Consolidated Financial Statements and Independent Auditor's Report
JSCB TBC Bank

31 December 2023

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Independent Auditor's Report

To the Shareholders and Supervisory Board of the Joint Stock Commercial Bank TBC BANK:

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 TBC BANK (the "Bank") and its subsidiary (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.

General Director/Certified Auditor

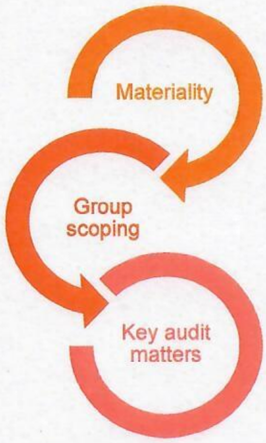
Audit Organization "PricewaterhouseCoopers" LLC
88A, prospekt Mustaqillik, Mirzo-Ulugbek district, Tashkent 100000, Republic of Uzbekistan
T: +998 78 120 6101, www.pwc.com/uz

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.

Our audit approach

Overview



- Overall Group materiality: UZS 12,860,000 thousand, which represents 1% of the consolidated net assets as at 31 December 2023.

- We performed audit procedures on the financial statements of the Bank and on the material balances and transactions of the subsidiary included in the consolidated financial statements of the Group.

- Assessment of expected credit losses (ECL) allowance 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.

General Director/Certified Auditor

Overall Group materiality	UZS 12,860,000 thousand
How we determined it	1% of the consolidated net assets as at 31 December 2023
Rationale for the materiality benchmark applied	The Group is still a start-up FinTech business, incurring start-up losses and experiencing volatility in its earnings. We consider net assets as an appropriate alternative to profit before tax as it is one of the key benchmarks against which the financial position of the Group is measured by users of the consolidated financial statements. We chose 1% which is consistent with quantitative materiality thresholds used for the selected benchmark.

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.

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Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses (ECL) allowance for loans and advances to customers, including finance lease receivables, in accordance with IFRS 9, Financial Instruments. We considered the ECL allowance for loans and advances to customers as a key audit matter due to the significance of loans and advances to customers' balance and a complex financial reporting standard, which requires significant judgment to determine the ECL allowance. All loans, including stage 3 loans are assessed on a collective basis due to their classification as small consumer loans. Key areas of judgement included: • Classification of loans and advances to customers into stages in accordance with IFRS 9; • Key estimates and modelling assumptions used to estimate key risk parameters – probability of default and loss given default. Note 3 "Material Accounting Policy Information", Note 4 "Critical Accounting Estimates, and Judgements in Applying Accounting Policies", Note 9 "Loans and Advances to Customers, including finance lease receivables" and Note 23 "Financial Risk Management" to the consolidated financial statements provide detailed information on the credit loss allowance.	In assessing the ECL allowance we have performed, among others, the following audit procedures: • We assessed the methodologies and models for collective ECL allowance 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. • We assessed the ECL allowance levels to determine if these appropriately reflects the risk profile, credit risk and the macroeconomic environment. We considered trends in the economy and industries, to which the Group's borrowers are exposed. • We assessed the design and, on a sample basis, tested operating effectiveness of the controls over the processes that involve quality, completeness, and reliability of data used in the ECL calculation process, examining historical loss and recovery data of overdue loans. • We checked the Bank's 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 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 requirements.

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.

General Director/Certified Auditor

The Group consists of the Bank and its subsidiary and accounting is maintained by a centralized accounting team for the entire Group. Our audit procedures included a full scope audit of the Bank as well as limited procedures over the subsidiary. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed. The subsidiary, as a reporting unit, represents approximately 3.3% of the Group's total assets as at 31 December 2023 and 3.6% of the Group's profit for the period. We therefore focused our audit work on significant balances and transactions of the subsidiary.

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.

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.

General Director/Certified Auditor

- 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.

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.

General Director/Certified Auditor

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.
- 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.

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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

4 April 2023

In thousands of Uzbekistan Soums	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	7	361,780,768	222,385,319
Due from other banks	8	27,134,675	10,138,925
Loans and advances to customers, including finance lease receivables	9	3,638,131,749	1,498,499,570
Investment in debt securities	10	283,121,486	139,783,491
Current income tax prepayment		11,600,000	-
Other assets	11	35,746,006	18,791,880
Deferred income tax asset	22	32,152,500	57,846,142
Premises and equipment	12	45,344,700	48,926,661
Intangible assets	12	117,885,622	76,653,161
Right of use assets	13	19,555,415	30,639,290
TOTAL ASSETS		**4,572,452,921**	**2,103,664,439**
LIABILITIES			
Due to other banks	15	100,223,348	-
Customer accounts	16	2,674,638,577	1,389,478,445
Other borrowed funds	14	421,563,126	27,974,336
Lease liabilities	14	22,944,240	33,688,257
Other liabilities	17	67,191,113	30,801,191
TOTAL LIABILITIES		**3,286,560,404**	**1,481,942,229**
EQUITY			
Share capital	18	1,290,062,760	771,707,788
Additional capital	18	153,162,340	75,787,493
Accumulated deficit		(157,183,115)	(225,773,071)
Other reserves		(149,468)	-
TOTAL EQUITY		**1,285,892,517**	**621,722,210**
TOTAL LIABILITIES AND EQUITY		**4,572,452,921**	**2,103,664,439**

Approved for issue and signed on behalf of Management Board on 4 April 2024.

Spartak Tetrashvili

Chief Executive Officer

David Gabelashvili

Chief Financial Officer

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHAR "TBC BANK" AKSIYADORLIK TIJORAT BANKI THE REPUBLIC OF UZBEKISTAN TASHKENT CITY JOINT-STOCK COMMERCIAL BANK "TBC BANK"

In thousands of Uzbekistan Soums	Note	2023	2022
Interest income calculated using the effective interest method	19	1,077,740,681	387,699,542
Other similar income	19	57,519,803	23,804,871
Interest and similar expense	19	(518,603,255)	(226,693,514)
Net margin on interest and similar income		**616,657,229**	**184,810,899**
Credit loss allowance	7-11	(154,291,470)	(60,536,429)
Net margin on interest and similar income after credit loss allowance		**462,365,759**	**124,274,470**
Fee and commission income	20	111,280,052	12,309,732
Fee and commission expense	20	(90,775,347)	(6,619,236)
Foreign exchange translation gains less losses		204,000	42,280
Losses less gains from trading in foreign currencies		(1,102,660)	(12,879)
Staff costs	21	(134,640,016)	(98,985,241)
Advertising costs	21	(68,219,211)	(35,254,984)
Administrative and other operating expenses	21	(184,828,979)	(102,611,285)
Profit / (loss) before tax		**94,283,598**	**(106,857,143)**
Income tax (expense)/credit	22	(25,693,642)	22,237,599
PROFIT / (LOSS) FOR THE YEAR		**68,589,956**	**(84,619,544)**
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss:			
Loss on fair value hedges - effective portion of changes in fair value		(149,468)	-
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(149,468)**	**-**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**68,440,488**	**(84,619,544)**

In thousands of Uzbekistan Soums	**Share capital**	**Share premium**	**Retained earnings**	**Other reserves**	**Total equity**
Balance at 1 January 2022	**438,202,053**	**26,005,092**	**(138,678,709)**	-	**325,528,436**
Loss for the year	-	-	(84,619,544)	-	**(84,619,544)**
Total comprehensive loss for the year	-	-	(84,619,544)	-	**(84,619,544)**
Share issue (ordinary)	333,505,735	49,782,401	-	-	**383,288,136**
Business combinations (Note 27)	-	-	(2,474,818)	-	**(2,474,818)**
Balance at 1 January 2023	**771,707,788**	**75,787,493**	**(225,773,071)**	-	**621,722,210**
Profit for the year	-	-	68,589,956	-	**68,589,956**
Other comprehensive loss	-	-	-	(149,468)	**(149,468)**
Total comprehensive income / (loss) for the year	-	-	68,589,956	(149,468)	**68,440,488**
Share issue (Note 18)	518,354,972	77,374,847	-	-	**595,729,819**
Balance at 31 December 2023	**1,290,062,760**	**153,162,340**	**(157,183,115)**	**(149,468)**	**1,285,892,517**

In thousands of Uzbekistan Soums	Notes	2023	2022
Cash flows from operating activities			
Interest income calculated using the effective interest method received	19	1,054,679,955	368,852,525
Interest paid	19	(485,843,564)	(212,341,044)
Fees and commission received	20	109,023,201	12,777,721
Fees and commission paid	20	(94,713,542)	(6,619,236)
Net loss from trading in foreign currencies		(633,075)	(12,879)
Other operating income received		1,202,834	-
Staff costs paid	21	(124,793,378)	(92,829,310)
Income tax paid	22	(11,600,000)	-
Administrative and other operating expenses paid	21	(198,338,246)	(108,766,928)
Cash flows from operating activities before changes in operating assets and liabilities		**248,984,185**	**(38,939,151)**
Net (increase) / decrease in:			
- loans and advances to customers	9	(2,212,639,300)	(1,179,027,765)
- due from other banks	8	(16,842,326)	(9,213,622)
- other assets	11	(15,544,348)	727,419
Net increase in:			
- due to other banks	15	100,223,347	-
- customer accounts	16	1,264,025,549	666,594,676
- other liabilities		3,973,888	
Net cash (used in)/operating activities		**(627,819,005)**	**(559,858,443)**
Cash flows from investing activities			
Acquisition of investments in debt securities carried at amortised cost	10	(1,336,337,251)	(976,457,153)
Proceeds from redemption of debt securities carried at amortised cost	10	1,193,011,502	1,008,932,072
Purchase of premises, equipment and intangible assets	12	(63,787,306)	(65,901,657)
Acquisition of subsidiaries, net of cash acquired	26	-	2,668,600
Net cash used in investing activities		**(207,113,055)**	**(30,758,138)**
Cash flows from financing activities			
Proceeds from share issue	18	595,729,819	383,288,136
Proceeds from other borrowed funds	14	389,979,334	28,215,450
Repayment of principal of lease liabilities	14	(11,522,785)	(10,580,410)
Net cash from financing activities		**974,186,368**	**400,923,176**
Effect of exchange rate changes on cash and cash equivalents		**141,141**	**42,280**
Net (decrease)/increase in cash and cash equivalents		**139,395,449**	**(189,651,125)**
Cash and cash equivalents at the beginning of the year	7	222,385,319	412,036,444
Cash and cash equivalents at the end of the year	7	**361,780,768**	**222,385,319**

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 JSCB "TBC Bank" (the "Bank") and its subsidiary (the "Group").

The Bank was incorporated and is domiciled in the Republic of Uzbekistan. The Bank is a joint stock commercial bank limited by shares and was set up in accordance with regulations of the Republic of Uzbekistan. TBC Bank Group PLC, The European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation have acquired shares. As of 31 December 2023, and 2022, the Group's immediate and ultimate shareholders were:

	% of ownership interest held as of 31 December	
Shareholders	**2023**	**2022**
TBC Bank Group PLC	60.18%	60.18%
The European Bank for Reconstruction and Development	19.91%	19.91%
International Finance Corporation	19.91%	19.91%
Total	**100.00%**	**100.00%**

TBC Bank Group PLC (the "TBCG") is a public limited liability company, incorporated in the UK and is a direct parent of TBC Bank. The shares of TBCG are admitted to the Premium Listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange.

Principal activity. The Group's principal business activity is retail and micro-operations within the Republic of Uzbekistan and universal banking operations that include mainly individuals. The Bank operates under a general banking license issued by the Central Bank of Uzbekistan (the "CBU") on 11 April 2020, which was renewed by the Bank on 17 March 2022.

The Bank participates in the state deposit insurance scheme introduced by the Law of the Republic of Uzbekistan #360-II "Insurance of Individual Bank Deposit" dated 5 April 2002. In case of the bank license withdrawal, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

The Group had 8 branches within the Republic of Uzbekistan as of 31 December 2023 (31 December 2022: 10 branches). As at 31 December 2023, the consolidated financial statements include a subsidiary – TBC Fin Services LLC. This entity was fully owned by the TBCG before the Bank acquired 100% shareholding in April 2022. The Subsidiary was established in 2020 and provides finance leasing services in the consumer retail sector of Uzbekistan. In 2023, TBC Fin Service LLC, like its parent Bank, reached its breakeven point and recorded its first profitable results.

Registered address. The Group's registered address is: 10B Fidokor street, Mirabad district, Tashkent, the Republic of Uzbekistan, 100015.

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

2 Operating Environment of the Group

The Group's operations are primarily located in the Republic of Uzbekistan. Consequently, the Group is exposed to the economic and financial market risks of the Republic of Uzbekistan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Uzbekistan.

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. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility in the currency markets, as well as a volatility of UZS against the US dollar and euro.

This conflict affected some export-import operations of the Uzbek entities. However, since the Group's principal activities is a digital retail and micro-operations within the Republic of Uzbekistan that include mainly individuals, these developments did not significantly impact the operations of the Group.

2 Operating Environment of the Group (Continued)

In order to minimize the impact on consumers, the Government of Uzbekistan adopted the relevant regulatory decree, according to which, banks were advised to modify the repayment schedules for corporate loans and advances with “no accrued penalties and fines” and they are not classified as restructured loans for regulatory purposes. These documents have no significant accounting implications for the Group’s as there are no corporate loans in the loan portfolio.

The Group continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance. The future effects of the current economic situation and the above measures are difficult to predict and management’s current expectations and estimates could differ from actual results. The management is taking necessary measures to ensure sustainability of the Group’s operations and to support its employees.

For 2023, the following key economic indicators are specific to Republic of Uzbekistan:

- Inflation: 8.77% (2022: 12.25%)
- Official exchange rate: 31 December 2023: USD 1 = UZS 12,338.77 (31 December 2022: USD 1 = UZS 11,225.46)
- GDP growth: 6% (2022: 5.7%)
- Refinancing rate of the CBU, remained unchanged: 14% (2022: 14%)

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 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”). 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.

Consolidated financial statements. Subsidiary is the investee, that the Group controls because the Group (i) has power to direct relevant activities of the investee that significantly affect its 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 the amount of investor’s returns. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. Subsidiary is consolidated from the date on which control is transferred to the Group and is deconsolidated from the date on which control ceases.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the consolidated financial statements of the combined entity are presented from the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity’s carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary’s IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity’s original acquisitions is also recorded in these consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment within equity.
The acquired entity’s results and statement of financial position are incorporated prospectively from the date on which the business combination between entities under common control occurred.

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

3 Material Accounting Policy Information (Continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 26.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

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

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps, Foreign exchange forwards 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. If any differences remain after calibration of model inputs, such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight-line basis over the term of the currency swaps, Foreign exchange forwards.

The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

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

Financial assets – classification and subsequent measurement – business model. The business model reflects how the 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.

Financial assets – reclassification*.* Financial instruments are reclassified only when the business model for managing the portfolio as a whole change. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and did not make any reclassifications.

3 Material Accounting Policy Information (Continued)

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 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.

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 23 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 23. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 23 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 – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: change in contract currency, consolidation of two or more loans into one new loan, change in counterparty, loan with no predetermined payment schedule is changed with loan with schedule or vice versa and change in contractual interest rate due to market environment changes.

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).

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Hedge accounting. The Group applies fair value hedge accounting in respect of certain transactions, such as foreign exchange risk hedges on monetary positions hedged by foreign exchange forwards and swaps. The Group applies IFRS 9 requirements for hedge accounting. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

3 Material Accounting Policy Information (Continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Fair value hedges of foreign exchange risk on monetary positions that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

The Group normally designates only the spot element of foreign currency forward and swap contracts as a hedging instrument. The Group usually applies the provision for accounting for the forward element and foreign currency basis spread as cost of hedging, thus recognising in OCI and accumulated in a separate component of equity under cost of hedging reserve, presented within “Other reserves” in the consolidated statement of financial position. The amounts accumulated in OCI within cost of hedge reserves are recycled to profit or loss over the tenor of hedging relationship on a straight line basis and presented within “Net interest gains on currency swaps” in the consolidated statement of profit or loss and other comprehensive income.

The change in the fair value of a hedging instrument attributable to spot exchange rate movement is recognised in the consolidated statement of profit or loss and other comprehensive income within “Net gains from currency derivatives, foreign currency operations and translation” as “Net gains (losses) from foreign exchange translation”, offsetting respective translation gains or losses recognized under IAS 21 in respect of the hedged item. Other changes in the fair value of the hedging instrument (including hedge ineffectiveness) are recognized in profit or loss within “Net gains from currency derivatives, foreign currency operations and translation” as “Net gains from trading in foreign currency”.

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 cash on hand, amounts due from the Central Bank of Uzbekistan (CBU), excluding mandatory reserves, and all interbank placements and interbank receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

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

Mandatory cash balances with the Central Bank of Uzbekistan (CBU). Mandatory cash balances with the CBU are carried at AC and represent non-interest-bearing mandatory reserve deposits, which are not available to finance the Group’s day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Amount of Mandatory cash balances with CBU is insignificant and included within Due from other banks in the consolidated statement of financial position.

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. Otherwise, they are carried at FV.

3 Material Accounting Policy Information (Continued)

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 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.

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: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 23 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.

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 by applying the rate implicit in the lease to (i) the gross book value of lease receivables in stage 1 and 2 and (ii) net carrying amount of lease receivables in stage 3 of the ECL model. 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 Interest income in profit or loss.

Credit loss allowance is recognised in accordance with the general ECL model. 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. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Premises and equipment. Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Cost of premises and equipment of acquired subsidiaries is the estimated carrying value at the date of acquisition.

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

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

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the period (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:

3 Material Accounting Policy Information (Continued)

	Useful lives in years
Premises	5 to 33 years
Office and computer equipment	3 to 8 years
Motor vehicles	4 to 5 years
Right-of-use assets	Shorter of useful life and the term of the underlying lease
Leasehold improvements	Shorter of useful life and the term of the underlying lease

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.

Intangible assets. The Group's intangible assets other than goodwill have definite useful life and primarily include capitalised computer software and licenses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Intangible assets are amortised on a straight line basis over expected useful lives of 2 to 10 years.

Accounting for leases by the Group as a lessee. The Group leases office, branches and service centre 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, and
- payments of 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. 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 as an operating expense on a straight line basis.

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 early retirement of debt.

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

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.

3 Material Accounting Policy Information (Continued)

***Other borrowed funds**.* Other borrowed funds include obligations to return funds borrowed from financial institutions. Other borrowed funds are carried at AC.

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 /credit comprises current tax and deferred tax and is recognised in profit or loss for the period, except if it is recognised in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income.

Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Group controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

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

Ordinary shares issued to a lender (who is not an owner of the entity) in order to settle a financial liability are recorded at the fair value of the shares issued when the settlement in shares was not part of the original terms and conditions of the borrowing. A gain or loss on the negotiated early extinguishment of the debt is recognised in profit or loss.

Interest income and expense recognition. Interest income and expense are recorded for all debt instrumentson 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.

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

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

All other fees, commissions and other income and expense items are generally recorded when earned by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3 Material Accounting Policy Information (Continued)

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3, but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

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. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, premium service package fees, portfolio and other asset management advisory and service fees, wealth management and financial planning services, or fees for servicing loans on behalf of third parties, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the 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. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses.

Foreign currency translation. The consolidated financial statements are presented in UZS, which is the Group's presentation currency. Income and expenses arising from translation of monetary transactions in foreign currencies are recognised in the statement of profit and loss as "Foreign exchange translation gains less losses".

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

Offsetting. Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

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

***Segment reporting*.** Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. Considering the fact that the Group provides mainly digital banking and instalment services in the Republic of Uzbekistan, the Management has determined a single operating segment being digital banking services based on the internal reports. The chief operating decision-maker ("CODM") has been determined as the Group's Chairman of the Management Board. The CODM regularly uses financial information based on the IFRS and profit before tax in accordance with the IFRS for operational decision-making and resource allocation.

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 23 for analysis of financial instruments by their maturity.

3 Material Accounting Policy Information (Continued)

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 23.

	31 December 2023			31 December 2022		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In thousands of Uzbekistan Soums	Within 12 months after the reporting period	Beyond 12 months after the reporting period	Total	Within 12 months after the reporting period	Beyond 12 months after the reporting period	Total
ASSETS						
Premises, equipment	-	45,344,700	45,344,700	-	48,926,661	48,926,661
Right of use assets	-	19,555,415	19,555,415	-	30,639,290	30,639,290
Intangible assets	-	117,885,622	117,885,622	-	76,653,161	76,653,161
Deferred income tax asset	-	32,174,919	32,174,919	-	57,846,142	57,846,142
Current income tax prepayment	11,600,000	-	11,600,000			
Other non-financial assets	35,723,586	-	35,723,586	18,791,880	-	18,791,880
TOTAL ASSETS	**47,323,586**	**214,960,656**	**262,284,242**	**18,791,880**	**214,065,254**	**232,857,134**
LIABILITIES						
Other non-financial liabilities	41,554,431	-	41,554,431	25,065,372	-	25,065,372
TOTAL LIABILITIES	**41,554,431**	**-**	**41,554,431**	**25,065,372**	**-**	**25,065,372**

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. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. The management anticipates significant recovery of the deferred income tax asset by the end of 2024, based on the Group's current and projected profitability. Key assumptions in the business plan are:

- Revenue Growth: Projections of revenue streams are based on historical trends, market research, industry forecasts, and strategic decisions made by management.
- Market Conditions: Factors such as demand trends, competition, and regulatory changes are considered as they can significantly impact financial outlook.
- Economic Environment: Macroeconomic factors like interest rates, inflation, exchange rates, and GDP growth rates are taken into account as they affect overall business performance.
- Financing and Capital Structure: Capital raising activities, debt levels, interest rates, and financial flexibility influence decisions regarding capital allocation and risk management.
- Regulatory and Legal Considerations: Anticipated changes in tax laws, accounting standards, environmental regulations, and other legal requirements are factored in for financial reporting and compliance.

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

The forecasted financials of TBC Bank, particularly the projection of taxable profits, are reasonably justified, supporting the recoverability of deferred tax assets (DTAs). Several key factors contribute to this assessment:

- ***Market potential and dominance.*** TBC Bank, as the first digital bank in Uzbekistan, has capitalized on a significant market potential in the consumer loans segment. Its swift offering of consumer loans without extensive paperwork has given it a substantial edge over conventional banks. The market demand is immense, and TBC Bank's innovative approach has solidified its position as a leader in the industry.
- ***Historical and forecasted performance.*** The bank has demonstrated strong historical performance, with consistent growth in interest income and other revenue streams. The main source of the profitability comes from interest income from unsecured consumer loans, a segment where TBC Bank maintains competitive rates and enjoys substantial demand. The management employs a rigorous forecasting process, critically reviewed and validated by the Supervisory Board and Shareholders, and historically accurate based on past records. Historical performance, with deviations well within reasonable accuracy range of forecasted figures, indicating the effectiveness of the bank's forecasting methods. In the last year in interest income surpassing budgeted expectations. (2023 by 106 %, 2022 by 108%). It's very likely that the Bank will continue to generate taxable profits for the coming years as in 2023 alone, significant portion of deferred tax assets has been utilized as the profitability breakeven point reached. The Bank's forecasted profitability, both current and projected, significantly surpasses the value of deferred tax assets.
- ***Financial expansion plans.*** TBC Bank's proactive approach to strategic financing expansion projects demonstrates its commitment to meeting the growing demand in the market. Plans to attract additional financing totalling USD 117 million, including funds from international financial institutions and private placements in the local market, indicates confidence in future growth and profitability. This is addition to the budgeted increase in the equity (USD 75 million) and customer deposits.
- ***Legislative support.*** On 20 February 2024, the President of the Republic of Uzbekistan enacted Law #914, effectively doubling the maximum limit for micro consumer loans from 50 million to 100 million Uzbekistan Soums.The law doubling of the maximum limit by the government indicates strong support for the consumer loan lending sector. This also provides TBC Bank with the flexibility to meet the huge demand in the economy while increasing its lending limits effectively. Besides, Uzbekistan tax jurisdiction imposes no restrictions or expiration dates on income tax loss carry-forwards, which also enhances the likelihood of future profitability and effective income tax loss utilization.
- ***Going concern.*** The incurred losses are typical operational expenses during the investment phase of a startup digital Bank, in line with the Bank's business plan and strategies. Currently there are no significant contingent liabilities posing threats to future operations or profits of the Bank. The Bank has no going concern issue and has a solid liquidity position.

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 23. The following components have a major impact on credit loss allowance:

- determination of a level of ECL assessment on an individual instrument basis;
- definition of default applied by the Group;
- development and application of internal credit grading models, which assigns PDs to the individual credit risk grades;
- assessment of loss given default (“LGD”);
- criteria for assessing if there has been a significant increase in credit risk;
- selection of forward-looking macroeconomic scenarios and their probability weightings.

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

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

Variable	Scenario	Assigned weight	Assumption for: 2024	2025	2026
GDP Growth rate	Scenario 1	25%	5.5%	5.6%	5.8%
	Base	50%	5.5%	5.5%	5.5%
	Scenario 3	25%	5.0%	5.2%	5.0%
Inflation rate	Scenario 1	25%	10.2%	10.0%	9.9%
	Base	50%	10.7%	9.3%	7.1%
	Scenario 3	25%	7.7%	7.7%	7.7%
Unemployment rate	Scenario 1	25%	7.1%	7.1%	7.1%
	Base	50%	7.9%	7.4%	6.9%
	Scenario 3	25%	9.0%	9.0%	9.0%

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

Variable	Scenario	Assigned weight	Assumption for: 2023	2024	2025
GDP Growth rate	Scenario 1	25%	5.7%	5.5%	5.6%
	Base	50%	5.5%	5.5%	5.5%
	Scenario 3	25%	5.6%	5.0%	5.2%
Inflation rate	Scenario 1	25%	11.4%	10.2%	10.0%
	Base	50%	9.9%	10.7%	9.3%
	Scenario 3	25%	10.4%	7.7%	7.7%
Unemployment rate	Scenario 1	25%	7.0%	7.1%	7.1%
	Base	50%	8.4%	7.9%	7.4%
	Scenario 3	25%	9.5%	9.0%	9.0%

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 base scenario (2).

Analysis of the sensitivity. The Group performed the following analysis of the sensitivity of the level of ECL on changes in PD, LGD and macroeconomic coefficient parameters by 10% at 31 December 2023:

At 31 December 2023 *In thousands of Uzbekistan Soums*	Increase (decrease) in %	Sensitivity of ECL	Sensitivity of Equity
PD	+10%	15,373,473	12,298,778
	- 10%	(15,373,473)	(12,298,778)
Macroeconomic coefficient	+10%	11,082,906	8,866,324
	- 10%	(11,082,906)	(8,866,324)
LGD	+10%	16,910,820	13,528,656
	-10%	(16,910,820)	(13,528,656)

At 31 December 2022 *In thousands of Uzbekistan Soums*	Increase (decrease) in %	Sensitivity of ECL	Sensitivity of Equity
PD	+10%	3,231,704	2,585,363
	- 10%	(3,231,704)	(2,585,363)
Macroeconomic coefficient	+10%	2,760,017	2,208,013
	- 10%	(2,760,017)	(2,208,013)
LGD	+10%	5,195,813	4,156,650
	-10%	(5,195,813)	(4,156,650)

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.

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

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 appopriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by UZS 2,420,032 thousands as of 31 December 2023 (31 December 2022: higher by UZS 733,139 thousands).

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

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The adoption of the standard did not have a material impact on these consolidated financial statements.

Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The adoption of the standard did not have a material impact on these consolidated financial statements.

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 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 above 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.

7 Cash and Cash Equivalents

In thousands of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Cash balances with the CBU (other than mandatory reserve deposits)	289,452,481	181,338,569
Correspondent accounts and overnight placements with other banks	72,373,216	41,052,780
Less credit loss allowance	(44,929)	(6,030)
Total cash and cash equivalents	**361,780,768**	**222,385,319**

As at 31 December 2023, cash and cash equivalents in the amount of UZS 361,780,337 thousand (100%) (2022: UZS 222,385,319 thousand) were placed in 3 commercial banks and Central Bank of Uzbekistan. The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades as at 31 December 2023. Refer to Note 23 for the description of the Group's credit risk grading system. Refer to Note 26 for the estimated fair value of cash and cash equivalents.

In thousands of Uzbekistan Soums	**Cash balances with the CBU**	**Correspondent accounts and overnight placements**	**Total**
Central Bank of Uzbekistan	289,452,481	-	**289,452,481**
Ba2 (Moody's rated)	-	69,718,369	**69,718,369**
BB- (S&P rated)	-	1,387,461	**1,387,461**
B2 (Moody's rated)	-	1,267,386	**1,267,386**
Less credit loss allowance	(12,630)	(32,299)	**(44,929)**
Total cash and cash equivalents	**289,439,851**	**72,340,917**	**361,780,768**

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

In thousands of Uzbekistan Soums	**Cash balances with the CBU**	**Correspondent accounts and overnight placements**	**Total**
Central Bank of Uzbekistan	181,338,569	-	**181,338,569**
B1 (Moody's rated)		896,241	**896,241**
BB- (S&P rated)	-	6,752,747	**6,752,747**
B2 (Moody's rated)	-	33,403,793	**33,403,793**
Less credit loss allowance	(3,578)	(2,452)	**(6,030)**
Total cash and cash equivalents, excluding cash on hand	**181,334,991**	**41,050,328**	**222,385,319**

For the purpose of ECL measurement cash and cash equivalents balances included in Stage 1 due to absence of SICR and default events (2022: Stage 1). Refer to Note 23 for the ECL measurement approach.

8 Due from Other Banks

Amounts due from other banks include Mandatory cash balances with CBU and placements with original maturities of more than three months that are not collateralised and represent neither past due nor impaired amounts. Mandatory deposits with the CBU include non-interest bearing reserves against client deposits. The Group does not have the right to use these deposits for the purposes of funding its own activities.

In thousands of Uzbekistan Soums	31 December 2023	31 December 2022
Mandatory cash balances with CBU	20,965,721	10,138,925
Restricted cash	6,169,385	-
Less credit loss allowance	(431)	-
Total due from other banks	**27,134,675**	**10,138,925**

The credit quality of due from other banks based on credit risk grades as at 31 December 2023 is Ba3 and Ba3 in 2022 (Moody's rated). For the purpose of ECL measurement, due from other banks balances included in Stage 1 due to absence of SICR and default events (2022: Stage 1).

Refer to Note 26 for the disclosure of the fair value of due from banks and refer to Note 23 for the ECL measurement approach.

9 Loans and Advances to Customers, including Finance Lease Receivables

In thousands of Uzbekistan Soums	31 December 2023	31 December 2022
Gross carrying amount of loans and advances to individuals at AC	3,800,547,687	1,560,339,027
Less credit loss allowance	(162,415,938)	(61,839,457)
Total carrying amount of loans and advances to customers	**3,638,131,749**	**1,498,499,570**

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

	31 December 2023			31 December 2022		
In thousands of Uzbekistan Soums	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to individuals	**3,800,547,687**	**(162,415,938)**	**3,638,131,749**	**1,560,339,027**	**(61,839,457)**	**1,498,499,570**
Consumer loans	3,613,202,563	(149,294,888)	3,463,907,675	1,444,990,785	(54,364,106)	1,390,626,679
Finance lease	143,228,407	(9,930,218)	133,298,189	112,762,817	(7,419,816)	105,343,001
Car loans	44,116,717	(3,190,832)	40,925,885	2,585,425	(55,535)	2,529,890
Total carrying amount of loans at AC	**3,800,547,687**	**(162,415,938)**	**3,638,131,749**	**1,560,339,027**	**(61,839,457)**	**1,498,499,570**

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

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

	Credit loss allowance				Gross carrying amount			
In thousands of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Consumer loans								
At 31 December 2022	**23,260,289**	**9,001,220**	**22,102,597**	**54,364,106**	**1,366,382,868**	**44,906,746**	**33,701,171**	**1,444,990,785**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(40,596,846)	40,596,846	-	-	(210,983,677)	210,983,677	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(25,689,722)	25,689,722	-	-	(100,998,125)	100,998,125	**-**
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,749,135	(1,094,647)	(654,488)	-	7,771,807	(6,719,749)	(1,052,058)	**-**
New originated or purchased	107,642,243	-	-	**107,642,243**	3,201,003,780	-	-	**3,201,003,780**
Derecognised during the period	(12,470,302)	(2,120,017)	(4,634,871)	**(19,225,190)**	(732,544,950)	(10,639,489)	(7,410,545)	**(750,594,984)**
Net repayments	-	-	-	**-**	(207,396,798)	(20,928,941)	(7,659,904)	**(235,985,643)**
Net re-measurement due to stage transfers	(1,654,832)	6,639,865	20,593,415	**25,578,448**	-	-	-	**-**
Net re-measurement due to changes in risk parameters and repayments	(1,675,099)	(490,837)	29,312,592	**(27,146,656)**	-	-	-	**-**
Total movements with impact on credit loss allowance charge for the period	**52,994,299**	**17,841,488**	**70,306,370**	**141,142,157**	**2,057,850,162**	**71,697,373**	**84,875,618**	**2,214,423,153**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(46,211,375)	**(46,211,375)**	-	-	(46,211,375)	**(46,211,375)**
At 31 December 2023	**76,254,588**	**26,842,708**	**46,197,592**	**149,294,888**	**3,424,233,030**	**116,604,119**	**72,365,414**	**3,613,202,563**

	Credit loss allowance				Gross carrying amount			
In thousands of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Finance lease								
At 31 December 2022	**1,767,246**	**327,400**	**5,325,170**	**7,419,816**	**103,899,478**	**1,648,017**	**7,215,322**	**112,762,817**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(5,481,067)	5,481,067	-	-	(14,870,174)	14,870,174	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(4,603,638)	4,603,638	-	-	(9,784,461)	9,784,461	**-**
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	55,002	(457)	(54,545)	-	82,000	8,990	(90,990)	**-**
New originated or purchased	7,655,774	-	-	**7,655,774**	109,973,494	-	-	**109,973,494**
Derecognised during the period	(629,998)	(64,738)	(433,569)	**(1,128,305)**	(37,093,728)	(327,285)	(608,837)	**(38,029,850)**
Net repayments	-	-	-	**-**	(32,375,618)	(1,533,244)	(935,071)	**(34,843,933)**
Net re-measurement due to stage transfers	(399,702)	(19,869)	3,036,625	**2,617,054**	-	-	-	**-**
Total movements with impact on credit loss allowance charge for the period	**1,200,009**	**792,365**	**7,152,149**	**9,144,523**	**25,715,974**	**3,234,174**	**8,149,563**	**37,099,711**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(6,634,121)	**(6,634,121)**	-	-	(6,634,121)	**(6,634,121)**
At 31 December 2023	**2,967,255**	**1,119,765**	**5,843,198**	**9,930,218**	**129,615,452**	**4,882,191**	**8,730,764**	**143,228,407**

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

In thousands of Uzbekistan Soums	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Car loans								
At 31 December 2022	**42,955**	**12,580**	**-**	**55,535**	**2,523,306**	**62,119**	**-**	**2,585,425**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(2,323,013)	2,323,013	-	-	(5,858,723)	5,858,723	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(1,428,291)	1,428,291	-	-	(2,575,325)	2,575,325	**-**
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	-	-	-	-	-	-	**-**
New originated or purchased	3,144,717	-	-	**3,144,717**	42,475,000	-	-	**42,475,000**
Net repayments	-	-	-	**-**	(929,612)	(14,096)	-	**(943,708)**
Net re-measurement due to stage transfers	(7,191)	(2,229)	-	**(9,420)**	-	-	-	**-**
Total movements with impact on credit loss allowance charge for the period	**814,513**	**892,493**	**1,428,291**	**3,135,297**	**35,686,665**	**3,269,302**	**2,575,325**	**41,531,292**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	**-**	-	-	-	**-**
At 31 December 2023	**857,468**	**905,073**	**1,428,291**	**3,190,832**	**38,209,971**	**3,331,421**	**2,575,325**	**44,116,717**

In thousands of Uzbekistan Soums	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Consumer loans								
At 31 December 2021	**3,417,734**	**629,882**	**2,387,258**	**6,434,874**	**316,407,552**	**6,430,977**	**3,396,367**	**326,234,896**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(57,338,088)	57,338,088	-	-	(108,385,370)	108,385,370	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(43,896,587)	43,896,587	-	-	(54,910,975)	54,910,975	**-**
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	7,056	(6,362)	(694)	-	414,472	(373,721)	(40,751)	**-**
New originated or purchased	84,606,360	-	-	**84,606,360**	1,509,683,442	-	-	**1,509,683,442**
Derecognised during the period	(7,432,773)	(5,063,801)	(15,228,736)	**(27,725,310)**	(351,737,228)	(14,624,905)	(15,613,602)	**(381,975,735)**
Total movements with impact on credit loss allowance charge for the period	**19,842,555**	**8,371,338**	**28,667,157**	**56,881,050**	**1,049,975,316**	**38,475,769**	**39,256,622**	**1,127,707,707**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(8,951,818)	**(8,951,818)**	-	-	(8,951,818)	**(8,951,818)**
At 31 December 2022	**23,260,289**	**9,001,220**	**22,102,597**	**54,364,106**	**1,366,382,868**	**44,906,746**	**33,701,171**	**1,444,990,785**

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

In thousands of Uzbekistan Soums	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Finance lease								
At 31 December 2021	**421,833**	**96,947**	**2,165,083**	**2,683,863**	**39,052,486**	**1,046,537**	**2,287,377**	**42,386,400**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(4,019,438)	4,019,438	-	-	(6,740,578)	6,740,578	-	**-**
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(3,707,960)	3,707,960	-		(5,505,828)	5,505,828	**-**
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	431,452	(28,643)	(402,809)	-	729,410	(309,205)	(420,205)	**-**
New originated or purchased	5,587,873	-	-	**5,587,873**	97,854,891	-	-	**97,854,891**
Derecognised during the period	(654,473)	(52,382)	(145,065)	**(851,920)**	(26,996,731)	(324,065)	(157,678)	**(27,478,474)**
Total movements with impact on credit loss allowance charge for the period	**1,345,414**	**230,453**	**3,160,086**	**4,735,953**	**64,846,992**	**601,480**	**4,927,945**	**70,376,417**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	**-**	-	-	-	**-**
At 31 December 2022	**1,767,247**	**327,400**	**5,325,169**	**7,419,816**	**103,899,478**	**1,648,017**	**7,215,322**	**112,762,817**

In thousands of Uzbekistan Soums	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Car loans								
At 31 December 2021	**705**	**-**	**-**	**705**	**65,284**	**-**	**-**	**65,284**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(12,580)	12,580	-	-	(62,119)	62,119	-	**-**
New originated or purchased	53,585	-	-	**53,585**	2,594,119	-	-	**2,594,119**
Derecognised during the period	1,245	-	-	**1,245**	(73,978)	-	-	**(73,978)**
Total movements with impact on credit loss allowance charge for the period	**42,250**	**12,580**	**-**	**54,830**	**2,458,022**	**62,119**	**-**	**2,520,141**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	-	**-**	-	-	-	**-**
At 31 December 2022	**42,955**	**12,580**	**-**	**55,535**	**2,523,306**	**62,119**	**-**	**2,585,425**

Refer to Note 4 for critical judgements applied by the Bank in determining models for PD and LGD using their own data. The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 23. The main movements in the table are described below:

Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Write-offs of allowances related to assets that were written off during the period, all of which is subject to enforcement activities.

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

The following tables contain analyses of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans. The credit quality of loans to customers carried at amortised cost is as follows at 31 December 2023:

In thousands of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Consumer loans				
- Excellent	3,244,298,561	-	-	3,244,298,561
- Good	179,934,469	-	-	179,934,469
- Satisfactory	-	100,835,564	-	100,835,564
- Special monitoring	-	15,768,555	-	15,768,555
- Default	-	-	72,365,414	72,365,414
Gross carrying amount	**3,424,233,030**	**116,604,119**	**72,365,414**	**3,613,202,563**
Credit loss allowance	(76,254,588)	(26,842,708)	(46,197,592)	(149,294,888)
Carrying amount	**3,347,978,442**	**89,761,411**	**26,167,822**	**3,463,907,675**
Finance lease				
- Excellent	125,410,290	-	-	125,410,290
- Good	4,205,162	-	-	4,205,162
- Satisfactory	-	2,558,125	-	2,558,125
- Special monitoring	-	2,324,066	-	2,324,066
- Default	-	-	8,730,764	8,730,764
Gross carrying amount	**129,615,452**	**4,882,191**	**8,730,764**	**143,228,407**
Credit loss allowance	(2,967,255)	(1,119,765)	(5,843,198)	(9,930,218)
Carrying amount	**126,648,197**	**3,762,426**	**2,887,566**	**133,298,189**
Car Loans				
- Excellent	35,772,423	-	-	35,772,423
- Good	2,437,548	-	-	2,437,548
- Satisfactory	-	2,290,405.0	-	2,290,405
- Special monitoring	-	1,041,016.0	-	1,041,016
- Default	-	-	2,575,325	2,575,325
Gross carrying amount	**38,209,971**	**3,331,421**	**2,575,325**	**44,116,717**
Credit loss allowance	(857,468)	(905,073)	(1,428,291)	(3,190,832)
Carrying amount	**37,352,503**	**2,426,348**	**1,147,034**	**40,925,885**

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

In thousands of Uzbekistan Soums	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Consumer loans				
- Excellent	1,309,811,405	-	-	1,309,811,405
- Good	56,571,463	-	-	56,571,463.00
- Satisfactory	-	37,461,894	-	37,461,894.00
- Special monitoring	-	7,444,852	-	7,444,852.00
- Default	-	-	33,701,171	33,701,171.00
Gross carrying amount	**1,366,382,868**	**44,906,746**	**33,701,171**	**1,444,990,785**
Credit loss allowance	(23,260,289)	(9,001,220)	(22,102,597)	(54,364,106)
Carrying amount	**1,343,122,579**	**35,905,526**	**11,598,574**	**1,390,626,679**
Finance lease				
- Excellent	102,582,579	-	-	102,582,579
- Good	1,316,899	-	-	1,316,899.00
- Satisfactory	-	965,856	-	965,856.00
- Special monitoring	-	682,161	-	682,161.00
- Default	-	-	7,215,322	7,215,322.00
Gross carrying amount	**103,899,478**	**1,648,017**	**7,215,322**	**112,762,817**
Credit loss allowance	(1,767,247)	(327,400)	(5,325,169)	(7,419,816)
Carrying amount	**102,132,231**	**1,320,617**	**1,890,153**	**105,343,001**
Car Loans				
- Excellent	2,523,306	-	-	2,523,306
- Satisfactory	-	62,119	-	62,119
Gross carrying amount	**2,523,306**	**62,119**	**-**	**2,585,425**
Credit loss allowance	(42,955)	(12,580)	-	(55,535)
Carrying amount	**2,480,351**	**49,539**	**-**	**2,529,890**

9 Loans and Advances to Customers (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. Consumer loans are unsecured and collateral held for car loans must be at least 120% of the loans.

The financial effect of collateral is presented by disclosing the collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the assets' carrying value ("over-collateralised assets") and (ii) those assets with no collateral and any credit enhancements are unsecured assets (" unsecured assets").

The effect of collateral as at 31 December 2023:

	Over-collateralised Assets		**Unsecured Assets**	
In thousands of Uzbekistan Soums	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Consumer loans	-	-	3,463,907,675	-
Finance lease	-	-	133,298,189	
Car loans	40,925,885	56,905,908	-	-
Total	**40,925,885**	**56,905,908**	**3,597,205,864**	**-**

The effect of collateral as at 31 December 2022:

	Over-collateralised Assets		**Unsecured Assets**	
In thousands of Uzbekistan Soums	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
Consumer loans	-	-	1,390,626,679	-
Finance lease	-	-	105,343,001	
Car loans	2,529,890	3,221,999	-	-
Total	**2,529,890**	**3,221,999**	**1,495,969,680**	**-**

10 Investments in Debt Securities

In thousands of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Debt securities at AC	283,121,486	139,783,491
Total investments in debt securities	**283,121,486**	**139,783,491**

The table below discloses investments in debt securities by measurement categories and classes:

In thousands of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
The CBU bonds (gross carrying value)	283,437,839	139,786,249
Credit loss allowance	(316,353)	(2,758)
Total investments in debt securities at 31 December 2023 (carrying value)	**283,121,486**	**139,783,491**

Investment in debt securities comprise bonds of Central Bank of Uzbekistan (Standard & Poor's credit rating for Uzbekistan stands at BB- with a stable outlook) with 15.85%–17% interest rate and up to 6 months maturity. Investment in debt securities is accounted at amortised cost since business model is "hold to collect" and SPPI test was passed. All investments in debt securities were in stage 1 as of 31 December 2023 and 31 December 2022 and there were no movements between stages.

11 Other Assets

In thousands of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Prepaid expenses	18,851,197	7,132,864
Plastic cards	5,324,700	3,615,705
Inventory	4,586,298	2,216,523
Prepayments for purchase of leasing assets	2,752,585	2,350,817
Cashback from merchants	-	1,602,128
Prepayment for taxes other than income tax	622,669	311,808
Other	3,608,557	1,562,035
Total other non-financial assets	**35,746,006**	**18,791,880**
Total other assets	**35,746,006**	**18,791,880**

11 Other assets (Continued)

Prepaid expenses consist of advance deposit amount for the rent of the Group's new headquarter (UZS 5,311,089 thousand), prepayments for renovation and design works (UZS 3,723,573 thousand) and advance payments for software subscriptions (UZS 3,326,544 thousand) and other miscellaneous prepayments.

12 Premises and Equipment, and Intangible Assets

In thousands of Uzbekistan Soums	Buildings and Premises	Office and computer equipment	Total premises and equipment	Intangible Assets	Lease holding improve-ments	Total
Carrying amount at 1 January 2022	**525,500**	**28,393,175**	**28,918,675**	**40,123,237**	**9,965,108**	**79,007,020**
Cost at 1 January 2021	738,352	32,923,805	33,662,157	43,273,431	10,993,623	87,929,211
Accumulated depreciation/ amortisation	(212,852)	(4,530,630)	(4,743,482)	(3,150,194)	(1,028,515)	(8,922,191)
Additions	305,691	17,085,219	17,390,910	45,790,878	2,763,853	65,945,641
Net transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation/ amortization charge	(188,429)	(7,089,912)	(7,278,341)	(9,260,954)	(2,833,544)	(19,372,839)
Carrying amount at 31 December 2022	**642,762**	**38,388,482**	**39,031,244**	**76,653,161**	**9,895,417**	**125,579,822**
Cost at 31 December 2022	1,044,043	50,009,024	51,053,067	89,064,309	13,757,476	153,874,852
Accumulated depreciation/ amortisation	(401,281)	(11,620,542)	(12,021,823)	(12,411,148)	(3,862,059)	(28,295,030)
Additions	1,466,249	10,028,401	11,494,650	54,012,085	277,659	65,784,394
Net transfers	-		-			-
Disposals	-	(404,188)	(404,188)	-	(2,373,030)	(2,777,218)
Depreciation/ amortization charge	(391,440)	(9,874,381)	(10,265,821)	(12,779,624)	(2,971,168)	(26,016,613)
Elimination of accumulated depreciation/amortization on disposal	-	34,716	34,716	-	625,220	659,936
Carrying amount at 31 December 2023	**1,717,571**	**38,173,030**	**39,890,601**	**117,885,622**	**5,454,098**	**163,230,321**
Cost at 31 December 2023	2,510,292	59,633,237	62,143,529	143,076,394	11,662,105	216,882,028
Accumulated depreciation/ amortisation	(792,721)	(21,460,207)	(22,252,928)	(25,190,772)	(6,208,007)	(53,651,707)

13 Right of Use Assets and Lease Liabilities

The Group leases head office, branch, and several warehouses. Rental contracts are typically made for fixed periods of 12 months to 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	Buildings	Total
Carrying amount at 1 January 2022	**28,674,986**	**28,674,986**
Additions	10,622,710	10,622,710
Disposals	(893,598)	(893,598)
Depreciation/amortisation charge	(7,764,808)	(7,764,808)
Carrying amount at 31 December 2022	**30,639,290**	**30,639,290**
Additions	-	-
Disposals	(2,683,741)	(2,683,741)
Depreciation/amortisation charge	(8,400,134)	(8,400,134)
Carrying amount at 31 December 2023	**19,555,415**	**19,555,415**

13 Right of Use Assets and Lease Liabilities (Continued)

Interest expense on lease liabilities was UZS 3,895,788 thousand (2022: UZS 4,393,595 thousand) and cash outflow for rent payments was UZS 11,522,785 thousand (2022: UZS 10,580,410 thousand).

Expenses relating to short-term leases (included in in administrative and other operating expenses) and to leases of low value assets that are not shown as short-term leases are included in administrative and other operating expenses.

14 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 activities in the statement of cash flows.

In thousands of Uzbekistan Soums	**Other borrowed funds**	**Lease liabilities**	**Total**
Liabilities from financing activities at 1 January 2022	-	**30,265,640**	**30,265,640**
Proceeds	28,215,450	-	28,215,450
Disbursements	-	(6,186,815)	(6,186,815)
Interest accrual	165,296	6,349,635	6,514,931
Interest paid	-	(4,393,595)	(4,393,595)
Other non-cash movements	(406,410)	7,653,392	7,246,982
Liabilities from financing activities at 31 December 2022	**27,974,336**	**33,688,257**	**61,662,593**
Proceeds	389,979,335	-	389,979,335
Disbursements	-	(7,906,276)	(7,906,276)
Interest accrual	28,737,672	3,616,509	32,354,181
Interest paid	(20,961,864)	(3,616,509)	(24,578,373)
Other	(3,938,197)	(2,837,741)	(6,775,938)
Forex	(228,156)	-	(228,156)
Liabilities from financing activities at 31 December 2023	**421,563,126**	**22,944,240**	**444,507,366**

Other borrowed funds represent fundings borrowed from:

- FMO (NEDERLANDSE FINANCIERINGS-MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN) for 2.5 bln USD denominated (fixed) in Uzbek soum, maturing in November 2026;
- GLOBAL CLIMATE PARTNERSHIP FUND S.A. for 5 mln USD denominated (fixed) in Uzbek soum, maturing in December 2028;
- TBC BANK GROUP PLC for 15 mln USD, maturing in April 2024.

The loans were borrowed to finance new loan products for small business sector in 2023.

15 Due to Other Banks

As at 31 December 2023, unmatured interbank deposits denominated in Uzbek soum had been received for a total amount of 60 bln Uzbek soum:

- APEX BANK for 30 bln Uzbek soum, maturing in January 2024;
- OCTOBANK for 30 bln Uzbek soum, maturing in February 2024.

16 Customer Accounts

In thousands of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Individuals		
- Term deposits	2,343,797,415	1,182,225,602
- Current/settlement accounts	236,530,752	186,351,934
Other legal entities		
- Term deposits	60,935,508	19,990,184
- Current/settlement accounts	33,374,902	910,725
Total customer accounts	**2,674,638,577**	**1,389,478,445**

16 Customer Accounts (Continued)

Current/settlement accounts represent retail customers' current, and savings accounts held with the Group for daily banking needs. Saving accounts represent UZS 154,316,973 thousand (2022: UZS 129,433,388 thousand) bearing 18% annual interest rate (2022: 18% p.a), the remaining amount of UZS 79,134,540 (2022: UZS 56,918,546 thousand) represents balances on plastic card accounts. Refer to Note 26 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 23. Information on related party balances is disclosed in Note 28.

Economic sector risk concentrations within the customer accounts are as follows:

In thousands of Uzbekistan Soums	**31 December 2023**		**31 December 2022**	
	Amount	**%**	**Amount**	**%**
Individuals	2,580,328,167	96.47%	1,368,577,536	98.50%
Financial Services	86,228,965	3.23%	17,996,558	1.30%
State and public organizations	7,000,000	0.26%	2,000,000	0.14%
Trade	892,807	0.03%	857,971	0.06%
Services	188,638	0.01%	46,379	0.00%
Total customer accounts	**2,674,638,577**	**100.00%**	**1,389,478,445**	**100.00%**

17 Other Liabilities

In thousands of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Other financial liabilities		
Accounts payable for goods and services	36,339,133	8,716,662
Unrealized loss on swaps	1,050,948	-
Total financial liabilities	**37,390,081**	**8,716,662**
Other non-financial liabilities		
Bonus and salary accrual	23,103,819	15,222,230
Deferred cash award	6,375,060	4,410,011
Advances received under financial contracts lease	311,869	353,861
Taxes Payable	399	17,104
Other	9,885	2,081,323
Total other non-financial liabilities	**29,801,032**	**22,084,529**
Total other liabilities	**67,191,113**	**30,801,191**

Currency swaps. The Group received USD loans from its parent company (TBC Group PLC) and converted them to UZS for local lending purposes. This transaction exposes the Group to foreign exchange risk due to the mismatch between the functional currency (UZS) and the loan currency (USD). To mitigate this risk, the Group entered into a series of back-to-back loan agreements ("Swaps") with Hamkorbank, a local commercial bank, upon receiving each loan tranche and non-deliverable forward (NDF) with JSC TBC Bank (Georgia). These swaps and NDF function as derivatives under IFRS 9.

As these swaps qualify as time-period hedges, the net interest margin "locked" within them (the difference between interest received on USD and paid on UZS) is released to the profit or loss statement over the swap's life on a straight-line basis. This release is reflected in the "Interest and other similar expenses" line. Any changes in the fair value of the forward element and basis spread, along with the straight-line releases, are recognized in Other Comprehensive Income (OCI) and presented as "Other reserves" within the consolidated financial statements of the Group.

For both TBC UZ and TBC Group hedges, hedging instrument contract in its entirety is back-to-back offsetting loans that meet definition of a derivative (FX swap) to be concluded by TBC UZ with Hamkorbank at the following terms:

- Start date: 25 December 2023
- Tenor: 91 days until 22 March 2024
- Notional amount: USD 5 million / UZS 66,960 million exchanged initially, at maturity TBC UZ received USD 5m, TBC UZ pays back UZS 66,960 million.
- Counterparty credit rating (S&P): B

17 Other Liabilities (Continued)

Hedging Instrument – NDF. Hedging instrument contract in its entirety is USD/UZS NDF to be concluded by the TBC UZ with TBC Bank JSC (Georgia) within ISDA/CSA framework at the following terms:

- Start date: 22 December 2023;
- Tenor: until 10 June 2024;
- Notional amount: USD 5 million (USD receive leg) / UZS 66,960 million (UZS pay leg), with respective exchanges of net amount receivable or payable at maturity of the NDF;
- Forward USD/UZS exchange rate is set with forward rate as compared to spot rate of (as per Central Bank of Uzbekistan's fixing as at transaction date);
- Counterparty (TBC Bank JSC (Georgia)) credit rating (Fitch): BB;
- 10% of the notional amount is placed by TBC UZ in TBC Bank JSC (Georgia) as collateral.

The hedging instruments are subject to replacement with a similar instrument as part of Group's rollover strategy.

Deferred cash award. The Group implements a top management compensation scheme wherein, each year, subject to performance and service conditions, the Group awards top management for their service over a three-year period. The scheme is accounted for under IAS 19, via recognition of staff costs and respective liability throughout the period. The individual performance indicators are set on an individual basis and are used to calculate the award amount provided to each employee.

In thousands of Uzbekistan Soums	**31 December 2023**	**31 December 2022**
Liability at the beginning of the period	**4,410,011**	**1,758,100**
Remeasurement of PY award	**6,885,109**	**1,808,188**
Current year award	4,141,935	4,069,423
Unwinding for present value discount	(3,146,498)	(2,236,100)
Total expense recognized as staff cost during the period	**7,880,546**	**3,641,511**
Paid amount during the period	(5,915,497)	(989,600)
Deferred liability at the end of the period	**6,375,060**	**4,410,011**

18 Share Capital

In thousands of Uzbekistan Soums except for number of shares	**Number of outstanding shares**	**Ordinary shares**	**Share premium**	**Total**
At 1 January 2022	**438,202,053**	**438,202,053**	**26,005,092**	**464,207,145**
New shares issued	333,505,735	333,505,735	49,782,401	383,288,136
At 31 December 2022	**771,707,788**	**771,707,788**	**75,787,493**	**847,495,281**
New shares issued	518,354,972	518,354,972	77,374,847	595,729,819
At 31 December 2023	**1,290,062,760**	**1,290,062,760**	**153,162,340**	**1,443,225,100**

The total authorised number of ordinary shares is 1,290,062,760 thousand shares (2022: UZS 771,707,788 thousand), with a par value of UZS 1,000 per share (2022: UZS 1,000 per share). All ordinary shares are fully issued and paid. On 23 March 2023 and 21 November 2023, the Group issued 278,709,301 and 239,645,671 new shares respectively to current shareholders pro rata to their existing shareholdings with nominal value UZS 1,000 per share.

Share premium represents the excess of contributions received over the nominal value of shares issued: 1,149.27 UZS per share, with 149.27 UZS premium per share.

19 Interest Income and Expense

In thousands of Uzbekistan Soums	**2023**	**2022**
Interest income calculated using the effective interest method		
Loans and advances to customers	1,012,452,054	337,383,705
Debt securities at AC	34,317,098	30,021,668
Due from other banks	30,971,529	20,294,169
Total interest income calculated using the effective interest method	**1,077,740,681**	**387,699,542**
Other similar income		
Finance lease receivables	57,519,803	23,804,871
Total other similar income	**57,519,803**	**23,804,871**
Total interest income	**1,135,260,484**	**411,504,413**
Interest expense on financial liabilities calculated using the effective interest method		
Customer accounts	483,263,387	221,326,762
Other borrowed funds	29,000,859	479,288
Due to other banks	2,011,326	493,869
Interest on cross-currency swaps	431,895	-
Total interest expense on financial liabilities calculated using the effective interest method	**514,707,467**	**222,299,919**
Other similar expense		
Lease liabilities	3,895,788	4,393,595
Total other similar expense	**3,895,788**	**4,393,595**
Total interest expense	**518,603,255**	**226,693,514**
Net interest income	**616,657,229**	**184,810,899**

20 Fee and Commission Income and Expense

Retail banking *In thousands of Uzbekistan Soums*	**2023**	**2022**
Fee and commission income not relating to financial instruments at FVTPL:		
Transaction processing fees (P2P)	108,117,272	12,120,711
Plastic cards	2,754,127	146,205
Other	408,653	42,816
Total fee and commission income	**111,280,052**	**12,309,732**
Fee and commission expense not relating to financial instruments at FVTPL:		
Transaction processing fees (P2P)	84,070,020	6,555,794
Plastic cards	6,301,776	63,442
Other	403,551	-
Total fee and commission expense	**90,775,347**	**6,619,236**
Net fee and commission expense	**20,504,705**	**5,690,496**

21 Administrative and Other Operating Expenses

In thousands of Uzbekistan Soums	**2023**	**2022**
Staff costs	134,640,016	98,985,241
Advertising costs	68,219,211	35,254,984
Credit scoring	40,776,469	18,691,898
Subscription expenses	39,160,758	9,238,728
Depreciation of premises and equipment (note 12)	26,016,613	19,424,327
Membership fees	21,829,456	9,971,792
Professional services	12,317,701	6,675,111
Depreciation of right of use assets (note 13)	8,400,134	7,764,808
Representation expenses	7,262,651	4,555,187
Communication expenses	6,547,917	5,171,617
Taxes other than income tax	4,943,434	407,451
Plastic cards purchases	3,474,925	9,309,970
Office supplies	3,293,785	3,203,723
Short term lease expenses	2,850,715	1,925,160
Repairs and maintenance	1,948,838	1,426,927
Business trip and travel expenses	1,635,862	3,459,911
Security service costs	597,264	563,527
Charity and sponsorship	395,650	359,283
Insurance	317,263	143,652
Utilities	204,175	193,410
Fuel	186,563	116,790
Other	2,668,806	8,014
Total administrative and other operating expenses	**387,688,206**	**236,851,510**

Staff costs include mandatory social contributions in the amount of UZS 11,759,407 thousand (2022: UZS 8,494,684 thousand), contribution to the statutory pension scheme in the amount of UZS 88,941 thousand (2022: UZS 65,346 thousand) and deferred management remuneration provided to the Group's personnel in the amount of UZS 7,880,546 thousand (2022: UZS 3,641,512 thousand). Included in professional services are audit services of UZS 1,799,988 thousand (2022: UZS 1,360,931 thousand), including the audits of the Bank and the subsidiary.

22 Income Taxes

Components of income tax expense / (benefit)

Income tax credit recorded in profit or loss for the period comprises the following:

In thousands of Uzbekistan Soums	**2023**	**2022**
Deferred tax	25,693,642	(22,237,599)
Current income tax	-	-
Total income tax charge/(credit) for the year	**25,693,642**	**(22,237,599)**

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

The Group measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Uzbekistan where the Group operate, which may differ from IFRS. The income tax rate applicable to the Bank's 2023 income is 20% (2022: 20%). The income tax rate applicable to the Subsidiary's 2023 income is 15% (2022: 15%).

A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Uzbekistan Soums	**2023**	**2022**
(Profit) / Loss before tax	**(94,283,598)**	**106,857,143**
Theoretical tax credit at the applicable statutory rate – 20%	18,856,720	(21,334,912)
– Income which is exempt from taxation	(6,922,778)	(6,022,360)
– Non-deductible expenses	13,903,677	5,119,673
Effect of different tax rate applicable to Subsidiary	(143,977)	-
Income tax charge/(credit) for the year	**25,693,642**	**(22,237,599)**

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Non-taxable income represents income from investments in debt securities of Central Bank of the Republic of Uzbekistan and government bonds.

22 Income Taxes (Continued)

The increase in the Group's non-deductible expenses is due to the increase in loans and advances to customers, since 20% of the Group's reserve for credit losses is not deductible for tax purposes.

Deferred taxes analysed by type of temporary difference

Differences between IFRS and the tax legislation of the Republic of Uzbekistan result in certain temporary differences between carrying amount of a number of assets and liabilities for the purpose of the consolidated financial statements and their tax base. The tax effect of movements in these temporary differences is detailed below and recognized at 20% rate.

In thousands of Uzbekistan Soums	**31 December 2023**	**(Charged)/ credited to profit or loss**	**31 December 2022**
Tax effect of deductible temporary differences:			
Tax loss carry forwards	39,364,452	(17,297,450)	56,661,902
Bonus and salary accrual	5,607,424	1,220,775	4,386,649
Liabilities IFRS 16	4,589,151	(2,140,179)	6,729,330
Finance lease receivables	2,455,515	1,892,555	562,960
Premises and equipment	400,266	119,360	280,906
Investment securities held to maturity	552	-	552
Loans and advances	(14,056,233)	(9,548,878)	(4,507,355)
Right-of-use Assets	(3,912,008)	2,240,814	(6,152,822)
Other assets	(1,643,593)	(1,526,386)	(117,207)
Cash and cash equivalents	1,227	-	1,227
Other borrowed funds	(654,253)	(654,253)	-
Net deferred tax asset	**32,152,500**	**(25,693,642)**	**57,846,142**
Total deferred tax asset	52,418,587	(16,204,939)	68,623,526
Total deferred tax liability	(20,266,087)	(9,488,703)	(10,777,384)
Net deferred tax asset	**32,152,500**	**(25,693,642)**	**57,846,142**

In thousands of Uzbekistan Soums	**2022**	**Business combi-nations**	**(Charged)/ credited to profit or loss**	**2021**
Tax effect of deductible/(taxable) temporary differences				
Tax losses carry forwards	56,661,902	1,082,631	24,129,054	31,450,217
Liabilities IFRS 16	6,729,330	24,964	651,238	6,053,128
Bonus and salary accrual	4,386,649	(110,897)	1,060,924	3,436,622
Finance lease receivables	562,960	582,142	(19,182)	-
Premises and equipment	280,906	-	185,245	95,661
Cash and cash equivalents	1,227	21	(9,718)	10,924
Investment securities held to maturity	552	-	(578)	1,130
Right-of-use assets	(6,152,822)	(24,964)	(392,861)	(5,734,997)
Loans and advances	(4,507,355)	-	(3,079,955)	(1,427,400)
Other assets	(117,207)	-	(286,568)	169,361
Net deferred tax asset	**57,846,142**	**1,553,897**	**22,237,599**	**34,054,646**
Total deferred tax asset	68,623,526	1,689,758	26,026,461	41,265,481
Total deferred tax liability	(10,777,384)	(135,861)	(3,788,862)	(7,210,835)
Net deferred tax asset	**57,846,142**	**1,553,897**	**22,237,599**	**34,054,646**

Refer to Note 4 for critical judgements applied by the Group for the deferred tax assets.

23 Financial Risk Management

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.

23 Financial Risk Management (Continued)

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets. The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

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. In order to ensure high-quality formation of the loan portfolio and prevent the concentration of risks, the Group introduces the restrictions on lending and sets the economic standards as follows:

- The maximum amount of risk per a borrower or group of related borrowers (including loans, guarantees, uncovered funds and guarantees, letters of credit with defined payment, factoring and leasing operations, off-balance sheet liabilities and accrued interest) shall not exceed 25% of the Bank's tier I capital at the time of issuing the loan, subject to availability of collateral;
- The maximum amount of risk per a borrower or group of related borrowers for blank (trust) loans shall not exceed 5% of the Bank's tier I capital.
- The total amount of all loans granted by the Bank to all related parties shall not exceed 10% of the Bank's tier I capital.
- The total amount of all major Bank's loans (with size of 3% or more versus the Bank's tier I capital) shall not exceed 100% of the Bank's tier I capital.

Credit Approval. The Group established a credit committee that is responsible for approving all scoring card rules and other models in the "Automated decision-making system and Automated verification system" systems, including changes in the credit product processes.

Decision-making, scoring, and verification procedures - Decision-making on the loan is performed with using software (Systems): Automated Verification System (further - AVS) and Automated Decision-Making System (ADMS). AVS compares and collates of available images of the client's (potential client's) face and his/her data (details of documents and other data) with information, images and data available in Databases (obtained from state databases and available in the Group). The AVS is capable to verify the client by establishing the similarity (partial and complete match of data) of the entered data (photos, details, information, etc.) with those available in the Group's Databases.

Credit risk grading system. Depending on the type of financial asset the Group may utilize different sources of asset credit quality information including credit ratings assigned by the international rating agencies (Standard & Poor's, Fitch), credit scoring information from credit bureau and internally developed credit ratings. Financial assets are classified in an internally developed credit quality grades by taking into account the internal and external credit quality information in combination with other indicators specific to the particular exposure (e.g. delinquency). The Group defines following credit quality grades:

Master scale credit risk grade	Risk	Corresponding PD interval
Excellent	Very low risk	0.01% – 3.99%
Good	Low risk	0.01% – 3.99%
Satisfactory	Moderate risk	4.00% – 38.86%
Special monitoring	High risk	38.86% – 99.9%
Default	Default	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Very low risk* – exposures demonstrate strong ability to meet financial obligations;
- *Low risk* – exposures demonstrate adequate ability to meet financial obligations;
- *Moderate risk* – exposures demonstrate satisfactory ability to meet financial obligations;
- *High risk* – exposures that require closer monitoring, and
- *Default* – exposures in default, with observed credit impairment.

The rating models are regularly reviewed by the Credit Risk Department, back tested on actual default data and updated, if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

23 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.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest. 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. As a matter of exception from determining the lifetime exposure based on contractual maturity based on internal statistics.

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 consolidated 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.

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 past due on and more than 90 days its contractual payments;
- the Group has sold 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 Group was forced to restructure the debt;
  - the borrower is deceased;
  - the borrower is insolvent;
  - the borrower is in breach of financial covenant(s);
  - 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.

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 six months. This period of six months has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on on a portfolio basis.. For loans issued to individuals and other financial assets, SICR is assessed either on a portfolio basis or an individual basis, depending on the existence of scoring models. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the Bank's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted. 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.

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

23 Financial Risk Management (Continued)

Quantitative criteria. On a quantitative basis the Group assess change in probability of default parameter for each particular exposure since initial recognition and compares it to the predefined threshold. When absolute change in probability of default exceeds the applicable threshold, SICR is deemed to have occurred and exposure is transferred to Stage 2. Quantitative indicator of SICR is applied to consumer loans segment, where the Group has sufficient number of observations.

Qualitative criteria. Financial asset is transferred to Stage 2 and lifetime ECLs is measured if at least one of the following SICR qualitative criteria is observed:

- delinquency period of more than 30 days on contractual repayments;
- exposure is restructured, but is not credit impaired;
- borrower is classified as "watch".

The Group has not rebutted the presumption that there has been significant increase in credit risk since origination when financial asset becomes more than 30 days past due. This qualitative indicator of SICR together with debt restructuring is applied to all segments. Particularly for corporate and SME segment the Group uses downgrade of risk category since origination of the financial instrument as a qualitative indicator of SICR. Based on the results of the monitoring borrowers are classified across different risk categories. In case there are certain weaknesses present, which if materialized may lead to loan repayment problems, borrowers are classified as "watch" category. Although watch borrowers' financial standing is sufficient to repay obligations, these borrowers are closely monitored and specific actions are undertaken to mitigate potential weaknesses. Once the borrower is classified as "watch" category it is transferred to Stage 2. If any of the SICR indicators described above occur financial instrument is transferred to Stage 2. Financial asset may be moved back to Stage 1, if SICR indicators are no longer observed.

The level of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

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

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

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings. The Group performs an assessment on a portfolio basis for the following types of loans: consumer loans, when no borrower-specific information is available. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

The Group also performs an assessment on a portfolio basis for loans issued to corporate customers (standard lending, specialised lending, loans to leasing companies, etc.), interbank loans, retail loans and loans issued to SMEs.

The Group performs assessments based on external ratings for interbank loans, debt securities issued by banks and certain blue chip corporate customers, loans issued to sovereigns and loans issued to SMEs.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. The Group defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment is primarily based on the expert judgement of experienced

23 Financial Risk Management (Continued)

officers from the Credit Risk and Non-Performing Loan Management Department. Expert judgements are regularly tested in order to decrease the difference between estimates and actual losses.

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

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future 12-month during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile, that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

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 statistical approach depending to calculated lifetime PDs, based on the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data and gradual convergence of long-term PD with the long-term default rate.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. The 12-month and lifetime LGDs are determined based on collective portfolio basis on recovery statistics.

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.

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 incorporated in the ECL models. The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group uses expert judgment in assessment of forward-looking information. This assessment is also based on external and internal information.

The Group has analyzed and documented key drivers of credit risk and credit losses and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. GDP, inflation and unemployment rates were designated as the key factor. However, this analysis did not reveal a significant dependency of the portfolio default rate on any of these macro variables. Hence, the management adopted an alternative approach analyzing internal default data alongside with market default data statistics to develop a forward looking incorporation.

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

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

23 Financial Risk Management (Continued)

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 the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2023			At 31 December 2022		
In thousands of Uzbekistan Soums	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net position**
UZS	4,214,502,091	3,062,567,132	1,151,934,959	1,870,738,607	1,434,284,648	436,453,959
US Dollars	242,825,968	194,192,240	48,633,728	68,451	27,974,336	(27,905,885)
Euros	905,859	-	905,859	246	-	246
Total	**4,458,233,918**	**3,256,759,372**	**1,201,474,546**	**1,870,807,305**	**1,462,258,984**	**408,548,321**

The US dollar monetary assets net position is determined on a consolidated basis, incorporating the on-balance sheet holdings and the off-balance sheet exposures arising from hedged funds in the amount of 12 million USD.

In addition, The Group uses financial swaps, specifically currency swaps, to manage its currency risk. Swaps are agreements where two parties exchange cash flows based on predetermined amounts and an underlying index, such as interest rates or currencies. In these swaps, the Group exchanges a set amount in one currency for an equivalent amount in another. This allows them to manage their exposure to foreign exchange fluctuations (Note 24).

Before entering into any hedging transactions, including swaps, the Group thoroughly assesses its risk profile and obtains necessary approvals. The Asset Liability Committee (ALCO) then monitors the effectiveness of these hedges to ensure they mitigate risk as intended. If a hedge is deemed ineffective, the Group implements new strategies to maintain continuous risk management.

The Group actively monitors its currency positions daily and employs hedging strategies, such as balancing assets and liabilities in specific currencies or using currency swaps, to convert exposures into their desired currency. This approach helps them manage and minimize potential losses due to currency fluctuations.

Derivatives presented above are monetary financial assets or monetary financial liabilities but are presented separately in order to show the Group's gross exposure.

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 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 (Note 24):

In thousands of Uzbekistan Soums	**At 31 December 2023 Impact on profit or loss**	**At 31 December 2022 Impact on profit or loss**
US Dollars strengthening by 10%	4,863,373	(2,790,588)
US Dollars weakening by 10%	(4,863,373)	2,790,588
Euro strengthening by 10%	90,586	25
Euro weakening by 10%	(90,586)	(25)

23 Financial Risk Management (Continued)

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:

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
31 December 2023					
Total financial assets	598,014,842	1,018,080,765	754,526,710	1,912,411,686	4,283,034,003
Total financial liabilities	389,521,491	1,071,864,332	347,707,060	1,447,666,489	3,256,759,372
Net interest sensitivity gap as of 31 December 2023	**208,493,351**	**(53,783,567)**	**406,819,650**	**464,745,197**	**1,026,274,631**
31 December 2022					
Total financial assets	421,905,930	316,780,329	327,006,744	794,975,378	1,860,668,380
Total financial liabilities	211,257,856	99,888,850	531,252,762	619,859,516	1,462,258,984
Net interest sensitivity gap as of 31 December 2022	**210,648,074**	**216,891,479**	**(204,246,018)**	**175,115,862**	**398,409,396**

The risk of changes in interest rate arises from the possibility that changes interest rates will effect future cash flows or the fair value of financial instruments. The Group believes that the impact is insignificant due to the fact that all financial assets and liabilities have fixed interest rates.

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:

	2023				**2022**			
In % p.a.	**UZS**	**USD**	**Euro**	**Other**	**UZS**	**USD**	**Euro**	**Other**
Assets								
Cash and cash equivalents	0-14%	0	0	0	0-17%	0	0	0
Investments in debt securities	15.85-17%	-	-	-	13-15%	-	-	-
Due from other banks	0%	-	-	-	0-16%	-	-	-
Loans and advances to customers	20-49%	-	-	-	29-49%	-	-	-
Liabilities								
Due to other banks	19-20%	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Customer accounts								
- current and settlement accounts	0-18%	0	0	0	0-18%	0	0	0
- term deposits	19-27.25%	5.5-6.5%	-	-	21-27%	-	-	-
Other borrowed funds	18.96-25%	9%	-	-	21%	-	-	-
Lease liabilities	18%	-	-	-	18%	-	-	-
Derivatives	13.5-14%	5-5.5%	-	-	-	-	-	-

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

23 Financial Risk Management (Continued)

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

In thousands of Uzbekistan Soums	**Uzbekistan**	**OECD**	**Total**
Assets			
Cash and cash equivalents	292,095,063	69,685,705	361,780,768
Due from other banks	27,134,675	-	27,134,675
Loans and advances to customers, including finance lease receivables	3,638,131,749	-	3,638,131,749
Investment in debt securities	283,121,486	-	283,121,486
Total financial assets	**4,240,482,973**	**69,685,705**	**4,310,168,678**
Liabilities			
Due to other banks	100,223,348	-	100,223,348
Customer accounts	2,674,638,577	-	2,674,638,577
Other borrowed funds	-	421,563,126	421,563,126
Lease liabilities	22,944,240	-	22,944,240
Other financial liabilities	37,390,081	-	37,390,081
Total financial liabilities	**2,835,196,246**	**421,563,126**	**3,256,759,372**
Net balance sheet position as 31 December 2023	**1,405,286,727**	**(351,877,421)**	**1,053,409,306**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with Uzbekistan counterparties actually outstanding to/from offshore companies of these Uzbekistan counterparties, are allocated to the caption "Uzbekistan". Cash on hand have been allocated based on the country in which they are physically held. The geographical concentration of the Group's financial assets and liabilities at 31 December 2022 is set out below:

In thousands of Uzbekistan Soums	**Uzbekistan**	**OECD**	**Total**
Assets			
Cash and cash equivalents	221,532,556	852,763	222,385,319
Due from other banks	10,138,925	-	10,138,925
Loans and advances to customers, including finance lease receivables	1,498,499,570	-	1,498,499,570
Investment in debt securities	139,783,491	-	139,783,491
Total financial assets	**1,869,954,542**	**852,763**	**1,870,807,305**
Liabilities			
Customer accounts	1,389,478,445	-	1,389,478,445
Other borrowed funds	-	27,974,336	27,974,336
Lease liabilities	33,688,257	-	33,688,257
Other financial liabilities	8,716,662	-	8,716,662
Total financial liabilities	**1,431,883,364**	**27,974,336**	**1,459,857,700**
Net balance sheet position as 31 December 2022	**438,071,178**	**(27,121,573)**	**410,949,605**

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations at 31 December 2023.

23 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is the risk that an entity 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 seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and debt securities. 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 consideration 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 Group calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratios are (unaudited):

- Instant liquidity ratio (N2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 155% at 31 December 2023 (2022: 160%);
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 132% at 31 December 2023 (2022: 193%);
- Net stable funding ratio, which is calculated as the amount of Available Stable Funding (ASF) divided by the amount of Required Stable Funding (RSF) over a one-year horizon. The ratio was 121% at 31 December 2023 (2022: 124%).

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

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

The tables below show liabilities at 31 December 2023 and 2022 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross 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.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions and based on the expected timing of cash inflows.

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

23 Financial Risk Management (Continued)

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

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	361,780,768	-	-	-	**361,780,768**
Due from other banks	27,134,675	-	-	-	**27,134,675**
Loans and advances to customers, including finance lease receivables	236,234,074	734,959,279	754,526,710	1,912,411,686	**3,638,131,749**
Investment in debt securities	-	283,121,486	-	-	**283,121,486**
Total financial assets	**625,149,517**	**1,018,080,765**	**754,526,710**	**1,912,411,686**	**4,310,168,678**
Liabilities					
Due to other banks	71,335,218	31,000,000	-	-	**102,335,218**
Customer accounts	286,360,330	952,131,930	403,128,100	1,474,906,968	**3,116,527,328**
Other borrowed funds	-	202,346,808	-	278,390,147	**480,736,955**
Lease liabilities	1,266,418	4,333,413	5,616,382	16,824,266	**28,040,479**
Gross settled derivatives:					
- inflows	-	*156,952,000*	-	-	***156,952,000***
- outflows	-	*(158,002,948)*	-	-	***(158,002,948)***
Net settled swaps	-	**(**1,050,948**)**	-	-	**(1,050,948)**
Other financial liabilities	36,339,133	-	-	-	**36,339,133**
Total financial liabilities	**395,301,099**	**1,190,863,099**	**408,744,482**	**1,770,121,381**	**3,765,030,061**
Net liquidity gap	**229,848,418**	**(172,782,334)**	**345,782,228**	**142,290,305**	**545,138,617**
Cumulative liquidity gap as of 31 December 2023	**229,848,418**	**57,066,084**	**402,848,312**	**545,138,617**	

The Group is subject to certain covenants primarily relating to its other borrowed funds. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with covenants at 31 December 2023 and 31 December 2022.

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

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	222,385,319	-	-	-	**222,385,319**
Due from other banks	10,138,925	-	-	-	**10,138,925**
Loans and advances to customers, including finance lease receivables	79,327,868	297,189,581	327,006,744	794,975,378	**1,498,499,571**
Investment in debt securities	120,192,743	19,590,748	-	-	**139,783,491**
Total financial assets	**432,044,855**	**316,780,329**	**327,006,744**	**794,975,378**	**1,870,807,306**
Liabilities					
Customer accounts	203,051,578	104,454,671	619,532,725	700,970,658	**1,628,009,632**
Other borrowed funds		-	-	33,848,947	**33,848,947**
Lease liabilities	1,366,523	8,074,568	5,437,803	27,997,578	**42,876,473**
Other financial liabilities	8,716,662	-	-	-	**8,716,662**
Total financial liabilities	**213,134,763**	**112,529,239**	**624,970,529**	**762,817,183**	**1,713,451,714**
Net liquidity gap	**218,910,092**	**204,251,090**	**(297,963,785)**	**32,158,195**	**157,355,592**
Cumulative liquidity gap as of 31 December 2022	**218,910,092**	**423,161,182**	**125,197,397**	**157,355,592**	

23 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 thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	361,780,768	-	-	-	**361,780,768**
Due from other banks	27,134,675	-	-	-	**27,134,675**
Loans and advances to customers, including finance lease receivables	236,234,074	734,959,279	754,526,710	1,912,411,686	**3,638,131,749**
Investment in debt securities	-	283,121,486	-	-	**283,121,486**
Total financial assets	**625,149,517**	**1,018,080,765**	**754,526,710**	**1,912,411,686**	**4,310,168,678**
Liabilities					
Due to other banks	70,223,348	30,000,000	-	-	**100,223,348**
Customer accounts	280,929,035	853,164,812	343,379,983	1,197,164,747	**2,674,638,577**
Other borrowed funds	-	185,639,273	-	235,923,853	**421,563,126**
Lease liabilities	979,027	3,060,247	4,327,077	14,577,889	**22,944,240**
Gross settled derivatives:					
- inflows	-	*156,952,000*	-	-	***156,952,000***
- outflows	-	*(158,002,948)*	-	-	***(158,002,948)***
Net settled swaps	-	(1,050,948)	-	-	**(1,050,948)**
Other financial liabilities	36,339,133	-	-	-	**36,339,133**
Total financial liabilities	**388,470,543**	**1,072,915,280**	**347,707,060**	**1,447,666,489**	**3,256,759,372**
Net liquidity gap	**236,678,974**	**(54,834,515)**	**406,819,650**	**464,745,197**	**1,053,409,306**
Cumulative liquidity gap as of 31 December 2023	**236,678,974**	**181,844,459**	**588,664,109**	**1,053,409,306**	

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

In thousands of Uzbekistan Soums	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	222,385,319	-	-	-	**222,385,319**
Due from other banks	10,138,925	-	-	-	**10,138,925**
Loans and advances to customers, including finance lease receivables	79,327,868	297,189,581	327,006,744	794,975,378	**1,498,499,571**
Investment in debt securities	120,192,743	19,590,748	-	-	**139,783,491**
Total financial assets	**432,044,855**	**316,780,329**	**327,006,744**	**794,975,378**	**1,870,807,306**
Liabilities					
Customer accounts	199,200,371	93,597,375	527,711,009	568,969,690	**1,389,478,445**
Other borrowed funds	-	-	-	27,974,336	**27,974,336**
Lease liabilities	939,539	6,291,475	3,541,753	22,915,490	**33,688,257**
Other financial liabilities	8,716,662	-	-	-	**8,716,662**
Total financial liabilities	**208,856,572**	**99,888,850**	**531,252,762**	**619,859,516**	**1,459,857,700**
Net liquidity gap	**223,188,283**	**216,891,479**	**(204,246,018)**	**175,115,862**	**410,949,606**
Cumulative liquidity gap as of 31 December 2022	**223,188,283**	**440,079,762**	**235,833,744**	**410,949,606**	

The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of the portfolio's realizability.

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

23 Financial Risk Management (Continued)

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

Climate-related risk. The Group and its customers may face significant 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 significant 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 Group's risk framework, including 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 is collecting information to perform a robust assessment of the 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 in the future.

24 Derivative Financial Instruments

The Group enters into derivatives for risk management purposes, as explained in Note 3 in the summary of accounting policies. The Group may take positions with the expectation of profiting from favourable movements in rates. Derivatives held for risk management purposes include hedges that meet the hedge accounting requirements. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument (being an equity instrument, commodity product, foreign currency, reference rate or index). The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

In thousands of Uzbekistan Soums	**Carrying value liabilities**	**Notional amount**
Derivatives used as fair value hedges		
Non-deliverable currency forwards and foreign exchange swaps	1,050,948	148,065,240
Total derivatives used as fair value hedges	**1,050,948**	**148,065,240**

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:

	31 December 2023		**31 December 2022**	
In thousands of Uzbekistan Soums	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Cross-currency SWAPs				
UZS receivable on settlement (+)	-	156,952,000	-	-
USD payable on settlement (+)	-	158,002,948	-	-
Net fair value of swaps	**-**	**(**1,050,948**)**	**-**	**-**

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 19.

25 Management of Capital

In the management of capital, the Group has the following objectives: compliance with capital requirements established by the CBU and, in particular, the requirements of the deposit insurance system; ensuring the Group's ability to function as a going concern and maintaining the capital base at the level necessary to ensure the compliance of the capital adequacy ratio with the requirements of the CBU. The compliance with the capital adequacy ratio established by the CBU is monitored monthly according to the forecast and actual data containing the relevant calculations, which are verified and vetted by the Group's Management.

According to the Regulation on the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 registered by the Ministry of Justice on 6 July 2015 and its supplement, the following requirements are set for banks:

- The minimum level of K1 is set at 13%;
- Banks are required to ensure a minimum level of K2 of 10%, taking into account the capital conservation buffer of 3% of risk-weighted assets.

According to the supplement dated 23 October 2017 No. 2693-2, the requirement is set for existing banks to increase the minimum share capital to UZS 100 billion.

As at 31 December 2023 and 2022, the Group met the requirements to regulatory capital set by the Regulation of the CBU On the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 (hereinafter referred to as "the CBU Regulation No. 2693") dated July 6, 2017.

The following table provides an analysis of the Bank's regulatory capital calculated based on the CBU Regulation No. 2693 (unaudited).

In thousands of Uzbekistan Soums	**31 December 2023** *(unaudited)*	**31 December 2022** *(unaudited)*
Fully paid shares	1,290,062,760	771,707,788
Additional paid-in capital	153,162,340	75,787,493
Accumulated loss	(275,845,397)	(275,845,397)
Intangible assets	(13,366,541)	(16,830,922)
Investment in subsidiaries	(23,222,467)	(23,222,467)
Adjusted Tier I capital	**1,130,790,695**	**531,596,495**
Adjusted Tier II capital	65,774,592	11,631,962
Adjusted total amount of capital based on risk	**1,196,565,287**	**543,228,457**
The amount of on- and off-balance sheet assets, risk-weighted	7,277,451,915	3,027,050,827
Operational risk	48,202,163	(3,541,935)
Market risk	5,378,330	23,440,721
Adjusted total assets, risk-weighted	**7,331,032,408**	**3,046,949,613**
Capital adequacy ratios:		
Tier I capital	15.97%	17.45%
Regulatory capital	16.87%	17.83%

26 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.

26 Fair Value Disclosures (Continued)

The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Uzbekistan Soums	**31 December 2023**
Liabilities at fair value	**Level 3**
Other financial liabilities	
- Cross-currency SWAP agreements	533,805
- Forward contracts (NDF)	517,143
Total liabilities recurring fair value measurements	**1,050,948**

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2023 (31 December 2022 – nil):

In thousands of Uzbekistan Soums	**Fair Value**	**Valuation technique**	**Inputs used**	**Range of inputs**	**Reasonable change**	**Sensitivity of fair value measu-rement**
LIABILITIES AT FAIR VALUE						
Other financial liabilities						
- Cross-currency SWAP agreements	533,805	Discounted cash flows (“DCF”)	Credit spread	17.9%	± 10 %	± 417,362
- Forward contracts (NDF)	517,143	Discounted cash flows (“DCF”)	Credit spread	16.0 – 19.5%	± 10 %	± 277,693
Total liabilities recurring fair value measurements	1,050,948					

(b) 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 not measured at fair value are as follows:

	31 December 2023		
In thousands of Uzbekistan Soums	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents			
- Cash balances with the CBU	289,439,851	-	**289,439,851**
- Correspondent accounts and overnight placements with other banks	72,340,486	-	**72,340,486**
Due from other banks			
- Mandatory reserve deposit held with CBU against assets impairment	20,965,722	-	**20,965,722**
- Restricted cash	6,169,385	-	**6,169,385**
Loans to individuals			
- Consumer loans	-	3,463,907,675	**3,463,907,675**
- Finance lease	-	133,298,189	**133,298,189**
- Car loans	-	40,925,885	**40,925,885**
Investment in debt securities			
- Government Bonds	49,144,855	-	**49,144,855**
- CBU Bonds	233,976,631	-	**233,976,631**
TOTAL FINANCIAL ASSETS	**672,036,930**	**3,638,131,749**	**4,310,168,679**
Customer accounts			
- Term deposits of individuals	-	2,343,797,415	**2,343,797,415**
- Current/demand accounts of individuals	236,530,752	-	**236,530,752**
- Term deposits of other legal entities	-	60,935,508	**60,935,508**
- Current/settlement accounts of other legal entities	-	33,374,902	**33,374,902**
Other financial liabilities			
- Other borrowed funds	-	421,563,126	**421,563,126**
- Other financial liabilities	37,390,081	-	**37,390,081**
Due to other banks	100,223,348	-	**100,223,348**
TOTAL FINANCIAL LIABILITIES	**236,530,752**	**2,997,284,380**	**3,233,815,132**

26 Fair Value Disclosures (Continued)

In thousands of Uzbekistan Soums	**31 December 2022** **Level 2**	**Level 3**	**Total**
Cash and cash equivalents			
- Cash balances with the CBU	181,338,569	-	**181,338,569**
- Correspondent accounts and overnight placements with other banks	41,046,750	-	**41,046,750**
Due from other banks			
- Mandatory reserve deposit held with CBU against assets impairment	10,138,925	-	**10,138,925**
Loans to individuals			
Consumer loans	-	1,520,820,600	**1,520,820,600**
Car loans	-	2,730,390	**2,730,390**
Investment in debt securities			
CBU Bonds	139,783,491	-	**139,783,491**
TOTAL FINANCIAL ASSETS	**372,307,735**	**1,498,499,570**	**1,870,807,305**
Customer accounts			
- Term deposits of individuals	-	1,182,225,602	**1,182,225,602**
- Current/demand accounts of individuals	-	186,351,934	**186,351,934**
- Term deposits of other legal entities	-	19,990,184	**19,990,184**
- Current/settlement accounts of other legal entities	-	910,725	**910,725**
Other financial liabilities			
- Other borrowed funds	-	27,974,336	**27,974,336**
- Other financial liabilities	8,716,662	-	8,716,662
TOTAL FINANCIAL LIABILITIES	**-**	**1,426,169,443**	**1,426,169,443**

Cash and cash equivalents, due from other banks and investment in debt securities. Cash is measured at amortised cost and classified at Level 2. The fair value of these funds is equal to their carrying amount.

Loans issued to customers, customer accounts lease liabilities. Estimated fair value of all loans to customers, customer accounts and lease liabilities is based on estimated future cash flows expected to the received discounted at current interest rate for new instruments with similar credit risk and remaining maturities. These financial instruments are classified by the Group's management as Level 3 in the fair value hierarchy.

Other financial liabilities. Other financial liabilities are measured at amortised cost and classified at Level 2. The fair value of these funds is equal to their carrying amount due to short term.

27 Business combination

On 26 April 2022, the Bank acquired 100% of the share capital of TBC Fin Service LLC (under common control entity) from TBC Bank Group PLC and obtained control through its ability to cast a majority of votes in the general meeting of shareholders. TBC Fin Service LLC's principal business activity is a retail finance lease and instalment services within the Republic of Uzbekistan. The acquired subsidiary will increase the Group's penetration of its chosen retail and corporate markets and is expected to improve profitability through the economies of scale. Refer to Note 3 for the details of accounting policy for the business combinations under common control.

The acquisition-date total purchase consideration and its components are as follows:

In thousands of UZS	**At 26 April 2022**
Cash consideration paid	2,702,467
Total consideration transferred	**2,702,467**

27 Business combination (Continued)

The consideration paid by the Group was based on results of an external appraisal of the acquiree's business taken as a whole.

Details of the predecessor accounting amounts of assets and liabilities acquired are as follows:

In thousands of UZS	**Attributed carrying value**
Cash and cash equivalents	5,371,067
Property, plant and equipment & Intangible assets	1,558,623
Finance lease receivables	57,128,495
Other assets	1,615,510
Deferred tax assets	1,553,897
Intergroup borrowings from TBC Bank Uzbekistan	(26,572,603)
Borrowings excluding those from TBC Bank Uzbekistan	(14,430,868)
Accounts payable	(4,027,634)
Other liabilities	(1,441,868)
Carrying value of identifiable net assets of subsidiary	**20,754,619**
Further capital contribution at acquisition	(20,520,000)
Difference between consideration and carrying value of net assets before capital contribution	2,467,848
Total purchase consideration in the acquiree	**2,702,467**
Less: Cash and cash equivalents of subsidiary acquired	5,371,067
Inflow of cash and cash equivalents on acquisition	**2,668,600**

28 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 number of key managements at 31 December 2023 was 6 (2022: 6).

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

In thousands of Uzbekistan Soums	**Key management personnel**	**Entities under common control**	**Immediate parent company**
Cash and cash equivalents	-	69,685,705	-
Due from other banks	-	6,169,385	-
Other assets		1,399,317	11,261
Customer accounts (contractual interest rate -0-27%)	5,942,663	32,293,115	-
Other borrowed funds	-	-	185,791,301
Other liabilities	7,308,368	5,425,900	
Cash based compensation	6,375,060	-	-

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

In thousands of Uzbekistan Soums	**Key management personnel**	**Entities under common control**
Cash and cash equivalents	-	943,507
Customer accounts (contractual interest rate - 0-27%)	3,719,047	
Bonus accruals	7,625,888	
Other liabilities	-	2,980,843
Cash based compensation	4,410,011	

28 Related Party Transactions (Continued)

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

In thousands of Uzbekistan Soums	Key management personnel	Entities under common control	Immediate parent company
Payroll and related expenses	24,387,861	-	-
Social security contributions	2,438,786	-	-
Interest income	-	107,444	-
Interest expense	1,595,006	1,267,364	1,881,901
Fee and commission income		82,193,800	
Fee and commission expense	-	761,163	-
Administrative and other operating expenses	-	45,341,970	-

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

In thousands of Uzbekistan Soums	Key management personnel	Entities under common control
Payroll and related expenses	18,442,497	-
Social security contributions	2,213,100	-
Professional services	-	3,434,644
Interest expense	391,413	-

29 Events after the End of the Reporting Period

Other borrowed funds. In Q1 2024 the Group signed 4 loan agreements with TBC BANK GROUP PLC for total amount of 46 mln USD.

Increase in micro consumer loans limits. On 20 February 2024, the President of the Republic of Uzbekistan enacted Law #914, effectively doubling the maximum limit for micro consumer loans from 50 million to 100 million Uzbekistan Soums. This amendment aims to address the significant demand for consumer loans in the economy while providing the Group with flexibility to adjust the limit accordingly.

30 Abbreviations

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

Abbreviation	Full name
AC	Amortised Cost
ALCO	Asset Liability Committee
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
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