt securities at AC	18,487	23,713
Total interest income calculated using the effective interest method	**3,208,627**	**2,273,606**
Other similar income		
Finance lease receivables	45,608	37,781
Investment in debt securities at FVPTL	2,516	4,165
Total other similar income	**48,124**	**41,946**
Total interest income	**3,256,751**	**2,315,552**
Interest and other similar expense		
Deposits of legal entities and individuals	742,529	506,169
Other borrowed funds	707,526	506,141
Subordinated debt	42,176	38,267
Due to other banks	25,010	18,555
Debt securities in issue	1,294	1,002
Total interest expense	**1,518,535**	**1,070,134**
Other similar expense		
Interest expenses from SWAP	13,265	85,282
Interest expense on lease liabilities	6,536	2,766
Other	10,170	-
Total other similar expense	**29,971**	**88,048**
Total interest expense	**1,548,506**	**1,158,182**
Net margin on interest and similar income	**1,708,245**	**1,157,370**

22 Fee and Commission Income and Expense

In millions of Uzbekistan Soums	2023					2022				
	Retail banking	**Corporate banking**	**Treasury**	**Other**	**Total**	**Retail banking**	**Corporate banking**	**Treasury**	**Other**	**Total**
Fee and commission income										
Fee and commission income not relating to financial instruments at FVTPL:										
-Settlement transactions	20,787	163,522	-	-	184,309	20,463	160,292	-	-	180,755
-Cash transactions	122,984	17,452	-	-	140,436	97,572	14,757	-	-	112,329
-International money transfers	81,321	44,703	-	-	126,024	77,968	32,228	-	-	110,196
-Plastic cards	80,783	1,093	-	-	81,876	63,426	-	-	-	63,426
-Agent fee from insurance companies	-	-	-	34,499	34,499	-	-	-	12,717	12,717
-Conversion operations	549	5,230	-	-	5,779	694	3,792	-	-	4,486
-Commission on guarantees	-	3,493	-	-	3,493	-	2,961	-	-	2,961
-Commission on letter of credits	-	1,120	-	-	1,120	-	1,751	-	-	1,751
-Other	2,901	9,855	-	-	12,756	2,932	6,058	580	-	9,570
Total fee and commission income	**309,325**	**246,468**	**-**	**34,499**	**590,292**	**263,055**	**221,839**	**580**	**12,717**	**498,191**
Fee and commission expense										
Fee and commission expense not relating to financial instruments at FVTPL:										
-Settlement transactions	4,603	28,749	48,737	-	82,089	7,301	11,008	15,813	-	34,122
-Plastic cards operations	37,028	751	-	-	37,779	24,885	-	-	-	24,885
-Cash collection services	-	3,489	18,806	-	22,295	-	5,555	51	-	5,606
-Conversion and purchase of foreign currency	288	3,336	-	-	3,624	42	4,025	17,557	-	21,624
-Collateral registry fees	-	2,792	-	-	2,792	-	1,587	-	-	1,587
-Credit bureau fees	-	1,453	-	-	1,453	-	883	-	-	883
-Other	3,105	3,691	207	189	7,192	892	3,465	-	678	5,035
Total fee and commission expense	**45,024**	**44,261**	**67,750**	**189**	**157,224**	**33,120**	**26,523**	**33,421**	**678**	**93,742**
Net fee and commission income/(expense)	**264,301**	**202,207**	**(67,750)**	**34,310**	**433,068**	**229,935**	**195,316**	**(32,841)**	**12,039**	**404,449**

23 Other Operating Income

In millions of Uzbekistan Soums	**2023**	**2022**
Insurance contract revenue (IFRS 17)	22,816	-
Income from Insurance services	-	26,301
Fines and penalties	9,813	6,908
Income from rent of office space and terminals	2,874	2,811
Gain on disposal of premises and equipment	9,061	1,697
Dividend income from Investments in equity securities	1,069	708
Income on depository services	2,480	560
Other	1,853	1,827
Total other operating income	**49,966**	**40,812**

The table below outlines the remeasurement effect resulting from the adoption of IFRS 17 for the comparative period of 2022.

In millions of Uzbekistan Soums	***Income from Insurance services under IFRS 4***	***Remeasurement***	***Insurance Service revenue under IFRS 17***
Income from Insurance services	26,301	(26,301)	-
Insurance contract revenue	-	23,504	23,504
Total	**26,301**	**2,797**	**23,504**

24 Administrative and Other Operating Expenses

In millions of Uzbekistan Soums	**Note**	**2023**	**2022**
Staff costs		797,619	591,951
Depreciation and amortization		75,803	71,217
Repairs and maintenance		47,570	41,547
Membership fees and dues		40,407	28,212
Professional services		27,562	13,773
Security services		26,364	33,454
Stationery		25,797	19,911
Insurance service expenses		15,221	20,659
Advertising and publicity		15,159	9,113
Taxes other than profit taxes		9,306	5,801
Depreciation of right use of assets		9,281	5,950
Low-value assets lease expense		8,552	7,290
Utilities		6,436	5,169
Representation and Entertainment		6,374	4,294
Postage, telephone and fax		5,303	4,160
Travel		4,346	3,917
Fuel		2,872	2,391
Fine and penalties		137	353
Charity		491	292
Other		9,694	30,522
Adminstrative and Other Operating expenses		**1,134,294**	**899,976**

Included in professional services in the table above are audit services of UZS 2,572 million (2022: UZS 1,626 million), including the audits of the Bank and the subsidiary.

24 Administrative and Other Operating Expenses (Continued)

Staff costs were as follows:

In millions of Uzbekistan Soums	Note	2023	2022
Salaries and bonuses		667,755	490,851
Social tax (Pension fund)		81,310	60,284
Other employee benefits		48,554	40,816
Staff costs		**797,619**	**591,951**

The table below outlines the remeasurement effect resulting from the adoption of IFRS 17 for the comparative period of 2022.

In millions of Uzbekistan Soums	*Income from Insurance services under IFRS 4*	*Remeasurement*	*Insurance Service revenue under IFRS 17*
Expenses from Insurance services	43,317	(43,317)	-
Insurance service expenses	-	31,315	31,315
Total	**43,317**	**(12,002)**	**31,315**

Included in professional services in the table above are audit services of UZS 2,572 million (2022: UZS 1,626 million), including the audits of the Bank and the subsidiary.

25 Income Taxes

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

Income tax expense comprises the following:

In millions of Uzbekistan Soums	2023	2022
Current tax	290,863	169,433
Deferred tax	399	5,037
Income tax expense for the year	**291,262**	**174,470**

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

The income tax rate applicable to the majority of the Group's 2023 income is 20% (2022: 20%). The income tax rate applicable to the majority of income of subsidiaries is 15% (2022: 15%). A reconciliation between the expected and the actual taxation charge is provided below.

In millions of Uzbekistan Soums	2023	2022
Profit before tax	**1,505,467**	**933,604**
Theoretical tax charge at the applicable statutory rate - 20% (2022: 20 %)	301,093	186,721
Non deductible expenses	32,332	23,460
Income which is exempt from taxation	(43,359)	(36,483)
Tax effect on consolidation of subsidiaries	1,196	772
Income tax expense for the year	**291,262**	**174,470**

Main exempt income represents income related to the investments in debt securities of Central bank of Uzbekistan and government bonds.

25 Income Taxes (Continued)

(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.

In millions of Uzbekistan Soums	**31 December 2023**	**(Charged)/ credited to profit or loss**	**(Charged) to other compre-hensive income**	**Transition affect of IFRS 17**	**31 December 2022**	**(Charged)/ credited to profit or loss**	**(Charged) to other compre-hensive income**	**1 January 2022**
Tax effect of deductible/(taxable) temporary differences								
Loans to customers, including finance lease receivables	(38,146)	(3,497)	-	-	(34,649)	(5,638)	-	(29,011)
Property and equipment and intangible assets	869	(500)	-	-	1,369	(607)	-	1,976
Financial derevatives	(877)	1,053	-	-	(1,930)	6,136	-	(8,066)
IFRS 17 implementation affect	(1,629)	1,255	-	(2,884)	-			
Other accruals	(3,664)	1,290	(1,424)	-	(3,531)	(4,732)	(196)	1,397
Net deferred tax asset/(Liability)	**(43,447)**	**(399)**	**(1,424)**	**(2,884)**	**(38,741)**	**(4,841)**	**(196)**	**(33,704)**
Recognised deferred tax asset	869	3,598	-	-	1,369	6,136	-	3,373
Recognised deferred tax liability	(44,316)	(3,997)	(1,424)	(2,884)	(40,110)	(10,977)	(196)	(37,077)
Net deferred tax liability	**(43,447)**	**(399)**	**(1,424)**	**(2,884)**	**(38,741)**	**(4,841)**	**(196)**	**(33,704)**

26 Dividends

	31 December 2023		**31 December 2022**	
In millions of Uzbekistan Soums	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends payable at 1 January	-	14	-	12
Dividends declared during the period	10,990	1,364	-	1,010
Dividends paid during the year	(10,078)	(1,360)	-	(1,008)
Dividends payable at 31 December	912	18	-	14
Dividends per share declared during the year (in UZS)	**-**	**1.50**	**-**	**1.50**
Nominal price of share in the declaring process (in UZS)	**5.00**	**5.00**	**5.00**	**5.00**

All dividends on shares are declared and paid in Uzbekistan Soums.

27 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing actrivities in the statement of cash flows.

In millions of Uzbekistan Soums	**Liabilities from financing activities** Other borrowed funds	Debt securities issue	Subordinated debt	Lease liabilities	Total
Net debt at 1 January 2022	**5,392,976**	**14,050**	**309,499**	**19,195**	**5,735,720**
Proceeds from the issue	2,380,965	-	94,125	-	2,475,090
Redemtion	(1,615,169)	(13,400)	-	(7,914)	(1,636,483)
Foreign currency translation	31,271	-	4,906	-	36,177
Other non-cash movements	51,564	-	2,700	-	54,264
Net debt at 31 December 2022	**6,241,607**	**650**	**411,230**	**11,281**	**6,664,768**
Proceeds from the issue	2,919,293	22,045	60,891	75,524	3,077,753
Redemtion	(1,164,443)	(350)	(11,446)	(14,704)	(1,190,943)
Foreign currency translation	347,354	-	33,342	-	380,696
Net movements on accrued interest	61,879	-	8,156	1,580	71,615
Net debt at 31 December 2023	**8,405,690**	**22,345**	**502,173**	**73,681**	**9,003,889**

28 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

In millions of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Profit for the year attributable to the shareholders of the Bank	1,214,205	759,134
Less preference dividends declared	(1,364)	(1,010)
Profit for the year attributable to the ordinary shareholders of the Bank	1,212,841	758,124
Weighted average number of ordinary shares in issue (millions)	35,070	20,882
Basic and diluted earnings per ordinary share (expressed in UZS per share)	**34.6**	**36.3**

29 Segment Analysis

Operating segments are components that engage in business activities that earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the Group. The functions of CODM are performed by the Management Board of the Group.

29 Segment Analysis (Continued)

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;
- Treasury – Funding and centralised activities through borrowings, issues of debt securities, use of derivatives, investing liquid assets as short term placements, corporate and government securities.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.
Segment financial information reviewed by the CODM includes loans to customers, including finance leases and excluding the Group's subsidiaries. Such financial information overlaps with segment analysis provided internally to the CODM. Management, therefore, applied the core principle of IFRS 8 "Operating Segments", in determining which of the overlapping financial information sets should form the basis of operating segments.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared in accordance with CBU instructions adjusted to meet the requirements of internal reporting. This financial information differs in certain aspects from International Financial Reporting Standards:

(i) the fair value changes in securities carried at FVOCI are reported within the segments' profits or losses rather than in other comprehensive income;

(ii) income taxes are not allocated to segments;

(iii) loan provisions are recognised based IFRS 9 and interpretations issued by the NBC, and can be different from provisions reported under IFRS;

(iv) commission income relating to lending is recognised immediately rather than deferred using the effective interest method; and

(v) Non-monetary assets, non-monetary liabilities and equity items arising from transactions prior to1 January 2006 were not restated in accordance with IAS 29 for the changes in the general purchasing power of the Uzbekistan Soum from the dates of the transactions until 31 December 2005;

(vi) Assets and liabilities are carried at amortised cost and not fair valued at initial recognition;

(vii) Commission income relating to lending is recognised immediately rather than deferred using the effective interest method.

The CODM evaluates performance of each segment based on net profit.

29 Segment Analysis (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the period ended 31 December 2023 is set out below:

In millions of Uzbekistan Soums	Retail banking	Corporate banking	Treasury	Unallocated	Total
Cash and cash equivalents	-	-	2,048,582	-	2,048,582
Due from other banks	-	-	892,921	-	892,921
Investments in debt securities	-	-	1,340,076	-	1,340,076
Investments in equity securities	-	-	-	29,986	29,986
Derivative financial instruments	-	-	45,902	-	45,902
Loans and advances to customers, including finance lease receivables	6,901,522	8,693,663	-	-	15,595,185
Premises and equipment	-	-	-	364,778	364,778
Intangible assets	-	-	-	29,952	29,952
Current income tax prepayment	-	-	-	30,928	30,928
Other financial assets	140,972	134,140	7,839	-	282,951
Other assets	18,555	221,214	26,075	54,262	320,106
Total reportable segment assets	**7,061,049**	**9,049,017**	**4,361,395**	**509,906**	**20,981,367**
Due to other banks	-	-	436,028	-	436,028
Customer accounts	4,400,516	3,777,863	-	-	8,178,379
Debt securities in issue	-	-	300	-	300
Other borrowed funds	-	-	7,937,847	-	7,937,847
Subordinated debt	-	-	488,447	-	488,447
Other financial liabilities	68,659	16,565	51,783	-	137,007
Other liabilities	26	8,018	-	37,441	45,485
Total reportable segment liability	**4,469,201**	**3,802,446**	**8,914,405**	**37,441**	**17,223,493**
Capital expenditure	**-**	**-**	**-**	**186,809**	**186,809**

In millions of Uzbekistan Soums	Retail banking	Corporate banking	Treasury	Unallo-cated	Elimina-tions	Total
Interest income	1,423,593	1,442,494	351,142	-	-	3,217,229
Fee and commission income	309,140	245,421	34,499	-	-	589,060
Other operating income	26,805	32,876	-	18,262	-	77,943
Total revenues	**1,759,538**	**1,720,791**	**385,641**	**18,262**	**-**	**3,884,232**
Net gain on foreign currencies	236,895	102,176	17,469	7,140	-	363,680
Administrative and other operating expenses	(469,667)	(471,912)	(43,138)	(152,605)	-	(1,137,322)
Interest expense	(409,943)	(258,635)	(844,691)	-	-	(1,513,269)
Fee and commission expense	(53,072)	(60,310)	(90,317)	(861)	-	(204,560)
Income tax expense	(201,643)	(215,654)	109,753	24,443	-	(283,101)
Credit loss allowance	(7,270)	97,779	-	-	-	90,509
Segment result	**854,838**	**914,235**	**(465,283)**	**(103,621)**	**-**	**1,200,169**

29 Segment Analysis (Continued)

Segment information for the reportable segments for the period ended 31 December 2022 is set out below:

In millions of Uzbekistan Soums	**Retail banking**	**Corporate banking**	**Treasury**	**Unallo-cated**	**Elimina-tions**	**Total**
Cash and cash equivalents	-	-	2,779,199	-	-	2,779,199
Due from other banks	-	-	620,303	-	-	620,303
Investments in debt securities	-	-	1,425,159	-	-	1,425,159
Investments in equity securities	-	-	-	39,161		39,161
Derivative financial instruments	-	-	129,475	-	-	129,475
Loans and advances to customers, including finance lease receivables	3,873,959	7,338,850	-	-	-	11,212,809
Premises and equipment	-	-	-	263,359	-	263,359
Intangible assets	-	-	-	29,406	-	29,406
Current income tax prepayment	-	-	-	12,685	-	12,685
Other financial assets	53,311	72,008	714	-	-	126,033
Other assets	-	14,067	18,978	51,618	-	84,633
Interbranch receivables	-	-	-	752,443	(752,443)	-
Total reportable segment assets	**3,927,270**	**7,358,333**	**4,973,828**	**1,288,267**	**(752,443)**	**16,722,252**
Due to other banks	-	-	622,336	-	-	622,336
Customer accounts	3,335,270	3,738,946	-	-	-	7,074,216
Debt securities in issue	-	-	650	-	-	650
Other borrowed funds	-	-	5,865,446	-	-	5,865,446
Subordinated debt	-	-	400,539	-	-	400,539
Other financial liabilities	3,082	25,214	81,066			109,362
Other liabilities	-	-	-	79,640	-	79,640
Interbranch payables	-	-	-	752,443	(752,443)	-
Total reportable segment liability	**3,338,352**	**3,764,160**	**6,970,037**	**832,083**	**(752,443)**	**14,152,189**
Capital expenditure	**-**	**-**	**-**	**74,899**	**-**	**74,899**

29 Segment Analysis (Continued)

In millions of Uzbekistan Soums	Retail banking	Corporate banking	Treasury	Unallo-cated	Elimina-tions	Total
Interest income	846,590	1,172,003	268,654	-	-	2,287,247
Fee and commission income	275,520	220,680	580	-	-	496,780
Other operating income	24,459	37,563	-	4,451	-	66,473
Total revenues	**1,146,569**	**1,430,246**	**269,234**	**4,451**	**-**	**2,850,500**
Net gain on foreign currencies	162,704	101,494	43,354	(26,942)	-	280,610
Administrative and other operating expenses	(344,068)	(404,720)	(58,749)	(25,366)	-	(832,873)
Interest expense	(318,977)	(227,884)	(567,128)	-	-	(1,113,989)
Fee and commission expense	(43,705)	(53,745)	(52,324)	-	-	(149,774)
Income tax expense	(120,247)	(173,924)	106,628	19,856	-	(167,687)
Credit loss allowance	(60,247)	(71,327)	-	-	-	(131,575)
Segment result	**420,029**	**600,140**	**(258,985)**	**(27,971)**	**-**	**735,213**

(e) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

The Board reviews financial information prepared based on local accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

- Adjustment 1 “deferral of commission and fees” – these adjustments relate to deferral of commission for financial guarantees, letters of credit and loan origination fees till the date of its settlement. There is no accounting consideration of the similar transacation costs in the segment reporting and they are immediately recognized in the statement of profit and loss.

- Adjustment 2 “ Recognition of expense/assets/liablities in an incorrect period” – These adjustments related to additional provision on unused vacations, income tax, inventory write off and etc., as these are not accounted for in the segment reporting accounting policy.

- Adjustment 3 “Credit loss” – This adjustment represents additional charge or reverse on impairment on loan to customers, including finance lease receivables in accordance with IFRS 9. In the segment reporting accounting policy, “Credit loss” stipulates the impairment provision in accordance document #2696 of Central bank of Uzbekistan.

- Adjustment 4 “Property and equipment and Right of Use Assets and Liabilities” – This adjustment relates to reverse of statutory revaluation and capitalized capital expenditures in accordance with IAS 16 “Property, Plant and Equipment” and accounting for the contracts with lease components in accordance with IFRS 16, Leases.

- Adjustment 5 “Fair value adjustments” – This adjustment represents recognition at fair value of financial assets and liabilities, In the segment reporting accounting policy, financial assets and liabilities are recognised at cost.

- Adjustment 6 “Deferred tax asset/liability" – the adjustment relates to recognition of deferred tax asset in accordance with IAS 12 “Income Taxes” where is no such consideration in segment reporting.

- Adjustment 7 “Investments in subsidiaries and associates" – these adjustments represent accounting for investments in subsidiaries and associates and impairment allowance on investments in subsidiaries and associates.

29 Segment Analysis (Continued)

Reconciliation of assets and liabilities at 31 December 2023 and capital expenditure is as follows:

In millions of Uzbekistan Soums	**Total amount for reportable segment**	**Adjustment 1**	**Adjustment 2**	**Adjustment 3**	**Adjustment 4**	**Adjustment 5**	**Adjustment 6**	**Adjustment 7**	**Reclassifications and netting**	**Consolidation**	**As reported under IFRS**
ASSETS											
Cash and cash equivalents	2,048,582	-	-	(5,564)	-	-	-	-	831,478	(124)	2,874,372
Investments in debt securities	1,340,076	-	-	(62)	-	(2,053)	-	-	-	1,054	1,339,015
Due from other banks	892,921	-	-	20,912	-	(122,699)	-	-	(689,311)	87,105	188,928
Investments in equity securities	29,986	-	-	-	-	-	-	26,733	-	(52,397)	4,322
Derivative financial instruments	45,902	-	-	-	-	(41,972)	-	-	-	-	3,930
Loans and advances to customers, including finance lease receivables	15,595,185	(69,724)	-	349,656	-	-	-	-	-	54,670	15,929,787
Premises and equipment	364,778	-	492	-	(379)	-	-	-	(5,967)	23,930	382,854
Right of use assets	-	-	-	-	69,715	-	-	-	-	-	69,715
Intangible assets	29,952	-	-	-	(2)	-	-	-	-	262	30,212
Current income tax prepayment	30,928	-	-	-	-	-	(2,526)	-	-	3,032	31,434
Other financial assets	282,951	515	-	(789)	-	(6,928)	-	-	(270,665)	1,380	6,464
Other assets	320,106	-	(1,395)	(18,648)	-	-	-	-	(21,658)	13,281	291,686
TOTAL ASSETS	**20,981,367**	**(69,209)**	**(903)**	**345,505**	**69,334**	**(173,652)**	**(2,526)**	**26,733**	**(156,123)**	**132,193**	**21,152,719**
LIABILITIES											
Due to other banks	436,028	-	-	-	-	(123,539)	-	-	(73,262)	-	239,227
Customer accounts	8,178,379	-	-	-	-	-	-	-	(511,763)	(4,881)	7,661,735
Debt securities in issue	300	-	-	-	-	-	-	-	-	22,045	22,345
Other borrowed funds	7,937,847	-	-	-	-	-	-	-	467,843	-	8,405,690
Subordinated debt	488,447	-	-	-	-	-	-	-	13,726	-	502,173
Deferred income tax liability	-	-	-	-	-	-	43,251	-	-	-	43,251
Lease liabilities	-	-	-	-	73,681	-	-	-	-	-	73,681
Other financial liabilities	137,007	-	1,683	(7,067)	-	(52,444)	-	-	(103,791)	55,556	30,944
Other liabilities	45,485	313	25,267	-	-	-	-	-	51,124	(4,251)	117,938
TOTAL LIABILITIES	**17,223,493**	**313**	**26,950**	**(7,067)**	**73,681**	**(175,983)**	**43,251**	**-**	**(156,123)**	**68,469**	**17,096,984**
Capital expenditure	**186,808**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**186,808**

29 Segment Analysis (Continued)

Reconciliation of profit and losses at 31 December 2023 is as follows:

In millions of Uzbekistan Soums	**Total amount for reportable segment**	**Adjustment 1**	**Adjustment 2**	**Adjustment 3**	**Adjustment 4**	**Adjustment 5**	**Adjustment 6**	**Adjustment 7**	**Reclassifications and netting**	**Consolidation**	**As reported under IFRS**
Interest income	3,217,229	(12,090)	-	(10,588)	-	(17,228)	-	-	40,187	39,241	3,256,751
Fee and commission income	589,060	32	-	-	-	-	-	-	1,275	(75)	590,292
Other operating income	77,943	-	-	-	2,655	-	(170)	-	(61,412)	30,950	49,966
Net gain/loss on foreign currencies	363,680	-	-	-	-	(5,267)	-	-	29,463	(48)	387,828
Net gain or loss from trading securities	-	-	-	-	-	(335)	-	-	-	-	(335)
Total revenues	**4,247,912**	**(12,058)**	**-**	**(10,588)**	**2,655**	**(22,830)**	**(170)**	**-**	**9,513**	**70,068**	**4,284,502**
Administrative and other operating expenses	(1,137,322)	-	(8,111)	(1,601)	6,377	-	170	-	37,384	(31,191)	(1,134,294)
Interest expense	(1,513,269)	-	492	-	(6,536)	17,228	-	-	(35,380)	(11,041)	(1,548,506)
Fee and commission expense	(204,560)	-	30	-	-	-	-	-	47,495	(189)	(157,224)
Income tax expense	(283,101)	-	-	-	-	-	(2,925)	-	-	(5,236)	(291,262)
Credit loss allowance	90,509	-	-	22,698	-	-	-	9,233	(59,012)	(2,439)	60,989
Segment result	**1,200,169**	**(12,058)**	**(7,589)**	**10,509**	**2,496**	**(5,267)**	**(2,925)**	**9,233**	**-**	**19,972**	**1,214,205**

29 Segment Analysis (Continued)

Reconciliation of assets and liabilities at 31 December 2022 and capital expenditure is as follows:

In millions of Uzbekistan Soums	**Total amount for reportable segment**	**Adjust-ment 1**	**Adjust-ment 2**	**Adjust-ment 3**	**Adjust-ment 4**	**Adjust-ment 5**	**Adjust-ment 6**	**Adjust-ment 7**	**Reclassific ations and netting**	**Consoli-dation**	**As reported under IFRS**
ASSETS											
Cash and cash equivalents	2,779,199	-	-	(2,835)	-	-	-	-	563,116	13	3,339,493
Investments in debt securities	1,425,159	-	-	(234)	-	(8,838)	-	-	1	250	1,416,338
Due from other banks	620,303	-	-	25,373	-	-	-	-	(431,648)	64,004	278,032
Investments in equity securities	39,161	-	-	-	-	-	-	17,500	-	(52,401)	4,260
Derivative financial instruments	129,475	-	-	-	-	(102,447)	-	-	-	-	27,028
Loans and advances to customers, including finance lease receivables	11,212,809	(57,634)	-	326,927	-	-	-	-	(55,364)	23,799	11,450,537
Premises and equipment	263,359	-	-	-	(1,326)	-	-	-	(1,791)	25,141	285,383
Right of use assets	-	-	-	-	5,772	-	-	-	-	-	5,772
Intangible assets	29,406	-	-	-	(8)	-	-	-	-	385	29,783
Current income tax prepayment	12,685	-	-	-	-	-	-	-	-	1,069	13,754
Other financial assets	126,033	330	-	(1,496)	-	(714)	-	-	(123,660)	562	1,055
Other assets	84,663	-	(1,419)	(7,290)	-	-	-	-	(19,606)	6,837	63,185
TOTAL ASSETS	**16,722,252**	**(57,304)**	**(1,419)**	**340,445**	**4,438**	**(111,999)**	**-**	**17,500**	**(68,952)**	**69,659**	**16,914,620**
LIABILITIES											
Due to other banks	622,336	-	-	-	-	-	-	-	(49,970)	-	572,366
Customer accounts	7,074,216	-	-	-	-	-	-	-	(380,966)	(7,380)	6,685,870
Debt securities in issue	650	-	-	-	-	-	-	-	-	-	650
Other borrowed funds	5,865,446	-	-	-	-	-	-	-	376,161	-	6,241,607
Subordinated debt	400,539	-	-	-	-	-	-	-	10,691	-	411,230
Deferred income tax liability	-	-	-	-	-	-	38,741	-	-	-	38,741
Lease liabilities	-	-	-	-	11,281	-	-	-	-	-	11,281
Other financial liabilities	109,362	-	1,713	(1,617)	-	(112,811)	-	-	(24,868)	47,011	18,790
Other liabilities	79,640	160	17,133	-	-	-	-	-	-	498	97,431
TOTAL LIABILITIES	**14,152,189**	**160**	**18,846**	**(1,617)**	**11,281**	**(112,811)**	**38,741**	**-**	**(68,952)**	**40,129**	**14,077,966**
Capital expenditure	**74,899**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**74,899**

29 Segment Analysis (Continued)

Reconciliation of profit and losses at 31 December 2022 is as follows:

In millions of Uzbekistan Soums	**Total amount for reportable segment**	**Adjust-ment 1**	**Adjust-ment 2**	**Adjust-ment 3**	**Adjust-ment 4**	**Adjust-ment 5**	**Adjust-ment 6**	**Adjust-ment 7**	**Reclassifications and netting**	**Consolidation**	**As reported under IFRS**
Interest income	2,287,247	(21,242)	-	(33,854)	-	(4,285)	-	-	56,958	30,728	2,315,552
Fee and commission income	496,780	822	-	-	-	-	-	-	671	(82)	498,191
Other operating income	66,473	-	-	-	-	-	(1,254)	-	(57,397)	32,990	40,812
Net gain/loss on foreign currencies	280,610	-	-	-	-	(30,680)	-	-	5,722	33	255,685
Net gain or loss from trading securities	-	-	-	-	-	(7,556)	-	-	-	-	(7,556)
Total revenues	**3,131,110**	**(20,420)**	**-**	**(33,854)**	**-**	**(45,521)**	**(1,254)**	**-**	**5,954**	**63,669**	**3,102,684**
Administrative and other operating expenses	(832,873)	-	(4,804)	(5,994)	5,804	-	1,254	-	(9,847)	(53,516)	(899,976)
Interest expense	(1,113,989)	-	-	-	(2,766)	4,285	-	-	(45,594)	(118)	(1,158,182)
Fee and commission expense	(149,774)	-	363	-	-	-	-	-	56,347	(678)	(93,742)
Income tax expense	(167,687)	-	-	-	-	-	(4,840)	-	-	(1,943)	(174,470)
Credit loss allowance	(131,575)	-	-	102,643	-	-	-	16,969	(6,860)	1,643	(17,180)
Segment result	**735,212**	**(20,420)**	**(4,441)**	**62,795**	**3,038**	**(38,236)**	**(4,840)**	**16,969**	**-**	**9,057**	**759,134**

29 Segment Analysis (Continued)

(f) Geographical information

The geographic information analysis the Group's financial assets and liabilities by the domicile of the customers at 31 December 2023 as set out below:

In millions of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	2,381,777	348,078	144,517	2,874,372
Due from other banks	174,790	14,138	-	188,928
Loans and advances to customers, including finance lease receivables	15,929,787	-	-	15,929,787
Investments in debt securities	1,339,015	-	-	1,339,015
Investments in equity securities	4,322	-	-	4,322
Derivative financial instruments	-	3,930	-	3,930
Other financial assets	5,560	904	-	6,464
Total financial assets	**19,835,251**	**367,050**	**144,517**	**20,346,818**
Liabilities				
Due to other banks	8,326	10,998	219,903	239,227
Customer accounts	7,579,218	70,579	11,938	7,661,735
Debt securities in issue	22,345	-	-	22,345
Other borrowed funds	1,586,972	5,917,180	901,538	8,405,690
Lease liabilities	73,681	-	-	73,681
Other financial liabilities	29,867	1,077	-	30,944
Subordinated debt	-	502,173	-	502,173
Total financial liabilities	**9,300,409**	**6,502,007**	**1,133,379**	**16,935,795**

The geographic information analysis the Group's financial assets and liabilities by the domicile of the customers at 31 December 2022 as set out below:

In millions of Uzbekistan Soums	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	2,626,192	607,376	105,925	3,339,493
Due from other banks	138,611	139,421	-	278,032
Loans and advances to customers, including finance lease receivables	11,450,537	-	-	11,450,537
Investments in debt securities	1,416,338	-	-	1,416,338
Investments in equity securities	4,260	-	-	4,260
Derivative financial instruments	-	27,028	-	27,028
Other financial assets	1,055	-	-	1,055
Total financial assets	**15,636,993**	**773,825**	**105,925**	**16,516,743**
Liabilities				
Due to other banks	3,919	-	568,447	572,366
Customer accounts	6,683,242	104	2,524	6,685,870
Debt securities in issue	650	-	-	650
Other borrowed funds	1,068,258	4,212,296	961,053	6,241,607
Lease liabilities	11,281	-	-	11,281
Other financial liabilities	17,455	1,335	-	18,790
Subordinated debt	-	411,230	-	411,230
Total financial liabilities	**7,784,805**	**4,624,965**	**1,532,024**	**13,941,794**

The Group's consolidated revenue comprises interest income, fee and commission income and other operating income which are concentrated on the domestic market with very limited and immaterial exposure to the external customers.

30 Financial Risk Management

***Climate-related risks*.** The Group and its customers may face climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

Management believes that it is currently not possible to explicitly incorporate climate risk factors in the ECL measurement. Existing scenarios, forecasts, and estimates are covering only the long-term horizon well beyond the maturity of the existing portfolios. Such scenarios are also high-level, and attribution to specific borrowers without additional data would be highly arbitrary. To address the information gap for detailed, borrower-specific data, the Group had developed a questionnaire to collect climate-related information from its borrowers. The Group is collecting information to perform a robust assessment of physical and transition risks specific of its borrowers. The Group is planning to enhance its credit risk scoring models to incorporate such information in the PD and LGD measurement starting from 2025.

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

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

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

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

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

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

30 Financial Risk Management (Continued)

The Group established a number of credit committees that are responsible for approving credit limits for individual borrowers:

- The Bank supervisory board reviews and approves limits above 10% of the regulatory capital of the Bank and meets monthly;
- The Management board of the Bank reviews and approves limits above UZS 15,000 million and meets weekly/daily;
- The credit committee of the Bank reviews and approves limits above UZS 5,000 million and meets weekly/daily.
- Until UZS 5,000 million, Underwriting department of the bank reviews and approves and meets daily.

***Credit risk grading system*.** For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies two approaches –Approach of internal or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's).

The Group's internal credit rating grades are as follows:

Standard	1	Timely repayment of "standard" loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When assessing the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Substandard	2	As a whole, the financial position of a borrower is stable, but some unfavorable circumstances or tendencies are present, which, if not disposed of, raise some doubts about the borrower's ability to repay on time. "Standard" loans with insufficient information in the credit file or missing information on collateral could be also classified as "Substandard" loans.
Unsatisfactory	3	"Unsatisfactory" loans have obvious shortcomings, which make doubtful the repayment of the loan under the terms, envisaged by the initial agreement. For loans classified as "Unsatisfactory", the primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources, such as the sale of collateral.
Doubtful	4	"Doubtful" are loans which, in addition to having the characteristics of "Unsatisfactory" loans, have additional shortcomings, which make it doubtful that the loan will be repaid in full under the existing circumstances. The probability of incurring loss in respect of such loans is high.
Hopeless	5	Loans classified as "hopeless" are considered uncollectible and have such a little value that their continuance as assets of the Bank is not worth. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that the Bank should cease recognising such loans and make efforts to get rid of such debt through selling collateral or make every effort to collect the outstanding loan

Unsatisfactory, Doubtful and Hopeless are classified as impaired loans. Group used those classification also for Other financial assets.

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

30 Financial Risk Management (Continued)

Expected credit loss (ECL) measurement. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committen amounts to an on-balance sheet exposure within a defined period. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

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

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

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

Overdue days are defined as the number of consecutive days when the arrears of the customer facility are continuous and simultaneously above both (a) absolute threshold and (b) relative materiality threshold. For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower's debt or its portion at a loss due to credit deterioration;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikeliness-to-pay criteria listed below:
    - the borrower is deceased;
    - the borrower is insolvent;
    - the borrower is in breach of financial covenants;
    - it is becoming likely that the borrower will enter bankruptcy; and
    - the loans were purchased or originated at a deep discount that reflects the incurred credit losses.

30 Financial Risk Management (Continued)

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

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

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group applies a qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming restructured due to credit event. In certain cases, the Bank may also consider that events explained in “Definition of default” section above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The assessment whether or not there has been a significant increase in credit risk (“SICR”) since initial recognition is performed on an individual basis and on a portfolio basis. SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Group’s Risk Management Department.

The Group decided not to use the low credit risk assessment exemption for investment grade financial assets. Hence, even assets of an investment grade are assessed whether there has been a SICR.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Loss given default. For lending assets, LGD values are assessed at least quarterly by account managers and reviewed and approved by the Group’s credit risk department.

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Group also applies discount rates for assessment loss given default based on historical discounts on sales and projected collateral values.

The bank manages exposure to credit risk by securing loans with real estate, financial guarantee (provided by government, legal entities and individuals), motor vehicles, equipment, insurance, inventory and other collaterals.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data, hazard rate approach.

30 Financial Risk Management (Continued)

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

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

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

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

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to government and blue chip corporate bonds exposures.

Forward-looking information and multiple economic scenarios. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs., such as:

- GDP growth;
- Export growth;
- Import growth

Forecasts of economic variables are provided by the Group's economics team and provide the best estimate of the expected macro-economic development over the next five years. After five years, a mean reversion approach is used, which means that economic variables tend to revert to either a long run average rate (e.g. GDP). The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

30 Financial Risk Management (Continued)

In the table below cash and cash equivalents, loans to banks and customers of high grade are those having a minimal level of credit risk, normally with a credit rating on or close to sovereign level or very well collateralised. Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises loans below standard grade but not individually impaired. For debt securities high grade is equivalent to Moody's Baa3 rating and above, standard – below Baa3 but above B3, sub-standard – below B3.

31 December 2023, (In millions of Uzbekistan Soums)	**Stage of Asset**	**High grade**	**Standard grade**	**Sub-Standard grade**	**Impaired**	**Total**
Cash and cash equivalents, except for cash on hand	Stage 1	350,799	1,206,619	50,735	-	**1,608,153**
Due from other banks	Stage 1	14,143	175,264	-	-	**189,407**
Investments in debt securities	Stage 1	-	217,043	-	-	**217,043**
Loans and advances to customers		-	15,763,456	176,380	159,872	**16,099,708**
Car loans	Stage 1	-	3,760,814	-	-	**3,760,814**
	Stage 2	-	-	10,221	-	**10,221**
	Stage 3	-	-	-	7,388	**7,388**
Large corporate	Stage 1	-	3,637,678	-	-	**3,637,678**
	Stage 2	-	-	56,246	-	**56,246**
	Stage 3	-	-	-	38,274	**38,274**
SME	Stage 1	-	3,594,152	-	-	**3,594,152**
	Stage 2	-	-	71,530	-	**71,530**
	Stage 3	-	-	-	43,458	**43,458**
Consumer	Stage 1	-	1,913,819	-	-	**1,913,819**
	Stage 2	-	-	24,849	-	**24,849**
	Stage 3	-	-	-	55,365	**55,365**
Micro	Stage 1	-	1,578,318	-	-	**1,578,318**
	Stage 2	-	-	12,750	-	**12,750**
	Stage 3	-	-	-	14,464	**14,464**
Mortgage	Stage 1	-	1,278,675	-	-	**1,278,675**
	Stage 2	-	-	784	-	**784**
	Stage 3	-	-	-	923	**923**
Other financial assets	Stage 1	-	6,731	-	-	**6,731**
	Stage 3	-	-	-	749	**749**
Total gross amount of assets		**364,942**	**17,369,113**	**227,115**	**160,621**	**18,121,791**

30 Financial Risk Management (Continued)

31 December 2022 (In millions of Uzbekistan Soums)	Stage of Asset	High grade	Standard grade	Sub-Standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	Stage 1	607,583	1,124,460	42,558	-	**1,774,601**
Due from other banks	Stage 1	139,463	136,671	2,200	-	**278,334**
Investments in debt securities	Stage 1	-	276,735	-	-	**276,735**
Loans and advances to customers		-	10,930,707	461,671	212,773	**11,605,151**
Car loans	Stage 1	-	1,408,670	-	-	**1,408,670**
	Stage 2	-	-	2,210	-	**2,210**
	Stage 3	-	-	-	1,680	**1,680**
Large corporate	Stage 1	-	3,199,813	-	-	**3,199,813**
	Stage 2	-	-	372,777	-	**372,777**
	Stage 3	-	-	-	109,633	**109,633**
SME	Stage 1	-	2,450,298	-	-	**2,450,298**
	Stage 2	-		59,885		**59,885**
	Stage 3	-	-	-	44,659	**44,659**
Consumer	Stage 1	-	1,600,975	-	-	**1,600,975**
	Stage 2	-		14,002	-	**14,002**
	Stage 3	-	-	-	23,821	**23,821**
Micro	Stage 1	-	1,376,755	-	-	**1,376,755**
	Stage 2	-	-	11,593	-	**11,593**
	Stage 3	-	-	-	32,027	**32,027**
Mortgage	Stage 1	-	894,196	-	-	**894,196**
	Stage 2	-	-	1,204	-	**1,204**
	Stage 3	-	-	-	953	**953**
Other financial assets	Stage 1	-	1,069	-	-	**1,069**
	Stage 3	-	-	-	2,874	**2,874**
Total gross amount of assets		**747,046**	**12,469,642**	**506,429**	**215,647**	**13,938,764**

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

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.The table below summarises foreign currency exchange rate risk at the end of the reporting period:

30 Financial Risk Management (Continued)

In millions of Uzbekistan Soums	**Monetary financial assets**	**Monetary financial liabilities**	**Derivative instruments**	**Net balance sheet position**
31 December 2023				
UZS	12,858,996	(9,633,281)	210,375	3,436,090
USD	6,251,945	(5,910,205)	(437,851)	(96,111)
EUR	1,150,069	(1,371,888)	136,428	(85,391)
Other	85,808	(20,421)	94,592	159,979
Total	**20,346,818**	**(16,935,795)**	**3,544**	**3,414,567**
31 December 2022				
UZS	10,017,458	(7,278,572)	(310,760)	2,428,126
USD	5,231,232	(5,441,447)	337,788	127,573
EUR	988,642	(973,878)	-	14,764
Other	279,411	(247,897)	-	31,514
Total	**16,516,743**	**(13,941,794)**	**27,028**	**2,601,977**

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 33. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

	At 31 December 2023		**At 31 December 2022**	
In millions of Uzbekistan Soums	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US Dollars strengthening by 20%	(19,222)	(15,378)	25,515	20,412
US Dollars weakening by (20%)	19,222	15,378	(25,515)	(20,412)
EUR strengthening by 20%	(17,078)	(13,663)	2,953	2,362
EUR weakening by (20%)	17,078	13,663	(2,953)	(2,362)

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

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

30 Financial Risk Management (Continued)

In millions of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Total**
31 December 2023						
Total financial assets	3,294,254	6,513,112	3,468,584	7,070,868	805,901	21,152,719
Total financial liabilities	3,209,769	4,252,693	2,786,074	6,687,259	161,189	17,096,984
Net interest sensitivity gap	**84,485**	**2,260,419**	**682,510**	**383,609**	**644,712**	**4,055,735**

In millions of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Total**
31 December 2022						
Total financial assets	4,209,411	3,832,599	3,173,678	5,301,055	397,877	16,914,620
Total financial liabilities	3,709,017	2,468,508	2,238,603	5,525,666	136,172	14,077,966
Net interest sensitivity gap	**500,394**	**1,364,091**	**935,075**	**(224,611)**	**261,705**	**2,836,654**

At 31 December 2023, if interest rates at that date had been 200 basis points lower (2022: [200] basis points lower) with all other variables held constant, profit for the year would have been UZS 34,430 million or after tax UZS 27,545 million (2022: UZS 32,325 million or after tax UZS 25,860 million) higher, mainly as a result of lower interest expense on variable interest.

If interest rates had been 200 basis points higher (2022: [200] basis points higher), with all other variables held constant, profit would have been UZS 34,430 million or after tax UZS 27,545 million (2022: UZS 32,325 million or after tax UZS 25,860 million) lower, mainly as a result of higher interest expense on variable interest liabilities.

The Group monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	31 December 2023				**31 December 2022**			
	UZS	**USD**	**EUR**	**others**	**UZS**	**USD**	**EUR**	**others**
Assets								
Cash and cash equivalents	0%	0-9.5%	0-5.75%	0%	0-19%	0-3.2%	0%	0-19%
Due from other banks	0-24%	0-7%	-	-	0-20%	0%	0%	0-24%
Investments in Debt Securities	16-28%	3.7-5.75%	-	-	15.73-28%	3.7-6.6%	-	-
Loans and advances to customers	1-48%	4-17.4%	4.8-14%	-	1-48%	4-19%	4-15%	-
Other financial assets	0%	0%	0%	0%	0%	0%	0%	0%
Liabilities								
Due to other banks	0%	0%	0%	0-19%	0%	0%	0%	0-12%
Customer accounts	0-24%	0-6%	0-2%	0%	0-22%	0-6%	0-4.5%	0-4.5%
Debt securities in issue	17.5-18%	-	-	-	17-17.5%	-	-	-
Other borrowed funds	0-21.3%	2-10.4%	3.5-8%	-	0-23.5%	2-9.1%	0.4-6.7%	-
Subordinated debt	18.5%	7.5-12%	6.2%	-	18.5%	7.5-12%	6.2%	-
Lease liabilities	20.38%	-	-	-	20.38%	-	-	-
Other financial liablities	0%	0%	0%	0%	0%	0%	0%	0%

30 Financial Risk Management (Continued)

At 31 December 2023, if interest rates at that date had been 200 basis points changes (2022: 200) with all other variables held constant, profit for the year would have been as follows:

In millions of Uzbekistan Soums Assets/Liabilities	Increase in basis points 31 December 2023	Sensitivity of net interest income 31 December 2023	Sensitivity of Equity 31 December 2023
Loans and advances to customers	+200	318,596	254,877
Other borrowed funds	+200	(168,114)	(134,491)

In millions of Uzbekistan Soums Assets/Liabilities	Increaseinbasispoi nts 31December2022	Sensitivityofnetinte restincome 31December2022	SensitivityofEquity 31December2022
Loans and advances to customers	+200	229,011	183,209
Other borrowed funds	+200	(124,832)	(99,866)

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

The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires considersation of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratios are:

- Liquidity coverage ratio (min 100%), which is calculated as the ratio of highly Liquid Assets to expected net cash outflows in next 30 days. The ratio was 314% at 31 December 2023 (31 December 2022: 204%);

- Net stable financing ratio (min 100%), which is calculated as the ratio of total equity and 100% of liabilities maturing after one year and 30% maturing before one year to 100% of assets maturing after one year and 30% of assets maturing before one year. The ratio was 129% 31 December 2023 (31 December 2022: 156%).

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

The table below shows liabilities at 31 December 2023 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

30 Financial Risk Management (Continued)

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

In millions of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	2,517,668	371,071	-	-	-	**2,888,739**
Due from other banks	88,195	33,776	73,075	-	-	**195,046**
Loans and advances to customers, including finance lease receivables	1,196,336	5,214,506	4,028,846	10,337,181	3,468,697	**24,245,566**
Investments in debt securities	16,546	928,652	110,319	245,350	234,199	**1,535,066**
Investments in equity securities	4,322	-	-	-	-	**4,322**
Derivative financial instruments	**-**	3,930	**-**	**-**	**-**	**3,930**
Other financial assets	6,464	**-**	**-**	**-**	**-**	**6,464**
Total	**3,829,531**	**6,551,935**	**4,212,240**	**10,582,531**	**3,702,896**	**28,879,133**
Liabilities						
Due to other banks	126,730	104,105	-	10,227	-	**241,062**
Customer accounts	3,045,469	779,973	1,774,257	2,465,276	-	**8,064,975**
Debt securities in issue	-	-	338	31,889	-	**32,227**
Other borrowed funds	7,084	1,338,209	1,267,559	5,299,203	3,494,424	**11,406,479**
Subordinated debt	-	13,726	100,041	269,390	255,803	**638,960**
Lease liabilities	1,510	7,550	9,060	98,880	**-**	**117,000**
Other financial liabilities	30,944	-	-	-	**-**	**30,944**
Financial Guarantees	286,439	-	-	-	-	**286,439**
Gross loan commitments	113,247	**-**	**-**	**-**	**-**	**113,247**
Total potential future payments for financial obligations	**3,611,423**	**2,243,563**	**3,151,255**	**8,174,865**	**3,750,227**	**20,931,334**
Liquidity gap arising from financial instruments	**218,108**	**4,308,372**	**1,060,984**	**2,407,665**	**(47,330)**	**7,947,799**

30 Financial Risk Management (Continued)

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

In millions of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	3,281,445	64,843	-	-	-	**3,346,288**
Due from other banks	177,535	59,091	50,770	-	-	**287,396**
Loans and advances to customers, including finance lease receivables	1,012,742	2,711,216	3,739,111	6,693,856	2,581,250	**16,738,175**
Investments in debt securities	358,927	729,727	302	265,692	231,999	**1,586,647**
Investments in equity securities	4,260	-	-	-	-	**4,260**
Derivative financial instruments	-	28,346	-	-	-	**28,346**
Other financial assets	1,055	-	-	-	-	**1,055**
Total	**4,835,964**	**3,593,223**	**3,790,183**	**6,959,548**	**2,813,249**	**21,992,167**
Liabilities						
Due to other banks	431,138	143,404	-	-	-	**574,542**
Customer accounts	2,967,066	722,982	1,638,840	1,935,800	4,279	**7,268,967**
Debt securities in issue	152	-	226	386	-	**764**
Other borrowed funds	7,585	782,035	742,265	4,326,929	2,229,522	**8,088,336**
Subordinated debt	-	10,692	11,613	266,769	283,663	**572,737**
Lease liabilities	1,022	5,110	6,132	-	-	**12,264**
Other financial liabilities	18,790	-	-	-	-	**18,790**
Financial Guarantees	93,724	-	-	-	-	**93,724**
Gross loan commitments	82,779	-	-	-	-	**82,779**
Total potential future payments for financial obligations	**3,602,256**	**1,664,223**	**2,399,076**	**6,529,884**	**2,517,464**	**16,712,903**
Liquidity gap arising from financial instruments	**1,233,708**	**1,929,000**	**1,391,107**	**429,664**	**295,785**	**5,279,264**

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.

30 Financial Risk Management (Continued)

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

In millions of UZS	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 31 December 2023						
Financial assets	3,494,706	4,925,603	3,961,624	6,891,622	1,073,263	20,346,818
Financial liabilities	3,209,769	2,600,580	2,881,488	6,379,003	1,864,956	16,935,796
Net liquidity gap based on expected maturities	**284,937**	**2,325,023**	**1,080,136**	**512,619**	**(791,693)**	**3,411,022**
At 31 December 2022						
Financial assets	4,407,279	3,388,163	3,168,692	4,697,027	855,582	16,516,743
Financial liabilities	3,709,586	1,328,955	2,182,285	5,415,711	1,305,257	13,941,794
Net liquidity gap based on expected maturities	**697,693**	**2,059,208**	**986,407**	**(718,684)**	**(449,675)**	**2,574,949**

***Effect of IBOR reform (phase 2)*.** Reform and replacement of various inter-bank offered rates (‘IBORs’) has become a priority for regulators. Many IBOR rates stopped being published on 31 December 2021, while certain 6 months USD LIBOR rates (Phase 2) stopped being published on 30 June 2023.

The Group applied the practical objectives of reforming the interest rate criterion to IFRS 9 to reflect changes in the basis for determining contractual cash flows by adjusting the effective interest rate – where the impact on the financial statements is not material.

The table below discloses amounts of non-derivative financial assets and liabilities and derivative contracts at 31 December 2023 that would be transitioned to alternative interest rate benchmarks

In millions of UZS	6 months USD LIBOR	Total
NON-DERIVATIVE FINANCIAL LIABILITIES		
Other borrowed funds	4,062	**4,062**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**4,062**	**4,062**

31 Contingencies and Commitments

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

31 Contingencies and Commitments (Continued)

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

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

Capital expenditure commitments. At 31 December 2023, the Group has contractual capital expenditure commitments in respect of premises and equipment totalling UZS 13,253 million (2022: Nil).

Future cash outlfows related to leases. Where the Group is a lessee, the future cash outflows, to which the Group is potentially exposed and that are not reflected in the lease liabilities at 31 December 2023 relate mainly to the leases of 72 buildings (2022: 69) service centres, with rent annually indexed by the Consumer Price Index; the lease liability related to such leases at 31 December 2023 is UZS 9,476 million and the lease terms are between 1 and 5 years (2022: the lease liability was UZS 9,913 million and the lease terms were between 1 and 5 years).

Compliance with covenants. The Group is subject to certain covenants primarily relating to its borrowings. Group's Management believes that the Group was in compliance with covenants at 31 December 2023 and 31 December 2022.

The composition of the Group's capital calculated in accordance with the Basel Accord is as follows:

In millions of Uzbekistan Soums	**31 December 2023** *(unaudited)*	**31 December 2022** *(unaudited)*
Tier 1 capital		
Share capital	325,479	109,929
Share premium	77,751	77,751
Retained earnings	3,646,024	2,648,188
Other comprehensive income	6,481	786
Total Tier 1 capital	**4,055,735**	**2,836,654**
Tier 2 capital		
Corrected subordinated debt for regulatory capital	273,141	254,974
Total Tier 2 capital	**273,141**	**254,974**
Total regulatory capital	**4,328,876**	**3,091,628**
Tier 1 capital ratio	*15.4%*	*15.3%*
Regulatory capital ratio	*16.5%*	*16.7%*

The Group's objectives when managing capital are to maintain a sufficient capital base to achieve a regulatory capital ratio and Tier 1 capital ratio based on the CBU of at least 13% and 10% respectively.

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

31 Contingencies and Commitments (Continued)

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

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

Outstanding credit related commitments are as follows:

In millions of Uzbekistan Soums	***Note***	**31 December 2023**	**31 December 2022**
Undrawn credit lines		182,704	105,646
Import letters of credit	15	52,671	66,088
Total loan commitments		235,375	171,733
Financial guarantees issued		286,439	93,725
Less: Provision for financial guarantees		(1)	(1)
Less: Provision for loan commitments		(288)	(62)
Less: Commitment collateralised by cash deposits		(64,905)	(84,088)
Total credit related commitments, net of provision and cash covered exposures		**456,620**	**181,307**

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2023 is as follows. All credit related commitments are graded as internal credit rating grades.

In millions of Uzbekistan Soums	**Stage 1**	**Total**
Issued financial guarantees		
- Standard	286,439	286,439
Unrecognised gross amount	**286,439**	**286,439**
Provision for financial guarantees	**(1)**	**(1)**

In millions of Uzbekistan Soums	**Stage 1**	**Total**
Loan commitments		
- Standard	182,704	182,704
Unrecognised gross amount	**182,704**	**182,704**
Provision for loan commitments	**(260)**	**(260)**

Refer to Note 30 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to credit related commitments.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was UZS 522,229 million at 31 December 2023 (2022: UZS 259,973 million).

32 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts are short term in nature:

32 Derivative Financial Instruments (Continued)

In millions of Uzbekistan Soums	*Note*	31 December 2023 Contracts with positive fair value	31 December 2023 Contracts with negative fair value	31 December 2022 Contracts with positive fair value	31 December 2022 Contracts with negative fair value
Cross-currency SWAPs					
UZS receivable on settlement (+)		87,234	-	-	-
EUR receivable on settlement (+)		136,428	-	-	-
USD payable on settlement (+)		(224,276)	-	-	-
Cross-currency interest rate SWAPs					
UZS receivable on settlement (+)		-	123,141	-	-
USD receivable on settlement (+)		-	-	337,788	-
RUB receivable on settlement (+)		94,592	-	-	-
UZS payable on settlement (-)		-	-	(310,760)	-
USD payable on settlement (+)		(90,048)	(123,527)	-	-
Net fair value of swaps	**33**	**3,930**	**(386)**	**27,028**	**-**

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions.

Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. Information on related “Interest income and expense” is disclosed in Note 21.

33 Fair Value Disclosures

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

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In millions of Uzbekistan Soums	31 December 2023	
Assets at fair value	**Level 2**	**Level 3**
FINANCIAL ASSETS		
Investments in debt securities	***1,122,034***	***-***
-Uzbekistan government bonds	403,960	-
-Central bank of Uzbekistan	602,922	-
-Corporate bonds	60,227	-
-Uzbekistan government Eurobonds	54,925	-
Investments in equity securities	***-***	***4,322***
- Corporate shares	-	4,322
Cross-currency interest rate SWAP	***-***	***3,930***
Total assets recurring fair value measurements	**1,122,034**	**8,252**

33 Fair Value Disclosure (Continued)

FINANCIAL LIABILITIES		
Other financial liabilities	***-***	***386***
TOTAL LIABILITIES WITH RECURRING FAIR VALUE MEASUREMENTS	**-**	**386**

In millions of Uzbekistan Soums	**31 December 2022**	
Assets at fair value	**Level 2**	**Level 3**
FINANCIAL ASSETS		
Investments in debt securities	***1,139,836***	***-***
-Central bank of Uzbekistan	993,924	-
-Corporate bonds	50,084	-
-Uzbekistan government Eurobonds	49,395	-
-Uzbekistan government bonds	46,433	-
Investments in equity securities	***-***	***4,260***
- Corporate shares	-	4,260
Cross-currency interest rate SWAP	***-***	***27,028***
Total assets recurring fair value measurements	**1,139,836**	**31,288**

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2023:

In millions of UZS	**Fair value**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE			
FINANCIAL ASSETS			
Investments in debt securities	***1,122,034***		
-Uzbekistan government bonds	403,960	Discounted cash flows (“DCF”)	Government bonds yield curve
-Central bank of Uzbekistan	602,922	DCF	Central bank of Uzbekistan bonds yield curve
-Corporate bonds	60,227	DCF	Incremental borrowing rate
-Uzbekistan government Eurobonds	54,925	DCF	Government bonds yield curve
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 2	***1,122,034***		

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2022:

In millions of UZS	**Fair value**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE			
FINANCIAL ASSETS			
Investments in debt securities	***1,139,836***		
-Central bank of Uzbekistan	993,924	Discounted cash flows (“DCF”)	Central bank of Uzbekistan bonds yield curve
-Corporate bonds	50,084	DCF	Incremental borrowing rate
-Uzbekistan government Eurobonds	49,395	DCF	Government bonds yield curve
-Uzbekistan government bonds	46,433	DCF	Government bonds yield curve
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 2	***1,139,836***		

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2023 (2022: none).

33 Fair Value Disclosures (Continued)

Significant unobservable inputs and sensitivity of level 3 financial instruments measured at fair value to changes to key assumptions

In millions of Uzbekistan Soums	Net amount	Valuation techniques	Unobserv-able input	Rang (weighted average)	Reasonable change	Sensitivity of fair value measu-rement
Financial instruments (*Interest rate Swaps*)						
31 December 2023	4,158	DCF	Credit spread	14.40%	± 10 %	± 60
31 December 2022	27,028	DCF	Credit spread	14.90%	± 10 %	± 403

The above tables disclose sensitivity to valuation inputs for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2023 (2022: none).

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2023 and 31 December 2022 is as follows:

	Assets at FVTPL		**Financial derivative liabilities**
In millions of Uzbekistan Soums	**Investments in equity securities**	**Financial derivative assets**	
Fair value at 1 January 2023	**4,260**	**27,028**	**-**
Gains (losses) recognised in profit or loss for the year	-	2,102	2,126
Purchases	415	2,043,919	2,067,221
Sales or disposal	(353)	(2,069,119)	(2,068,961)
Fair value at 31 December 2023	**4,322**	**3,930**	**386**

	Assets at FVTPL		**Financial derivative liabilities**
In millions of Uzbekistan Soums	**Investments in equity securities**	**Interest rate Swaps**	
Fair value at 1 January 2022	**3,967**	**50,676**	**379**
Gains (losses) recognised in profit or loss for the year	-	(5,195)	-
Purchases	293.00	112,255	-
Sales or disposal	-	(130,708)	(379)
Fair value at 31 December 2022	**4,260**	**27,028**	**-**

Gains or losses on level 3 financial instruments included in the profit or loss for the period comprise:

	31 December 2023		**31 December 2022**	
In millions of Uzbekistan Soums	**Realised (loss)**	**Unrealised (loss)**	**Realized (loss)**	**Unrealized (loss)**
Total gain or loss included for the period in the profit or loss	(13,265)	4,228	(85,282)	(5,195)

33 Fair Value Disclosures (Continued)

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

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value at 31 December 2023 are as follows:

In millions of Uzbekistan Soums	Level 2	Level 3	Total fair value	Carrying value
Assets				
Due from other banks	105,634	-	**105,634**	**101,776**
- Term placements with other banks with original maturities of more than three months	91,499	-	91,499	**87,628**
-Restricted cash deposits	14,135	-	14,135	**14,148**
Investments in debt securities	210,498	-	**210,498**	**217,043**
-Uzbekistan government bonds	61,404	-	61,404	60,477
-Uzbekistan government Eurobonds	105,149	-	105,149	116,625
-Corporate bonds	43,945	-	43,945	39,942
Loans to customers, including finance lease receivables	-	16,812,025	16,812,025	**16,099,708**
-Micro	-	1,709,576	1,709,576	1,605,532
-SME	-	3,805,401	3,805,401	3,709,140
-Consumer	-	2,269,948	2,269,948	1,994,033
-Mortgage	-	1,199,802	1,199,802	1,280,382
-Car loans	-	4,091,969	4,091,969	3,778,423
-Large corporate	-	3,735,329	3,735,329	3,732,198
Other financial assets	-	7,480	**7,480**	**7,480**
LIABILITIES				
Due to other banks	-	233,490	**233,490**	**239,227**
-Correspondent accounts and overnight placements of other banks	-	126,295	126,295	126,315
-Term placements of other banks	-	61,895	61,895	61,777
-Security deposits of other financial institutions	-	45,300	45,300	51,135
Customer accounts	-	**7,659,701**	**7,659,701**	**7,661,735**
- Term deposits of individuals	-	3,396,819	3,396,819	3,392,550
- Current deposits of legal entities	-	1,868,871	1,868,871	1,868,871
- Term deposits of legal entities	-	1,364,770	1,364,770	1,371,073
- Current deposits of individuals	-	1,029,241	1,029,241	1,029,241
Debt securities in issue	-	22,345	**22,345**	**22,345**
- Deposit certificates	-	22,345	22,345	22,345
Other borrowed funds	-	7,890,913	7,890,913	8,405,690
- Term borrowings from companies, government and its companies	-	7,890,913	7,890,913	8,405,690
Subordinated debt	-	489,615	**489,615**	**502,173**
-Subordinated debt	-	489,615	489,615	502,173
Other financial liabilities	-	30,558	**30,558**	**30,558**
Credit related commitments	-	469,559	**469,559**	**469,143**
-Undrawn credit lines	-	183,119	183,119	182,704
-Financial guarantees issued	-	286,439	286,439	286,439
Total	**316,132**	**33,615,686**	**33,931,818**	**33,756,879**

33 Fair Value Disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value at 31 December 2022 are as follows:

In millions of Uzbekistan Soums	**Level 2**	**Level 3**	**Total fair value**	**Carrying value**
Assets				
Due from other banks	284,379	-	**284,379**	**204,633**
- Term placements with other banks with original maturities of more than three months	283,420	-	283,420	**203,674**
-Restricted cash deposits	959	-	959	**959**
Investments in debt securities	268,252	-	**268,252**	**276,735**
-Uzbekistan government bonds	134,400	-	134,400	128,632
-Uzbekistan government Eurobonds	92,070	-	92,070	106,691
-Corporate bonds	41,782	-	41,782	41,412
Loans to customers, including finance lease receivables	-	12,211,490	12,211,490	**11,605,151**
-Micro	-	1,510,806	1,510,806	1,420,375
-SME	-	2,627,848	2,627,848	2,554,842
-Consumer	-	1,871,048	1,871,048	1,638,798
-Mortgage	-	896,353	896,353	896,353
-Car loans	-	1,511,277	1,511,277	1,412,560
-Large corporate	-	3,794,158	3,794,158	3,682,223
Other financial assets	-	3,943	**3,943**	**3,943**
LIABILITIES				
Due to other banks	-	572,974	**572,974**	**572,366**
-Correspondent accounts and overnight placements of other banks	-	352,588	352,588	352,653
-Term placements of other banks	-	126,052	126,052	125,312
-Security deposits of other financial institutions	-	94,334	94,334	94,401
Customer accounts	-	**6,733,570**	**6,733,570**	**6,685,870**
- Term deposits of individuals	-	2,688,209	2,688,209	2,618,522
- Current deposits of legal entities	-	1,904,078	1,904,078	1,915,055
- Term deposits of legal entities	-	1,368,589	1,368,589	1,379,599
- Current deposits of individuals	-	772,694	772,694	772,694
Debt securities in issue	-	650	**650**	**650**
- Deposit certificates	-	650	650	650
Other borrowed funds	-	5,717,192	5,717,192	6,241,607
- Term borrowings from companies, government and its companies	-	5,717,192	5,717,192	6,241,607
Subordinated debt	-	408,244	**408,244**	**411,230**
-Subordinated debt	-	408,244	408,244	411,230
Other financial liabilities	-	18,789	**18,789**	**18,789**
Credit related commitments	-	193,886	**193,886**	**199,370**
-Undrawn credit lines	-	100,161	100,161	105,646
-Financial guarantees issued	-	93,725	93,725	93,725
Total	**552,631**	**25,860,738**	**26,413,369**	**26,220,344**

33 Fair Value Disclosures (Continued)

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. For assets, the Group used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group.

34 Related Party Transactions

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

The outstanding balances with related parties were as follows:

	31 December 2023			***31 December 2022***		
In millions of Uzbekistan Soums	***Key management personnel***	***Other signifycant shareholders***	***Other related parties***	***Key management personnel***	***Other signifycant shareholders***	***Other related parties***
Right of use assets	-	69,715	-	-	5,772	-
Loans to customers	660	-	-	460	-	-
(contractual interest rate: 17.5-18 % in UZS)						
Customer accounts	1,145	36,912	1,719	626	22,758	3,367
(contractual interest rate: 0.1-24% in UZS / 0- 6 % in USD)						
Lease liabilities	-	73,681	-	-	11,281	-
(contractual interest rate: 19.72 – 21.03 %)						
Other borrowed funds	-	1,351,665	-	-	841,366	-
(contractual interest rate: 15.8-23.5% in UZS / 4.1- 8.3 % in USD and EUR)						
Other liabilities)	829	-	63	440	-	48

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

	2023			***2022***		
In millions of Uzbekistan Soums	***Key management personnel***	***Other signifycant shareholders***	***Other related parties***	***Key management personnel***	***Other signifycant shareholders***	***Other related parties***
Interest income on loans	136	-	-	55	-	-
Interest expense on deposits	81	4,455	256	3	3,476	210
Interest expense on borrowings	-	149,077	-	-	144,162	-
Interest expense on Lease liabilities	-	6,536	-	-	2,766	-
Fee and commission income	1	1	10	4	-	22
Salaries	5,974	958	876	3,723	842	666
Bonuses	3,781	-	-	3,194	-	-
Social tax (pension fund)	1,114	115	105	819	101	78

35 Events after the End of the Reporting Period

Other Borrowed Funds

The Group signed agreements at 12 December 2023 and 8 February 2024 with the European Bank for Reconstruction and Development for a total amount equivalent to USD 50 million for a period of 36 months, out of which USD 35 milion were received in February 2024:

- USD 10 millions loans were borrowed to finance lending to Young Entrepreneurs
- USD 10 millions loans were borrowed to finance lending to Green Economy
- USD 25 millions loans were borrowed to finance the development of microfinancing and SME
- USD 5 millions loans were borrowed to finance lending to Women Entrepreneurs

Share Capital

In response to the amendment in accordance with the law of the Republic of Uzbekistan "On Banks and Banking Activities," on 18 December 2023, the Annual General Meeting of Shareholders made a decision to increase the share capital through retained earnings by the amount of UZS 323,324.5 million (additional 64,664,898,000 shares to be issued at UZS 5 par value). This decision was subsequently registered with the Government of Uzbekistan on 7 February 2024.

36 Abbreviations

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

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