

**JSC “National Bank for Foreign
Economic Activity of the
Republic of Uzbekistan”**

Consolidated Financial Statements
For the year ended 31 December 2023
and Independent Auditor’s Report

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JSC “National Bank for Foreign Economic Activity of the Republic of Uzbekistan”

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

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Company "National Bank For Foreign Economic Activity of the Republic of Uzbekistan" and its subsidiaries (together referred to as "the Group") as at 31 December 2023 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards (“IFRS”).

In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved by the Management Board on 23 May 2024.

On behalf of the Management Board:



Mirsoatov Alisher Kudratullaevich
Chairman of the Management Board

23 May 2024
Tashkent, Uzbekistan



Kodirov Fazliddin Nosirovich
Chief Accountant

23 May 2024
Tashkent, Uzbekistan

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of JSC "National Bank for Foreign Economic Activity of the Republic of Uzbekistan":

Opinion

We have audited the consolidated financial statements of the Joint Stock Company "National Bank for Foreign Economic Activity of the Republic of Uzbekistan" (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying 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 International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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.

Erkin Ayupov, Qualified Auditor/Engagement Partner

Why the matter was determined to be a key audit matter

Expected credit losses on loans to customers

As at 31 December 2023, gross loans to customers amounted to UZS 103,261,116 million, net of allowance for expected credit losses (“ECL”) of UZS 3,863,162 million assessed on a collective basis and UZS 4,614,722 million assessed on an individual basis representing 75% of the Group’s total assets.

The calculation of the ECL requires the management to apply complex models dependent on significant judgements and use of assumptions.

Probability of default (“PD”) and loss given default (“LGD”) are key inputs that the management determines based on a large volume of historical data accumulated in the Group.

For loans assessed on a collective basis, there is a risk that the underlying data driving the PDs and LGDs comprising of general loan parameters, information on days past due, status of restructurings, history of defaults and recoveries, collateral haircuts and other qualitative factors may be inaccurate or incomplete. There is also a risk that the exposures with significant increase in credit risk (movements between stage 1 and stage 2) and credit-impairment (movements between stage 2 and stage 3) are not completely or accurately identified/classified as at the reporting date, as not all relevant qualitative and quantitative information was captured.

The ECL on individually significant credit-impaired loans (stage 3) may be misstated due to errors related to the estimation of future cash receipts from the sale of collateral or use of inappropriate assumptions.

Due to the significance and subjectivity of judgements used by the Management of the Group and the volume of loans assessed either, on a collective, or an individual basis, we identified the assessment of expected credit

How the matter was addressed in the audit

We obtained an understanding of the processes within the lending business cycle including credit risk management, as well as internal controls around loan origination, calculation of overdue days, collateral monitoring, and ECL assessment.

We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 “Financial Instruments” requirements. With the involvement of our credit risk advisory specialists, we tested the mathematical accuracy and computation of the ECL on loans to customers assessed on a collective basis by re-performing and calculating elements of the expected credit losses based on relevant audited source data on a sample basis. This included assessing the appropriateness of model design and formulas used, considering modelling techniques and recalculating PDs, LGDs and exposure at default (“EAD”).

For a sample of loans, we challenged the Group’s analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3). In order to evaluate whether the loans have been appropriately classified to the respective stage, we checked days overdue on loans, restructuring status of loans, analyzed qualitative and other credit risk factors and checked if relevant impairment events had been identified in a timely manner.

For individually significant loans, we challenged the management's justification of the borrowers' credit assessment, analyzed the reasonableness of the scenario applied and the assumptions underlying the ECL calculation: such as valuation of available collateral and the haircuts applied, estimation of cash flows available for debt service, and tracing the key input data to supporting documents where applicable.



losses, particularly the assessment of the PDs and LGDs, as a key audit matter.

Refer to Notes 3, 9 and 27 to the consolidated financial statements for information on the Group's material accounting policy and disclosures related to loans to customers and associated expected credit losses.

We evaluated the accuracy and completeness of the disclosures in the consolidated financial statements relating to the loans to customers for compliance with IFRS 9 requirements.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 28 April 2023.

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 International Financial Reporting Standards ("IFRSs"), 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 skepticism 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.

Erkin Ayupov, Qualified Auditor/Engagement Partner



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Erkin Ayupov, Qualified Auditor/Engagement Partner



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

Our findings from the procedures performed are as follows:

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

We have not performed any procedures on the underlying accounting data of the 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 Bank as at 31 December 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS.

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

- in accordance with Central Bank requirements and recommendations, as at 31 December 2023, the Bank's internal audit function was subordinated and accountable to Those Charged with Governance, and the risk management function of the Bank was not subordinated and accountable to subdivisions assuming corresponding risks;
- the frequency of reports prepared by the Bank's internal audit function during 2023 complied with Central Bank requirements. The reports were approved by the Bank's Those Charged with Governance and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2023 the Bank has an information security function in place as required by the Central Bank, and an information security policy was approved by the Bank's Management Board. The information security function was subordinated to and reported directly to the Chairman of the Management Board;
- reports by the Bank's information security function to the Chairman of the Management Board during 2023 included an assessment and analysis of information security risks, and the results of actions to manage such risks;
- the Bank's internal documentation, effective as at 31 December 2023, that sets out methodologies to identify and manage the Bank's credit risk, market risk, liquidity risk, operational risk, country risk, legal risk, reputational risk (hereinafter "significant risks") and to carry out stress-testing, was approved by the Bank's authorised management bodies in accordance with Central Bank requirements and recommendations;
- as at 31 December 2023, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank's capital;

- the frequency of reports prepared by the Bank's risk management during 2023, which cover the Bank's management of significant risks, was in compliance with the Bank's internal documentation. Those reports included observations made by the Bank's risk management functions as to their assessment of the Bank's significant risks, risk management system and recommendations for improvement;
- as at 31 December 2023, Those Charged with Governance and Executive Management of the Bank had responsibility to monitor the Bank's compliance with risk and capital adequacy limits set by Bank's internal documentation. To exercise control over the effectiveness of the Bank's risk management procedures and their consistent application during 2023, Those Charged with Governance and Executive Management of the Bank regularly discussed the reports prepared by the risk management and internal audit functions of the Bank, and considered proposed measures to eliminate weaknesses.

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

Audit Organisation "Deloitte & Touche" LLC is included in the Register of audit organisations of the Ministry of Economy and Finance of the Republic of Uzbekistan dated 08 June 2021

Erkin Ayupov
Qualified Auditor/Engagement Partner
Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Economy and Finance of the Republic of Uzbekistan



Auditor qualification certificate authorizing audit of banks, #6/8 dated 25 January 2021 issued by the Central Bank of the Republic of Uzbekistan

23 May 2024
Tashkent, Uzbekistan

Director,
Audit Organisation "Deloitte & Touche" LLC

JSC “National Bank for Foreign Economic Activity of the Republic of Uzbekistan”

Consolidated Statement of Financial Position as at 31 December 2023

(in millions of Uzbek Soums)

	Notes	31 December 2023	31 December 2022 (Restated)*	1 January 2022 (Restated)*
Assets				
Cash and cash equivalents	6	14,377,483	24,446,019	10,185,391
Amounts due from credit institutions	7	6,943,790	7,324,452	3,887,238
Derivative financial assets	8	179,039	92,385	-
Loans to customers	9	94,783,232	85,679,925	70,883,397
Investment securities	10	7,140,848	1,746,759	1,112,917
Investments in associates		211,504	229,403	345,610
Property and equipment	11	2,004,539	1,072,656	924,455
Current income tax assets		33,500	19,955	-
Deferred income tax assets	12	202,672	280,785	421,268
Other assets	14	612,799	385,110	471,937
Total assets		126,489,406	121,277,449	88,232,213
Liabilities				
Amounts due to the CBU	15	1,045,549	725,946	708,828
Amounts due to credit institutions	16	11,497,362	15,946,374	2,612,322
Amounts due to customers	17	33,968,762	38,951,852	22,243,551
Derivative financial liabilities		-	-	41,491
Other borrowed funds	19	55,467,518	43,827,997	43,847,483
Subordinated loans	20	1,783,232	1,648,202	1,612,487
Debt securities issued	18	3,655,270	3,409,313	3,334,500
Current income tax liabilities		-	-	8,571
Other liabilities	14	585,306	347,485	327,224
Total liabilities		108,002,999	104,857,169	74,736,457
Equity				
Share capital	21	15,476,078	14,350,285	12,209,351
Contribution from shareholders		126,096	126,096	126,096
Retained earnings		2,670,786	1,710,706	904,616
Other reserves		170,050	208,865	100,791
Total equity attributable to shareholders of the Bank		18,443,010	16,395,952	13,340,854
Non-controlling interests		43,397	24,328	154,902
Total equity		18,486,407	16,420,280	13,495,756
Total equity and liabilities		126,489,406	121,277,449	88,232,213

*See Note 5 for details.

On behalf of the Management Board:

Mirsoatov Alisher Kudratullaevich
Chairman of the Management Board

23 May 2024

Tashkent, Uzbekistan

Kodirov Fazliddin Nosirovich
Chief Accountant

23 May 2024

Tashkent, Uzbekistan

The notes on pages 14-90 form an integral part of these consolidated financial statements

JSC "National Bank for Foreign Economic Activity of the Republic of Uzbekistan"

Consolidated Statement of Profit or Loss for the year ended 31 December 2023

(in millions of Uzbek Soums)

	Note	2023	2022
Interest income	23	10,606,305	8,714,331
Interest expense	23	(5,069,070)	(3,450,852)
Net interest income		5,537,235	5,263,479
Credit loss expense	13	(1,754,147)	(2,210,248)
Initial recognition adjustment on interest bearing assets	9	(247,839)	(166,632)
Net interest income after credit loss expense and initial recognition adjustment		3,535,249	2,886,599
Fee and commission income	24	813,879	585,470
Fee and commission expense	24	(199,448)	(156,696)
Net gain from financial instruments at fair value through profit or loss		86,654	133,876
<i>Net gain/(loss) from foreign currencies:</i>			
- dealing	25	847,896	2,425,387
- translation differences		179,916	(95,958)
Share of (loss)/profit of associates		(94,970)	59,428
Dividend income		67,714	90,580
Other income		45,138	73,995
Impairment of investments in associates		(41,891)	(138,667)
Other impairment and provisions		(115,250)	(64,453)
Personnel and other operating expenses	26	(2,059,537)	(1,497,931)
Revenue from non-banking activities		49,153	144,998
Costs of sales from non-banking activities		(62,418)	(57,409)
Net non-interest (expense)/income		(483,164)	1,502,620
Profit before income tax expense		3,052,085	4,389,219
Income tax expense	12	(736,642)	(987,172)
Profit for the year		2,315,443	3,402,047
Attributable to:			
- shareholders of the Bank		2,296,771	3,358,527
- non-controlling interests		18,672	43,520
		2,315,443	3,402,047

On behalf of the Management Board:



Mirsoatov Alisher Kudratullaevich
Chairman of the Management Board

23 May 2024
Tashkent, Uzbekistan




Kodirov Fazliddin Nosirovich
Chief Accountant

23 May 2024
Tashkent, Uzbekistan

The notes on pages 14-90 form an integral part of these consolidated financial statements

JSC "National Bank for Foreign Economic Activity of the Republic of Uzbekistan"

Consolidated Statement of Other Comprehensive Income for the year ended 31 December 2023

(in millions of Uzbek Soums)

	2023	2022
Profit for the year	2,315,443	3,402,047
Other comprehensive income:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		
Exchange differences on translation of foreign operations	(82,980)	(15,116)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods	(82,980)	(15,116)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		
Revaluation reserve of equity securities measured at FVTOCI	50,953	153,988
Income tax relating to items that will not be reclassified subsequently to profit or loss	(10,190)	(30,798)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	40,763	123,190
Other comprehensive (loss)/income for the year	(42,217)	108,074
Total comprehensive income for the year	2,273,226	3,510,121
Attributable to:		
- shareholders of the Bank	2,257,956	3,467,221
- non-controlling interests	15,270	42,900
	2,273,226	3,510,121

On behalf of the Management Board:




Mirsoatov Alisher Kudratullaevich
Chairman of the Management Board

23 May 2024
Tashkent, Uzbekistan



Kodirov Fazliddin Nosirovich
Chief Accountant

23 May 2024
Tashkent, Uzbekistan

The notes on pages 14-90 form an integral part of these consolidated financial statements

JSC "National Bank for Foreign Economic Activity of the Republic of Uzbekistan"

Consolidated Statement of Changes in Equity for the year ended 31 December 2023

(in millions of Uzbek Soums)

	Attributable to shareholders of the Bank							
	Notes	Share capital	Contribution from shareholders	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
As at 1 January 2022		12,209,351	126,096	904,616	100,791	13,340,854	154,902	13,495,756
Profit for the year	21	-	-	3,358,527	-	3,358,527	43,520	3,402,047
Other comprehensive income/(loss)		-	-	-	108,694	108,694	(620)	108,074
Total comprehensive income for the year		-	-	3,358,527	108,694	3,467,221	42,900	3,510,121
Dividends to shareholders of the Bank:		2,209,055	-	(2,267,198)	-	(58,143)	-	(58,143)
Capitalization of dividends	21	2,209,055	-	(2,209,055)	-	-	-	-
Paid dividends	21	-	-	(58,143)	-	(58,143)	-	(58,143)
Tax on dividends	21	-	-	(116,266)	-	(116,266)	-	(116,266)
Other distributions to the shareholders of the Bank	21	(68,121)	-	(168,973)	-	(237,094)	-	(237,094)
Disposal of subsidiaries		-	-	-	(620)	(620)	(173,474)	(174,094)
As at 31 December 2022		14,350,285	126,096	1,710,706	208,865	16,395,952	24,328	16,420,280
As at 1 January 2023		14,350,285	126,096	1,710,706	208,865	16,395,952	24,328	16,420,280
Profit for the year		-	-	2,296,771	-	2,296,771	18,672	2,315,443
Other comprehensive loss		-	-	-	(38,815)	(38,815)	(3,402)	(42,217)
Total comprehensive income/(loss) for the year		-	-	2,296,771	(38,815)	2,257,956	15,270	2,273,226
Dividends to shareholders of the Bank:		1,183,167	-	(1,237,972)	-	(54,805)	-	(54,805)
Capitalization of dividends	21	1,183,167	-	(1,183,167)	-	-	-	-
Paid dividends	21	-	-	(54,805)	-	(54,805)	-	(54,805)
Tax on dividends	21	-	-	(98,719)	-	(98,719)	(1,696)	(100,415)
Other distributions to the shareholders of the Bank	21	(57,374)	-	-	-	(57,374)	-	(57,374)
Share increase in subsidiary with non-controlling interest		-	-	-	-	-	5,495	5,495
As at 31 December 2023		15,476,078	126,096	2,670,786	170,050	18,443,010	43,397	18,486,407

On behalf of the Management Board:

Mirrotoav Alisher Kudratullaevich

Chairman of the Management Board

23 May 2024

Tashkent, Uzbekistan

Kodirov Fazliddin Nasirovich

Chief Accountant

23 May 2024

Tashkent, Uzbekistan

JSC “National Bank for Foreign Economic Activity of the Republic of Uzbekistan”

Consolidated Statement of Cash Flows for the year ended 31 December 2023

(in millions of Uzbek Soums)

	Notes	2023	2022 (Restated)*
Cash flows from operating activities			
Profit before income tax		3,052,085	4,389,219
<i>Adjustments for:</i>			
Credit loss expense	13	1,754,147	2,210,248
Other impairment and provisions		115,250	64,453
Impairment of investments in associates		41,891	138,667
Initial recognition adjustment on interest bearing assets	9	247,839	166,632
Net unrealized gain on foreign exchange operations		(179,916)	(174,243)
Net gain from financial instruments at FVTPL		(86,654)	(133,876)
Depreciation and amortization	11	233,867	162,536
Share of loss /(profit) from associates		94,970	(59,428)
Change in interest income accrual		(1,015,957)	(1,460,678)
Change in interest expenses accrual		256,419	281,694
Cash flows from operating activities before changes in operating assets and liabilities		4,513,941	5,585,224
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		686,766	(3,420,280)
Loans to customers		(4,560,937)	(14,847,819)
Other assets		(265,780)	27,005
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to the CBU		306,154	17,118
Amounts due to credit institutions		(5,121,800)	13,326,859
Amounts due to customers		(7,863,169)	17,069,037
Other liabilities		119,651	(19,789)
Net cash flows (used in)/generated by operating activities before income tax		(12,185,174)	17,737,355
Income tax paid		(682,264)	(906,013)
Net cash (used in)/generated by operating activities		(12,867,438)	16,831,342

JSC "National Bank for Foreign Economic Activity of the Republic of Uzbekistan"

Consolidated Statement of Cash Flows for the year ended 31 December 2023 (Continued)

(in millions of Uzbek Soums, unless otherwise indicated)

	Notes	2023	2022 (Restated)*
Cash flows from investing activities			
Purchase of investment securities		(5,869,168)	(1,528,340)
Proceeds from sale and redemption of investment securities		1,031,158	1,041,969
Proceeds from sale of associates		7,500	30,283
Purchase of investments in associates		(118,321)	(55,000)
Dividends received from associates and investment securities		7,675	-
Purchase of property and equipment		(832,844)	(560,426)
Proceeds from sale of property and equipment		130,312	17,513
Net cash used in by investing activities		(5,643,688)	(1,054,001)
Cash flows from financing activities			
Proceeds from issue of debt securities	33	21,806	-
Redemption of debt securities issued	33	(114,999)	(44,754)
Proceeds from other borrowed funds and amounts due to customers	33	20,508,436	24,343,680
Repayment of other borrowed funds and amounts due to customers	33	(12,449,200)	(25,628,507)
Dividends paid, including attributable taxes	33	(153,524)	(174,409)
Net cash from/(used in) financing activities		7,812,519	(1,503,990)
Effect of changes in foreign exchange rates on cash and cash equivalents		629,402	(15,913)
Effect of expected credit losses on cash and cash equivalents	13	669	3,190
Net (decrease)/increase in cash and cash equivalents		(10,068,536)	14,260,628
Cash and cash equivalents, beginning of the year	6	24,446,019	10,185,391
Cash and cash equivalents, end of the year	6	14,377,483	24,446,019
Interest received		9,590,348	7,250,190
Interest paid		(4,812,651)	(3,165,695)

Non-cash transaction:

The Bank has established a new subsidiary by contributing a property for the amount of UZS 344,657 million repossessed from one of its borrowers in 2023.

*See Note 5 for details.

On behalf of the Management Board:


Mirsoatov Alisher Kudratullaevich
 Chairman of the Management Board

23 May 2024
 Tashkent, Uzbekistan


Kodirov Fazliddin Nosirovich
 Chief Accountant

23 May 2024
 Tashkent, Uzbekistan

JSC “National Bank for Foreign Economic Activity of the Republic of Uzbekistan”

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(in millions of Uzbek Soums, unless otherwise indicated)

1. Principal activities

The Joint Stock Company “National Bank for Foreign Economic Activity of the Republic of Uzbekistan” (“the Bank”) is the parent company in the Group, it was formed by the Decree of the President of the Republic of Uzbekistan No. PD-244 dated 7 September 1991. The Bank is part of the banking system of the Republic of Uzbekistan and operates under a general banking license No. 22 reissued by the Central Bank of the Republic of Uzbekistan (“CBU”) on 25 December 2021.

The Bank provides services to the Government of the Republic of Uzbekistan, accepts deposits from the public and extends credits, transfers payments in the Republic of Uzbekistan and abroad, exchanges currencies and provides other banking services to its corporate and individual customers. The head office of the Bank is located in Tashkent.

The Bank’s registered legal address is 101 Amir Temur Avenue, Tashkent, the Republic of Uzbekistan.

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

As at 31 December 2023 and 31 December 2022, the following shareholders owned issued shares of the Bank:

	31 December 2023	31 December 2022
Shareholders:		
The Fund for Reconstruction and Development of the Republic of Uzbekistan (“UFRD”)	59.30%	59.30%
The Ministry of Economy and Finance of the Republic of Uzbekistan	40.70%	40.70%
Total	100.00%	100.00%

The ultimate shareholder and controlling party of the Bank is the Government of the Republic of Uzbekistan.

These consolidated financial statements were authorized for issue by the Management Board of the Group on 23 May 2024.

2. Basis of preparation

Statement of compliance

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

These consolidated financial statements are presented in millions of Uzbek Soums (“UZS”), except per share amounts and unless otherwise indicated.

The Group maintains its accounting records in accordance with the respective laws of the Republic of Uzbekistan and the Russian Federation. These consolidated financial statements have been prepared from statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassification of certain assets and liabilities, income and expenses to appropriate financial statement caption.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, investment securities have been measured at fair value.

JSC “National Bank for Foreign Economic Activity of the Republic of Uzbekistan”

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(in millions of Uzbek Soums, unless otherwise indicated)

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 29.

Going concern. These consolidated financial statements have been prepared with the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

The Group's activities continue to be affected by the uncertainty and instability of the current economic environment. The financial position and the results of the Bank continue to be significantly impacted by the reforms of the government.

For the year ended 31 December 2023, the Group incurred a net cash outflow from operating activities in the amount of UZS 12,867,438 million. The net cash outflow from operating activities is predominantly due to expected by contractual terms withdrawal of funds by single customer (Note 17), maturity of short-term deposits of the single foreign financial institution (Note 16) and lending the funds received from international financial institutions and the State to finance the government and investment projects which led to an increase in the loans to customers (Note 9).

The Management of the Group believes that the withdrawals above carrying, in part, a non-recurring nature combined with the factors below do not raise a concern over the Group's ability to continue as a going concern:

- Continued ongoing support by the Government of the Republic of Uzbekistan (“the State”). The Group is a state-owned bank with the Ministry of Economy and Finance and UFRD as key shareholders, jointly holding 100% interest in the share capital of the Bank as at 31 December 2023 (31 December 2022: 100%). The Group is a strategic financial institution of the Republic of Uzbekistan, responsible for the development of strategic industries; and
- The Bank plays a vital role in strategic development of certain spheres of the Republic of Uzbekistan. As at 31 December 2023, borrowings from the Ministry of Economy and Finance of the Republic of Uzbekistan and the UFRD amounted to UZS 4,984,336 and 4,124,575 million, respectively (31 December 2022: UZS 5,072,262 million and UZS 3,007,179 million) (Note 19) and amounts due to customer from the Ministry of Economy and Finance amounted to UZS 5,998,243 million (31 December 2022: UZS 5,123,164 million) (Note 17). The Government will continue financing the Group on an ongoing basis. The maturity of funds received from shareholders and amounts due to customer can be renegotiated if that will be necessary; and
- In addition, during 2023 the Group has received additional financing from international financial institutions under existing credit lines, including financing from the China Development Bank Corporation, Deutsche Bank AG, Eximbank of China, Agency for the Promotion of Export under the MIFT of the Republic of Uzbekistan and Eximbank of Korea.

The management believes that, based on current forecasts and measures taken to manage liquidity, and also taking into account the economic situation in the country, the Group has enough funds to continue its activities in the foreseeable future.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(in millions of Uzbek Soums, unless otherwise indicated)

3. Material accounting policies

Basis of consolidation

Subsidiaries, entities controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- ▶ Exposure, or rights, to variable returns from its involvement with the investee;
- ▶ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements;
- ▶ The Group’s voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss.

Fair value measurement

The Group measures financial instruments carried at FVTPL and FVTOCI at fair value at each balance sheet date.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- ▶ Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- ▶ Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ▶ Amortised cost;
- ▶ FVTOCI;
- ▶ FVTPL.

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading, are derivative instruments or the fair value designation is applied.

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Amounts due from credit institutions, loans to customers, debt investments securities at amortised cost

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

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

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ▶ How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- ▶ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- ▶ The expected frequency, value and timing of sales are also important aspects of the Group’s assessment.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

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

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2023.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the Central Bank, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Obligatory reserves with the Central Banks

Obligatory reserves with the Central Banks represent the amount of mandatory reserves deposited with the Central Banks of the Republic of Uzbekistan and the Russian Federation, which are not available to finance the Group’s day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Central bank, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

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If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- ▶ The normal course of business;
- ▶ The event of default; and
- ▶ The event of insolvency or bankruptcy of the entity and all of the counterparties.

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

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- ▶ Change in currency of the loan;
- ▶ Change in counterparty;
- ▶ If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, presented within interest revenue calculated using EIR in the consolidated statement of profit or loss, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired.

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Derecognition of financial assets and liabilities

Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Taxation

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

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

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

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

Republic of Uzbekistan and Russian Federation also have various operating taxes that are assessed on the Group’s activities. These taxes are included as a component of operating expenses.

Property and equipment

Property and equipment are carried at restated cost after the change of functional currency adjustment applied on 1 January 2007, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

	<u>Years</u>
Buildings	20-30
Furniture and equipment	2-10

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The asset’s residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year- end.

Costs related to repairs and renewals are charged when incurred and included in “Personnel and other operating expenses” unless they qualify for capitalization.

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Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and 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 obligation can be made.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity, if any.

Other reserves

Other reserves represent the revaluation reserve on equity investment securities carried at FVTOCI and exchange difference on translation of foreign operations.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest and similar revenue and expense

The Group calculates interest revenue on debt financial assets measured at amortized cost or at FVTOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest revenue by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest revenue on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

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Fee and commission income

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

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income earned from services that are provided at a point of time

Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. 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. When the contract provides for a variable consideration, fee and commission income is only recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Foreign currency translation

The consolidated financial statements are presented in Uzbek Soums, which is the Group’s presentation currency. The functional currency of the Group entities operating in the Republic of Uzbekistan is UZS, while the functional currency of the Group entity operating in the Russian Federation is Ruble. The Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated statement of profit or loss as net gain on foreign exchange operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the CBU exchange rate on the date of the transaction are included in net gain/(loss) on foreign exchange operations. The official CBU exchange rates at 31 December 2023 and 31 December 2022, were 12,338.77 and 11,225.46 UZS to 1 USD, 13,731.82 and 11,961.85 to 1 EUR, 136.36 and 156.64 UZS to 1 Ruble, respectively.

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As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into UZS at the rate of exchange ruling at the reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the consolidated statement of profit or loss.

Application of new and revised International Financial Reporting Standards (IFRSs)

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

The following amendments and interpretations are effective for the Group 1 January 2023:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17 "Insurance contracts")
Amendments to IAS 1- Classification of liabilities as current or non-current
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 8 – "Definition of Accounting Estimates"

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

New and revised IFRS Standards in issue but not yet effective

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

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendment to IAS 1 – Non-current Liabilities with Covenants	1 January 2024

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

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group’s accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 28.

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Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. The Group’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The Group’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on the lifetime expected credit loss (hereinafter - “LTECL”) basis and the qualitative assessment;
- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis;
- ▶ Development of ECL models, including the various formulae and the choice of inputs;
- ▶ Determination of associations between macroeconomic scenarios and, economic inputs, such as inflation rate and statistical data of non-performing loans from bulletin of Central Bank of Republic of Uzbekistan, and the effect on PDs, EADs and LGDs;
- ▶ Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Starting 1 January 2023, the Management of the Group has updated the Methodology for assessment of financial assets for expected credit losses in accordance with IFRS 9 (“Methodology”). These updates include introduction of qualitative criteria in determination loan’s quality and estimation of PD, LGD and macroeconomic model, which are disclosed in “Risk Management” (Note 27). The calibration of the Methodology is considered as a change in accounting estimate in line with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The update of the methodology did not lead to a material additional charge to the ECL provision as at 31 December 2023.

Borrowings from financial institutions

The Group obtains long term financing from government, state and international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets and which may be lower than rates at which the Group could source the funds from local lenders. As a result of this financing, the Group is able to advance funds to specific customers at advantageous rates. Management has considered whether gains or losses should arise on initial recognition of these instruments and its judgment is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise. In making this judgment management also considered that these instruments are a separate market sector.

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5. Restatements

In 2023, the Group’s management has revisited the presentation of loans that the Group has issued to other banks and received from other banks as the new presentation is viewed to provide a better understanding of their nature to the users of the financial statements. Loans issued to commercial banks previously disclosed within the “Loans to customers” (Note 9) were reclassified to “Amounts due from credit institutions” (Note 7). Similarly, long-term loans received from banks for project financing previously classified as “Amounts due to credit institutions” (Note 16) were reclassified to “Other borrowed funds” (Note 19) which groups the funds received for project financing with longer maturities. Accordingly, the consolidated statement of cash flows has also been restated in respect of material cash flows, namely net (decrease)/increase in amounts due from credit institutions and loans to customers.

The Group’s management has also revisited the accounting for proceeds and repayments of funds received from the Ministry of Economy and Finance of Republic of Uzbekistan for long-term purposes, mainly for mortgage and educational loans. Thus, accounting of cash flow movement of these funds has been revised from Cash flows from operating activities in part of “Amounts due to customers” to Cash flows from financing activities in part of “Proceeds from and repayment of other borrowed funds and amounts due to customers”.

As a result of reclassifying 'Loans to customers' and aligning the presentation consistency of certain financial instruments with the accounting policy applied to other financial instruments of a similar nature, the comparative information was restated to address inconsistencies in the accounting policy for similar items.

In accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” the above restatements and reclassification were accounted retrospectively.

The effect of the restatement on the Consolidated Statement of Financial Position as at 31 December 2022 and 1 January 2022:

		31 December 2022		
	Notes	As previously reported	Adjustments	As restated
Amounts due from credit institutions	7	6,528,713	795,739	7,324,452
Loans to customers	9	86,475,664	(795,739)	85,679,925
TOTAL ASSETS		121,277,449	-	121,277,449
Amounts due to credit institutions	16	16,487,592	(541,218)	15,946,374
Other borrowed funds	19	43,286,779	541,218	43,827,997
TOTAL LIABILITIES		104,857,169	-	104,857,169
TOTAL LIABILITIES AND EQUITY		121,277,449	-	121,277,449
		1 January 2022		
	Notes	As previously reported	Adjustments	As restated
Amounts due from credit institutions	7	2,680,960	1,206,278	3,887,238
Loans to customers	9	72,089,675	(1,206,278)	70,883,397
TOTAL ASSETS		88,232,213	-	88,232,213
Amounts due to credit institutions	16	3,083,328	(471,006)	2,612,322
Other borrowed funds	19	43,376,477	471,006	43,847,483
TOTAL LIABILITIES		74,736,457	-	74,736,457
TOTAL LIABILITIES AND EQUITY		88,232,213	-	88,232,213

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The effect of the restatement on the Consolidated Statement of Cash Flows for the year ended 31 December 2022:

	31 December 2022		
	As previously reported	Adjustments	As restated
Net increase in amounts due from credit institutions	(3,832,385)	412,105	(3,420,280)
Net increase in loans to customers	(14,435,714)	(412,105)	(14,847,819)
Net increase in amounts due to customers	16,663,138	405,899	17,069,037
Net cash flows generated by operating activities before income tax	17,331,456	405,899	17,737,355
Net cash generated by operating activities	16,425,443	405,899	16,831,342
Proceeds from other borrowed funds and amounts due to customers	22,189,144	2,154,536	24,343,680
Repayment of other borrowed funds and amounts due to customers	(23,068,072)	(2,560,435)	(25,628,507)
Net cash used in financing activities	(1,098,091)	(405,899)	(1,503,990)

6. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash on hand	1,975,977	1,412,531
Current accounts with the Central Banks	2,407,175	4,331,284
Current accounts with the other credit institutions	5,485,610	11,982,848
Time deposits with credit institutions up to 90 days	4,509,649	6,720,953
Total cash and cash equivalents, gross	14,378,411	24,447,616
<i>Less – allowance for impairment</i>	(928)	(1,597)
Total cash and cash equivalents	14,377,483	24,446,019

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during the year is as follows:

	2023	2022
ECL allowance as at 1 January	1,597	4,787
Changes in ECL	(669)	(3,190)
At 31 December	928	1,597

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7. Amounts due from credit institutions

	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Time deposits for more than 90 days	6,470,155	6,968,764	3,505,706
Obligatory reserve with the Central Banks	524,003	443,021	423,075
Total Amounts due from credit institutions, gross	6,994,158	7,411,785	3,928,781
<i>Less – allowance for impairment</i>	(50,368)	(87,333)	(41,543)
Total Amounts due from credit institutions	6,943,790	7,324,452	3,887,238

Credit institutions are required to maintain a non-interest earning cash deposit obligatory reserve with the Central Banks. The Group’s ability to withdraw such deposit is significantly restricted by the statutory legislation. The Obligatory reserves with Central Banks are formed on the basis of the volume of funds attracted from customers.

As at 31 December 2023, obligatory reserves with Central Banks comprise mandatory cash balances with the Central Banks of the Republic of Uzbekistan and the Russian Federation in the amounts of UZS 514,263 million and UZS 9,740 million, respectively (2022: UZS 438,404 million and UZS 4,617 million).

As at 31 December 2023, time deposits for more than 90 days includes interbank deposit between the Bank and JSCB Turonbank for the amount of UZS 164,713 million, which is pledged as collateral against borrowings from the JSC “Uzbekistan Mortgage Refinancing Company” in Note 19.

All balances of amounts due from credit institutions allocated to Stage 1. An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from credit institutions during the years ended 31 December is as follows:

	2023	2022 (Restated)
Gross carrying value as at 1 January	7,411,785	3,928,781
New originations or purchase of financial assets	821,104	4,014,250
Assets derecognised or repaid	(1,508,315)	(515,910)
Foreign exchange differences	269,584	(15,336)
As at 31 December	6,994,158	7,411,785
	2023	2022
ECL allowance as at 1 January	87,333	41,543
New originations or purchase of financial assets	4,608	46,307
Assets derecognised or repaid	(37,907)	(2,402)
Foreign exchange differences	(3,666)	1,885
As at 31 December	50,368	87,333

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8. Derivative financial assets

	31 December 2023		31 December 2022	
	Notional amount	Fair values Asset	Notional amount	Fair values Asset
Foreign exchange contracts				
Swaps – foreign	3,233,406	179,039	529,342	92,385
Total derivative assets	3,233,406	179,039	529,342	92,385

As at 31 December 2023, the Group has positions in the following types of derivative:

In 2021, the Group signed a SWAP agreement with Citibank London and placed USD 50,000,000 at a rate of Federal Funds per annum for 37 months. For the same period, Citibank London provided the Group with the amount UZS 529,342 million in equivalent of USD 50,000,000 as other borrowed funds at a rate of 15.65%. Besides this, the Group placed USD 5,000,000 as collateral amount which will be filled periodically when exchange rate change will result in the difference of the value of the swapped amounts to a degree higher than USD 250,000.

During 2023, the Group signed a SWAP agreement with J.P. Morgan London and placed RUB 10,000,000,000 at a rate of 11.40% per annum for 24 months. For the same period, J.P. Morgan London provided the Group with the amount of USD 123,915,737 in the equivalent of UZS 1,423,561 million at a rate of 3.90% per annum as amounts due to credit institutions. Besides this, the Group placed USD 5,935,556 as collateral amount which will be adjusted periodically when exchange rate change will result in the difference of the value of the swapped amounts to a degree exceeding USD 250,000. SWAP agreement is classified as financial instrument at fair value through profit and loss.

Also, in 2023, the Group signed deposit deals with J.P. Morgan in the amount of AED 202,500,000 with the interest of 5.3% per annum for 6 months and in the amount of AED 202,500,00 with the interest of 5.22% per annum for 12 months. For the same period the Group borrowed from J.P. Morgan USD 55,132,045 with the interest of 6.55% per annum for 6 months and USD 55,132,045 with the interest of 6.32% per annum for 12 months. These deposits are classified as financial instruments at fair value through profit and loss.

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9. Loans to customers

	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Corporate lending			
Private companies	45,090,217	40,063,562	32,247,317
State companies	37,207,600	34,915,043	27,854,502
State budget or local authorities	6,466,836	7,336,086	7,870,202
Gross investment in finance lease	235,995	214,701	829,137
Non-banking financial institutions	179,379	142,944	141,269
Total corporate lending	89,180,027	82,672,336	68,942,427
Loans to individuals			
Mortgage loans	8,974,951	7,465,138	4,602,863
Car loans	2,460,592	1,116,171	914,053
Consumer loans	2,317,402	558,969	438,064
Education loans	324,380	8,514	65,664
Agriculture loans	3,764	163,980	187,502
Total loans to individuals	14,081,089	9,312,772	6,208,146
Gross loans to customers	103,261,116	91,985,108	75,150,573
<i>Less: allowance for impairment</i>	<i>(8,477,884)</i>	<i>(6,305,183)</i>	<i>(4,267,176)</i>
Loans to customers	94,783,232	85,679,925	70,883,397

An analysis of loans to customers at amortized cost allocated by stages is as follows:

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Private companies	21,843,364	19,132,529	4,114,324	45,090,217
State companies	36,608,065	275,813	323,722	37,207,600
State budget or local authorities	6,428,367	36,110	2,359	6,466,836
Gross investment in finance lease	235,995	-	-	235,995
Non-banking financial institutions	179,379	-	-	179,379
Loans to individuals	13,717,598	165,029	198,462	14,081,089
Gross loans	79,012,768	19,609,481	4,638,867	103,261,116
<i>Less – Allowance for impairment</i>	<i>(1,206,848)</i>	<i>(4,720,130)</i>	<i>(2,550,906)</i>	<i>(8,477,884)</i>
Loans to customers	77,805,920	14,889,351	2,087,961	94,783,232

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31 December 2022 (Restated)	Stage 1	Stage 2	Stage 3	Total
Private companies	29,079,955	8,051,283	2,932,324	40,063,562
State companies	33,923,929	761,404	229,710	34,915,043
State budget or local authorities	7,283,326	-	52,760	7,336,086
Gross investment in finance lease	214,701	-	-	214,701
Non-banking financial institutions	142,944	-	-	142,944
Loans to individuals	8,986,203	110,814	215,755	9,312,772
Gross loans	79,631,058	8,923,501	3,430,549	91,985,108
<i>Less – Allowance for impairment</i>	<i>(2,414,411)</i>	<i>(2,454,253)</i>	<i>(1,436,519)</i>	<i>(6,305,183)</i>
Loans to customers	77,216,647	6,469,248	1,994,030	85,679,925

1 January 2022 (Restated)	Stage1	Stage2	Stage3	Total
Private companies	27,472,569	1,892,695	2,882,053	32,247,317
State companies	27,279,278	362,856	212,368	27,854,502
State budget or local authorities	7,870,202	-	-	7,870,202
Gross investment in finance lease	829,137	-	-	829,137
Non-banking financial institutions	141,269	-	-	141,269
Loans to individuals	5,777,064	149,181	281,901	6,208,146
Gross loans	69,369,519	2,404,732	3,376,322	75,150,573
<i>Less - Allowance for impairment</i>	<i>(2,516,121)</i>	<i>(486,825)</i>	<i>(1,264,230)</i>	<i>(4,267,176)</i>
Loans to customers	66,853,398	1,917,907	2,112,092	70,883,397

Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to the private companies during the year ended 31 December 2023 is as follows:

Private companies	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	29,079,955	8,051,283	2,932,324	40,063,562
New originations or purchase of financial assets	13,593,890	-	-	13,593,890
Assets derecognised or repaid	(5,963,479)	(645,224)	(331,303)	(6,940,006)
- Transfer to Stage 1	325,035	(325,035)	-	-
- Transfer to Stage 2	(10,226,128)	10,561,587	(335,459)	-
- Transfer to Stage 3	-	(1,820,328)	1,820,328	-
Changes in the gross value of financial assets*	(6,348,864)	1,782,815	(270,728)	(4,836,777)
Foreign exchange differences	1,382,955	1,527,431	265,427	3,175,813
Written off assets	-	-	(25,163)	(25,163)
Recovery of early written-off assets	-	-	58,898	58,898
As at 31 December 2023	21,843,364	19,132,529	4,114,324	45,090,217

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Private companies	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	580,580	2,436,637	1,216,424	4,233,641
New originations or purchase of financial assets	318,560	-	-	318,560
Assets derecognised or repaid	(114,369)	(40,288)	(85,049)	(239,706)
- Transfer to Stage 1	80,638	(80,638)	-	-
- Transfer to Stage 2	(178,567)	315,070	(136,503)	-
- Transfer to Stage 3	-	(68,640)	68,640	-
Net increases/(decrease) due to change in credit risk	(74,124)	358,121	618,278	902,275
Changes in risk parameters	(164,341)	1,576,389	390,952	1,803,000
Foreign exchange differences	12,266	209,614	43,099	264,979
Written off assets	-	-	(25,163)	(25,163)
Recovery of early written-off assets	-	-	58,898	58,898
As at 31 December 2023	460,643	4,706,265	2,149,576	7,316,484

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to the state companies during the year ended 31 December 2023 is as follows:

State companies	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	33,923,929	761,404	229,710	34,915,043
New originations or purchase of financial assets	11,835,854	-	-	11,835,854
Assets derecognised or repaid	(6,954,974)	(205,277)	(196,043)	(7,356,294)
- Transfer to Stage 1	427,488	(427,488)	-	-
- Transfer to Stage 2	(401,098)	401,831	(733)	-
- Transfer to Stage 3	-	(256,471)	256,471	-
Changes in the gross value of financial assets*	(4,957,772)	(25,732)	33,519	(4,949,985)
Foreign exchange differences	2,734,638	27,546	798	2,762,982
As at 31 December 2023	36,608,065	275,813	323,722	37,207,600

State companies	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	1,632,479	10,256	82,440	1,725,175
New originations or purchase of financial assets	174,544	-	-	174,544
Assets derecognised or repaid	(159,352)	(3,320)	(67,951)	(230,623)
- Transfer to Stage 1	4,934	(4,934)	-	-
- Transfer to Stage 2	(13,685)	13,784	(99)	-
- Transfer to Stage 3	-	(12,180)	12,180	-
Net increases/(decrease) due to change in credit risk	(4,823)	332	296,886	292,395
Changes in risk parameters	(1,104,459)	(405)	(16,000)	(1,120,864)
Foreign exchange differences	108,628	117	319	109,064
As at 31 December 2023	638,266	3,650	307,775	949,691

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An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to the state budget or local authorities during the year ended 31 December 2023 is as follows:

State budget or local authorities	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	7,283,326	-	52,760	7,336,086
New originations or purchase of financial assets	850,572	-	-	850,572
Assets derecognised or repaid	(980,032)	-	(27,221)	(1,007,253)
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(102,315)	127,855	(25,540)	-
- Transfer to Stage 3	-	(102,315)	102,315	-
Changes in the gross value of financial assets*	(1,151,406)	10,570	(99,955)	(1,240,791)
Foreign exchange differences	528,222	-	-	528,222
As at 31 December 2023	6,428,367	36,110	2,359	6,466,836

State budget or local authorities	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	144,716	-	48,200	192,916
New originations or purchase of financial assets	5,489	-	-	5,489
Assets derecognised or repaid	(13,240)	-	(24,445)	(37,685)
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(917)	24,672	(23,755)	-
- Transfer to Stage 3	-	(917)	917	-
Net increases/(decrease) due to change in credit risk	-	(22,171)	1,922	(20,249)
Changes in risk parameters	(90,463)	-	(1,125)	(91,588)
Foreign exchange differences	10,220	-	-	10,220
As at 31 December 2023	55,805	1,584	1,714	59,103

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to the gross investment in finance lease during the year ended 31 December 2023 is as follows:

Investment in finance lease	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	214,701	-	-	214,701
Foreign exchange differences	21,294	-	-	21,294
As at 31 December 2023	235,995	-	-	235,995

Investment in finance lease	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	12,210	-	-	12,210
Changes in risk parameters	(9,984)	-	-	(9,984)
Foreign exchange differences	1,211	-	-	1,211
As at 31 December 2023	3,437	-	-	3,437

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An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to the non-banking financial institutions in during the year ended 31 December 2023 is as follows:

Non-banking financial institutions	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	142,944	-	-	142,944
New originations or purchase of financial assets	109,232	-	-	109,232
Assets derecognised or repaid	(32,594)	-	-	(32,594)
Changes in the gross value of financial assets*	(40,203)	-	-	(40,203)
As at 31 December 2023	179,379	-	-	179,379
Non-banking financial institutions	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	2,047	-	-	2,047
New originations or purchase of financial assets	1,648	-	-	1,648
Assets derecognised or repaid	(335)	-	-	(335)
Changes in risk parameters	(1,429)	-	-	(1,429)
As at 31 December 2023	1,931	-	-	1,931

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to individuals in during the year ended 31 December 2023 is as follows:

Loans to individuals	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	8,986,203	110,814	215,755	9,312,772
New originations or purchase of financial assets	6,184,363	-	-	6,184,363
Assets derecognised or repaid	(687,193)	(5,599)	(37,812)	(730,604)
- Transfer to Stage 1	109,821	(109,821)	-	-
- Transfer to Stage 2	(155,629)	206,599	(50,970)	-
- Transfer to Stage 3	-	(69,059)	69,059	-
Changes in the gross value of financial assets*	(719,967)	32,095	(31,435)	(719,307)
Written off assets	-	-	(7,540)	(7,540)
Recovery of early written-off assets	-	-	41,405	41,405
As at 31 December 2023	13,717,598	165,029	198,462	14,081,089
Loans to individuals	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	42,379	7,360	89,455	139,194
New originations or purchase of financial assets	20,605	-	-	20,605
Assets derecognised or repaid	(3,171)	(292)	(20,364)	(23,827)
- Transfer to Stage 1	15,697	(15,697)	-	-
- Transfer to Stage 2	(1,141)	14,707	(13,566)	-
- Transfer to Stage 3	-	(1,793)	1,793	-
Net increases/(decrease) due to change in credit risk	(15,154)	1,865	(17,098)	(30,387)
Changes in risk parameters	(12,449)	2,481	17,756	7,788
Written off assets	-	-	(7,540)	(7,540)
Recovery of early written-off assets	-	-	41,405	41,405
As at 31 December 2023	46,766	8,631	91,841	147,238

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An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to the private companies during the year ended 31 December 2022 is as follows:

Private companies	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	27,472,569	1,892,695	2,882,053	32,247,317
New originations or purchase of financial assets	12,990,913	-	-	12,990,913
Assets derecognised or repaid	(4,064,084)	(66,843)	(412,839)	(4,543,766)
- Transfer to Stage 1	1,911,153	(1,911,153)	-	-
- Transfer to Stage 2	(8,959,707)	10,042,389	(1,082,682)	-
- Transfer to Stage 3	-	(1,581,981)	1,581,981	-
Changes in the gross value of financial assets*	(585,484)	(251,723)	21,235	(815,972)
Foreign exchange differences	314,595	(72,101)	32,145	274,639
Written off assets	-	-	(89,569)	(89,569)
As at 31 December 2022	29,079,955	8,051,283	2,932,324	40,063,562

Private companies	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	822,386	346,693	1,105,479	2,274,558
New originations or purchase of financial assets	620,396	-	-	620,396
Assets derecognised or repaid	(56,435)	(3,275)	(215,023)	(274,733)
- Transfer to Stage 1	484,272	(484,272)	-	-
- Transfer to Stage 2	(547,124)	966,461	(419,337)	-
- Transfer to Stage 3	-	(288,749)	288,749	-
Net increases/(decrease) due to change in credit risk	(609,936)	1,932,913	417,807	1,740,784
Changes in risk parameters	(143,637)	(26,198)	117,245	(52,590)
Foreign exchange differences	10,658	(6,936)	11,073	14,795
Written off assets	-	-	(89,569)	(89,569)
As at 31 December 2022	580,580	2,436,637	1,216,424	4,233,641

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to state companies lending during the year ended 31 December 2022 (restated) is as follows:

State companies	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	27,279,278	362,856	212,368	27,854,502
New originations or purchase of financial assets	9,587,510	-	-	9,587,510
Assets derecognised or repaid	(780,907)	(108,616)	(17,841)	(907,364)
- Transfer to Stage 1	254,425	(254,425)	-	-
- Transfer to Stage 2	(990,215)	990,516	(301)	-
- Transfer to Stage 3	-	(47,007)	47,007	-
Changes in the gross value of financial assets*	(1,850,174)	(203,827)	(17,622)	(2,071,623)
Foreign exchange differences	424,012	21,907	6,099	452,018
As at 31 December 2022	33,923,929	761,404	229,710	34,915,043

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State companies	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	1,419,192	126,966	47,556	1,593,714
New originations or purchase of financial assets	343,786	-	-	343,786
Assets derecognised or repaid	(14,299)	(38,015)	(12,030)	(64,344)
- Transfer to Stage 1	88,973	(88,973)	-	-
- Transfer to Stage 2	(24,267)	24,297	(30)	-
- Transfer to Stage 3	-	(6,461)	6,461	-
Net increases/(decrease) due to change in credit risk	(168,069)	(7,558)	342	(175,285)
Changes in risk parameters	(35,923)	(454)	39,138	2,761
Foreign exchange adjustments	23,086	454	1,003	24,543
As at 31 December 2022	1,632,479	10,256	82,440	1,725,175

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to the state budget or local authorities during the year ended 31 December 2022 (restated) is as follows:

State budget or local authorities	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	7,870,202	-	-	7,870,202
New originations or purchase of financial assets	1,179,416	-	-	1,179,416
Assets derecognised or repaid	(630,108)	-	-	(630,108)
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(77,467)	77,467	-	-
- Transfer to Stage 3	-	(77,467)	77,467	-
Changes in the gross value of financial assets*	(1,241,121)	-	(24,707)	(1,265,828)
Foreign exchange differences	182,404	-	-	182,404
As at 31 December 2022	7,283,326	-	52,760	7,336,086

State budget or local authorities	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	185,510	-	-	185,510
New originations or purchase of financial assets	14,435	-	-	14,435
Assets derecognised or repaid	(9,794)	-	-	(9,794)
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(48,112)	48,112	-	-
- Transfer to Stage 3	-	(48,112)	48,112	-
Net increases/(decrease) due to change in credit risk	7,734	-	88	7,822
Changes in risk parameters	(8,245)	-	-	(8,245)
Foreign exchange differences	3,188	-	-	3,188
As at 31 December 2022	144,716	-	48,200	192,916

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An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to the gross investment in finance lease during the year ended 31 December 2022 is as follows:

Investment in finance lease	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	829,137	-	-	829,137
Changes in the gross value of financial assets	(644,105)	-	-	(644,105)
Foreign exchange differences	29,669	-	-	29,669
As at 31 December 2022	214,701	-	-	214,701

Investment in finance lease	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	37,490	-	-	37,490
Net increases/(decrease) due to change in credit risk	(29,123)	-	-	(29,123)
Changes in risk parameters	2,502	-	-	2,502
Foreign exchange differences	1,341	-	-	1,341
As at 31 December 2022	12,210	-	-	12,210

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans issued to the non-banking financial institutions during the year ended 31 December 2022 is as follows:

Non-banking financial institutions	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	141,269	-	-	141,269
New originations or purchase of financial assets	76,030	-	-	76,030
Assets derecognised or repaid	(30,605)	-	-	(30,605)
Changes in the gross value of financial assets*	(43,750)	-	-	(43,750)
As at 31 December 2022	142,944	-	-	142,944

Non-banking financial institutions	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	4,491	-	-	4,491
New originations or purchase of financial assets	1,484	-	-	1,484
Net increases/(decrease) due to change in credit risk	(1,223)	-	-	(1,223)
Assets derecognised or repaid	(1,114)	-	-	(1,114)
Changes in risk parameters	(1,591)	-	-	(1,591)
As at 31 December 2022	2,047	-	-	2,047

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An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to individuals in during the year ended 31 December 2023 is as follows:

Loans to individuals	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	5,777,064	149,181	281,901	6,208,146
New originations or purchase of financial assets	4,518,031	-	-	4,518,031
Assets derecognised or repaid	(760,419)	(19,184)	(57,873)	(837,476)
- Transfer to Stage 1	189,528	(189,528)	-	-
- Transfer to Stage 2	(171,848)	284,776	(112,928)	-
- Transfer to Stage 3	-	(111,605)	111,605	-
Changes in the gross value of financial assets*	(566,153)	(2,826)	(6,950)	(575,929)
As at 31 December 2022	8,986,203	110,814	215,755	9,312,772

Loans to individuals	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	47,052	13,166	111,195	171,413
New originations or purchase of financial assets	37,781	-	-	37,781
Assets derecognised or repaid	(7,011)	(1,517)	(29,527)	(38,055)
- Transfer to Stage 1	31,868	(31,868)	-	-
- Transfer to Stage 2	(5,140)	33,885	(28,745)	-
- Transfer to Stage 3	-	(5,872)	5,872	-
Net increases/(decrease) due to change in credit risk	(43,984)	(99)	25,713	(18,370)
Changes in risk parameters	(18,187)	(335)	4,948	(13,574)
As at 31 December 2022	42,379	7,360	89,456	139,195

*Changes in the gross value of financial assets includes changes in gross carrying amount associated with partial repayment of debt, additional drawdowns and accrual of interest.

As at 31 December 2023, loans to customers assessed for expected credit losses on an individual basis had a gross amount of UZS 7,049,271 million (2022: UZS 5,382,704 million) and allowance for impairment of UZS 4,614,722 million (2022: UZS 2,237,810 million).

During 2023, the Group recognised initial recognition loss on loans bearing interest rates below market for the total amount of UZS 247,839 million (2022: UZS 166,632 million).

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- ▶ For commercial lending, charges over real estate properties, third party guarantees, vehicles and cash deposits;
- ▶ For retail lending, mortgages over residential properties and vehicle;
- ▶ For letters of credit and guarantees cash deposits.

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The Group also obtains guarantees from the Government of the Republic of Uzbekistan for loans to the government related entities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December 2023 and 2022 (as restated) would have been higher by:

	31 December 2023	31 December 2022
Private companies	1,894,177	932,423
Loans to individuals	95,548	74,941
State companies	13,215	35,185
	2,002,940	1,042,549

During the years ended 31 December 2023 and 2022, the Group received financial and non-financial assets by taking possession of collateral it held as security. As at 31 December 2023 and 2022 such assets amounting to UZS 194,671 million and UZS 142,698 million (See Note 14), respectively, are included in other assets. The management of the Group expects to dispose these assets within 12 months period through public auctions.

Concentration of loans to customers

As of 31 December 2023, the Group had a concentration of loans in the amount of UZS 45,134,811 million due from ten largest borrowers representing 43.7% of gross loan portfolio (2022: UZS 42,423,572 million or 45.7%). An allowance of UZS 2,434,163 million (2022: UZS 3,757,103 million) was recognised against these loans.

As at 31 December 2023 and 2022, a significant amount of loans was granted to companies operating in the Republic of Uzbekistan, which represented a significant geographical concentration in one region.

Loans are principally issued to companies operating in the following industry sectors:

	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Manufacturing	31,445,214	31,784,718	23,915,705
Transport and communication	26,680,806	22,676,395	20,783,057
Individuals	14,081,089	9,312,772	6,208,144
Government social structure	6,678,415	7,690,167	8,343,640
Trade and catering	6,111,994	6,162,395	4,105,289
			2,972,14
Tourism	5,870,718	5,382,704	2
Agriculture	3,481,404	3,167,799	3,562,076
Construction	2,926,869	1,857,558	2,116,399
Housing and Utilities	1,120,316	748,057	381,408
Other	4,864,291	3,202,543	2,762,713
Total loans to customers	103,261,116	91,985,108	75,150,573
Less: allowance for impairment	(8,477,884)	(6,305,183)	(4,267,176)
Loans to customers	94,783,232	85,679,925	70,883,397

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The table below summarizes the gross carrying amounts of loans and advances to customers analysed by type of collateral obtained by the Group as at 31 December 2023 and 31 December 2022:

	31 December 2023	31 December 2022
Loans collateralised by:		
- real estate	38,564,648	30,420,880
- government guarantee	30,430,223	29,366,621
- surety of third parties	9,901,150	7,007,914
- equipment and inventory	7,621,565	7,599,144
- vehicles	3,500,945	1,713,170
- insurance	2,402,273	2,415,526
- cash deposits	1,197,707	2,018,876
- other collateral	8,915,388	10,646,257
Unsecured loans	727,217	796,720
Total loans and advances to customers, gross	103,261,116	91,985,108
Less – allowance for impairment	(8,477,884)	(6,305,183)
Total loans and advances to customers	94,783,232	85,679,925

As at 31 December 2023, loans to individuals in the amount of UZS 133,998 million (2022: UZS 53,702 million) were pledged as collateral against borrowings from the JSC “Uzbekistan Mortgage Refinancing Company” in Note 19.

10. Investment securities

	31 December 2023	31 December 2022
Debt securities at amortised cost		
State bonds	6,776,502	1,417,650
<i>Less: allowance for impairment</i>	(52,091)	(9,394)
Debt securities at amortised cost	6,724,411	1,408,256
Equity securities at FVTOCI		
Corporate shares	416,437	338,503
Equity securities at FVTOCI	416,437	338,503
Investment securities	7,140,848	1,746,759

State bonds comprise debt securities issued by the Ministry of Economy and Finance of the Republic of Uzbekistan with original maturity from 2 to 10 years at a discount.

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During 2023, the Group purchased long-term state-bonds issued by the Ministry of Economy and Finance of the Republic of Uzbekistan in the amount of USD 500,000,000 in equivalent of UZS 6,300,694 million in accordance with the Presidential Decree. In addition, the state bonds include Eurobonds issued by JSC Uzbekneftegaz with interest rates of 4%-5% per annum and remaining maturity from 1 to 5 years as at 31 December 2023.

As at 31 December 2023 and 2022, debt securities of the Government of the Republic of Uzbekistan at amortised cost for the amount of UZS 76,844 million (2022: UZS 38,948 million) were pledged as collateral against borrowings from the JSC “Uzbekistan Mortgage Refinancing Company” in Note 19.

Equity securities at FVTOCI comprise equity investments in:

	31 December 2023	31 December 2022
JSC Uzbek Korean Development Bank	249,722	77,444
LLC Yashil Energiya	67,067	-
JSC Uzbekinvest	55,475	67,035
JSC Uzbekistan Mortgage Refinancing Company	19,465	10,170
JSC Republican Currency Exchange	18,615	28,152
LLC Nukus SSP Texnopark	-	814
LLC "Solfy CA"	2,226	2,226
JSC Qurilishmashleasing	1,924	1,249
JSC Uzmetkombinat	-	149,329
Other	1,943	2,084
Total investment securities	416,437	338,503

During 2023, the Group disposed of its share of 3.63% of JSC Uzmetkombinat in accordance with the Presidential Decree with a carrying value of UZS 149,329 million.

According to the Decree of the President of the Republic of Uzbekistan No. PD-57 dated 16 February 2023, in order to implement the project, the Group's subsidiary JSC NBU Invest Group took part in the establishment of LLC “Yashil Energiya” with a share of 19.1% for the total amount of UZS 67,067 million.

As at 31 December 2023 and 2022, none of the equity investments were pledged as collateral against borrowings of Group.

All balances of investment securities measured at amortised cost are allocated to Stage 1. An analysis of changes in the gross carrying values and associated ECL during the year is as follows:

Debt securities at amortised cost	2023	2022
Gross carrying value as at 1 January	1,417,650	1,007,493
New originations or purchase of financial assets	5,928,682	1,452,126
Assets derecognised or repaid	(1,031,158)	(1,041,969)
Foreign exchange differences	461,328	-
As at 31 December	6,776,502	1,417,650
Debt securities at amortised cost	2023	2022
ECLs as at 1 January	9,394	2,878
New originations or purchase of financial assets	45,048	6,516
Assets derecognised or repaid	(6,621)	-
Foreign exchange differences	4,270	-
As at 31 December	52,091	9,394

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11. Property and equipment

	Buildings and other real estate	Construction in progress	Furniture and equipment	Other	Total
Cost					
31 December 2021	479,148	124,533	850,306	12,580	1,466,567
Additions	101,396	49,712	403,403	5,187	559,698
Disposals and write-offs	(7,712)	(358)	(21,556)	(844)	(30,470)
Disposal of subsidiaries	(91,255)	(80,002)	(112,089)	-	(283,346)
Transfers	31,314	(54,545)	(1,452)	24,683	-
31 December 2022	512,891	39,340	1,118,612	41,606	1,712,449
Additions	38,517	288,083	575,851	21,100	923,551
Acquisition of subsidiaries	371,865	646	-	-	372,511
Disposals and write-offs	(143,622)	(1,793)	(33,784)	(832)	(180,031)
Transfers	27,797	(33,993)	5,924	272	-
31 December 2023	807,448	292,283	1,666,603	62,146	2,828,480
Accumulated depreciation					
31 December 2021	(162,653)	-	(378,924)	(535)	(542,112)
Charge for the year	(16,522)	-	(141,095)	(4,842)	(162,459)
Transfers	-	-	19,973	(19,973)	-
Disposals and write-offs	1,104	-	7,862	843	9,809
Disposal of subsidiaries	21,564	-	33,405	-	54,969
31 December 2022	(156,507)	-	(458,779)	(24,507)	(639,793)
Charge for the year (Note 26)	(34,642)	-	(191,212)	(8,013)	(233,867)
Transfers	67	-	(219)	152	-
Disposals and write-offs	32,323	-	16,723	673	49,719
31 December 2023	(158,759)	-	(633,487)	(31,695)	(823,941)
Net book value					
31 December 2022	356,384	39,340	659,833	17,099	1,072,656
31 December 2023	648,689	292,283	1,033,116	30,451	2,004,539

As at 31 December 2023 and 2022, property and equipment included fully depreciated assets of UZS 219,667 million and UZS 153,949 million, respectively.

As at 31 December 2023, the increase in construction in progress in the amount of UZS 260,535 million is associated with the construction of Zomin touristic and recreational zone and international all season resort in accordance with PD No.6201 dated on 6 April 2021.

As at 31 December 2023, the increase in furniture and equipment in the amount of UZS 575,851 million represents the purchase of the server hardware equipment for the amount of USD 27,010,372.

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12. Taxation

The corporate income tax expense comprises:

	2023	2022
Current income tax	668,719	877,487
Deferred tax charge - origination and reversal of temporary differences	67,923	109,685
Income tax expense	736,642	987,172

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 and the Russian Federation, where the Group operates, which may differ from IFRS.

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.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2023 and 2022 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases’ differences for certain assets.

The corporate income tax rate applicable to the majority of the Group’s income comprised 20% for 2023 and 2022, respectively (20% for 2023 and 2022 in the Russian Federation).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2023	2022
Profit before income tax	3,052,085	4,389,219
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	610,417	877,844
Non-deductible expenditures	321,190	134,792
Income tax privileges	(194,965)	(25,464)
Income tax expense	736,642	987,172

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

	1 January 2022	In the statement of profit or loss	Other comprehen- sive income	31 December 2022	In the statement of profit or loss	Other comprehen- sive income	31 December 2023
Tax effect on deductible temporary differences							
Loans to customers	271,793	45,557	-	316,950	(92,243)	-	224,707
Amounts due from credit institutions	136,792	(9,590)	-	127,202	(116,963)	-	10,239
Property and equipment	24,534	(2,715)	-	21,819	(3,054)	-	18,765
Other liabilities	37,654	(30,272)	-	7,382	10,003	-	17,385
Deferred tax asset	470,373	2,980	-	473,353	(202,257)	-	271,096
Tax effect of taxable temporary differences							
Financial assets at fair value through other comprehensive income	-	-	30,798	30,798	-	10,190	40,988
Investments in associates	(20,542)	23,560	-	3,018	(5,620)	-	(2,602)
Other borrowed funds	114,221	(669)	-	113,552	(113,552)	-	-
Derivative financial assets	(8,298)	26,775	-	18,477	17,331	-	35,808
Other provisions and accruals	(36,276)	62,999	-	26,723	(32,493)	-	(5,770)
Deferred tax liability	49,105	112,665	30,798	192,568	(134,334)	10,190	68,424
Net deferred tax asset	421,268	(109,685)	(30,798)	280,785	(67,923)	(10,190)	202,672

13. Credit loss expense and other impairment and provisions

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2023:

2023	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	6	(669)	-	-	(669)
Amounts due from credit institutions	7	(33,299)	-	-	(33,299)
Loans to customers	9	(1,246,847)	1,872,712	1,093,762	1,719,627
Debt securities measured at amortised cost	10	38,427	-	-	38,427
Other financial assets	14	2,598	-	-	2,598
Financial guarantees	22	(52,756)	-	-	(52,756)
Undrawn loan commitments	22	80,164	-	-	80,164
Letters of credit	22	55	-	-	55
Total credit loss expense		(1,212,327)	1,872,712	1,093,762	1,754,147

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The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2022:

2022	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	6	(3,190)	-	-	(3,190)
Amounts due from credit institutions	7	45,790	-	-	45,790
Loans to customers	9	(120,453)	1,855,462	390,704	2,125,713
Debt securities measured at amortised cost	10	6,516	-	-	6,516
Other financial assets	14	(4,631)	-	-	(4,631)
Financial guarantees	22	42,080	-	-	42,080
Loan commitments	22	30,327	-	-	30,327
Letters of credit	22	(32,357)	-	-	(32,357)
Total credit loss expense		(35,918)	1,855,462	390,704	2,210,248

14. Other assets and liabilities

	31 December 2023	31 December 2022
Other financial assets		
Trade receivables	126,938	86,080
Receivables as a result of court proceedings	5,003	3,793
	131,941	89,873
Less: allowance for impairment	(15,998)	(13,400)
Total other financial assets	115,943	76,473
Other non-financial assets:		
Prepayments for materials and services	405,947	199,563
Repossessed assets	194,671	142,698
Inventory	45,728	19,070
Tax settlements	5,395	1,534
Other non-financial assets	21,147	45,233
	672,888	408,099
Less: allowance for impairment	(176,032)	(99,461)
Total other non-financial assets	496,856	308,638
Other assets	612,799	385,110

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2023 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	13,400	-	-	13,400
ECL charge	2,598	-	-	2,598
As at 31 December 2023	15,998	-	-	15,998

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An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2022 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	18,031	-	-	18,031
ECL recovery	(4,631)	-	-	(4,631)
As at 31 December 2022	13,400	-	-	13,400

Other liabilities comprise:

	31 December 2023	31 December 2022
Other financial liabilities		
Accounts payable	276,715	97,363
Payables to employees	15,556	29,570
Total other financial liabilities	292,271	126,933
Other non-financial liabilities:		
Provision for litigations	20,359	21,398
Unearned revenue	5,191	3,991
Other	46,918	2,059
Total other non-financial liabilities	72,468	27,448
Allowance for credit related liabilities and financial guarantees (Note 22)	220,567	193,104
Total other liabilities	585,306	347,485

15. Amounts due to the CBU

Amounts due to the Central Bank of the Republic of Uzbekistan consist of the following short-term balances:

	31 December 2023	31 December 2022
Current accounts	1,045,549	725,946
Amounts due to the CBU	1,045,549	725,946

16. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Time deposits	3,155,910	9,372,447	117,360
Correspondent accounts with other banks	8,341,452	6,573,927	2,494,962
Amounts due to credit institutions	11,497,362	15,946,374	2,612,322

As at 31 December 2023, time deposits included UZS 1,955,695 million from single foreign financial institution maturing in 2024 (31 December 2022: UZS 7,857,822 million).

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17. Amounts due to customers

	31 December 2023	31 December 2022
Current accounts	14,203,797	27,233,551
Term deposits	19,764,965	11,718,301
Amounts due to customers	33,968,762	38,951,852
Held as security against letters of credit (Note 22)	546,072	1,383,807

Included in term deposits are deposits placed by the Ministry of Economy and Finance of the Republic of Uzbekistan in the amount of UZS 5,998,243 million (2022: UZS 5,123,164 million) mainly directed to financing of mortgage and education loans to individuals (Note 33). These deposits have the purpose of financing and repayment schedules. Funds were provided at interest rate from 4%-5.88% in foreign currency and from 6%-14% in local currency with a maturity up to 21 years. Should the Bank uses the proceeds for a different purpose, these deposits become repayable on demand.

As at 31 December 2023 and 31 December 2022, customer accounts in the amount of UZS 16,886,893 million and UZS 24,499,111 million (50% and 62.9% of total customer accounts), respectively, were due to ten customers, which represents a significant concentration. During 2023, the current accounts decreased by UZS 11,037,478 million due to withdrawal of funds by single customer.

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

	31 December 2023	31 December 2022
State and budgetary organizations	11,401,372	20,333,573
Private enterprises	12,310,971	10,337,874
Individuals	10,181,125	8,165,501
Other	75,294	114,904
Amounts due to customers	33,968,762	38,951,852

An analysis of customer accounts by economic sector follows:

	31 December 2023	31 December 2022
Individuals	10,181,125	8,165,501
Government social structure	8,892,370	6,237,559
Manufacturing	5,280,161	4,742,325
Financial sector	3,129,977	14,134,247
Transport and communication	2,015,710	2,653,030
Trading and catering	981,766	560,712
Construction	577,892	544,996
Agriculture	256,532	101,291
Other	2,653,229	1,812,191
Amounts due to customers	33,968,762	38,951,852

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18. Debt securities issued

	31 December 2023	31 December 2022
Eurobonds	3,644,221	3,404,906
Certificates of Deposits	11,049	4,407
Debt securities issued	3,655,270	3,409,313

In October 2020, the Group had issued Eurobonds in London Stock Exchange having aggregate nominal value of USD 300,000,000 bearing annual interest rate of 4.85% and maturing in October 2025.

The debt securities issued do not stipulate financial covenants except for Eurobonds, which stipulate the Group is to comply with the certain financial covenants, non-compliance of which may give the lender a right to demand repayment. As at 31 December 2023, the Group was in compliance with respective financial covenants for Eurobonds.

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19. Other borrowed funds

	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
Eximbank of China	12,766,666	10,439,226	11,149,236
China Development Bank Corporation	10,462,020	8,215,128	8,704,599
Gazprombank JSC	5,614,438	3,972,689	106,470
Ministry of Economy and Finance of the Republic of Uzbekistan	4,984,336	5,072,262	4,683,455
Fund for Reconstruction and Development of the Republic of Uzbekistan	4,124,575	3,007,179	3,467,706
Deutsche Bank AG	2,799,271	1,272,281	1,475,310
Silk Road Fund	2,308,864	2,297,440	2,420,575
“International Development Projects” LLC	2,230,632	2,340,949	-
Credit Suisse AG	1,751,803	2,114,922	1,223,872
“Kamkombank” LLC	1,367,414	-	-
Eximbank of Korea	893,239	416,745	656,938
Natixis Bank	864,599	1,265,612	1,671,881
Commerzbank AG	799,166	238,516	170,129
Sumitomo Mitsui Banking Corporation	714,891	853,807	1,145,244
Societe Generale	695,464	-	-
Agency for the Promotion of Export under the MIFT of the Republic of Uzbekistan	562,510	87,034	31,580
Landesbank Baden-Wuerttemberg	554,113	584,572	595,009
Citibank N.A. New York	438,815	-	-
Uzbekistan Mortgage Refinancing Company	260,617	-	-
Islamic Development Bank	214,541	195,183	753,761
Baobab Securities Limited	192,256	192,257	288,321
Fund for Supporting Youth Entrepreneurship	144,888	113,025	43,192
KEB Hana Bank	116,359	123,108	147,905
Raiffeisen Bank International AG	61,918	71,270	91,023
Eximbank of Turkey	57,552	66,125	81,335
Instituto de Credito Oficial	30,078	-	-
European Bank for Reconstruction and Development	3,780	128,099	380,527
Asian Infrastructure Investment Bank	-	124,413	-
State Development Corporation “VEB.RF”*	-	-	2,381,773
VTB Bank (Europe) *	-	-	1,416,630
Eximbank of Russia*	-	-	184,330
Other	452,713	636,155	576,682
Other borrowed funds	55,467,518	43,827,997	43,847,483

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The following are the main attractions made by the Group with the multiple loan agreements and withdrawals on existing agreements with the above-mentioned borrowers:

- The Group entered into a new loan agreement with Exim bank of China in August 2023 with a total commitment of CNY 2,000,000,000 with the tenor of 5 years, including 2 years grace period. The purpose of the loan agreement is to finance projects involving the purchase of Chinese-made products.
- The Group entered into a new loan agreement with China Development Bank Corporation in May 2023 with a total commitment of CNY 1,180,136,158 with the tenor of 10 years, including 1 year grace period. The loan was borrowed to purchase Public Transport Buses for Tashkent city. In addition to this, the Group received total amount of CNY 530,000,000 under the existing loan agreements.
- The Group signed two new agreements with “International Development Projects” LLC in 2023 with a total commitment of EUR 11,107,265 with the tenor of 6 years. The loan facilities have been borrowed to finance investment projects in hydro and power energy sectors.
- The Group entered into a new loan agreement with Deutsche Bank AG in May 2023 with a total commitment of EUR 200,000,000. The purpose of the loan agreement is to finance various investment and trade-related projects.
- The Group entered into a new loan agreement with the Fund for Reconstruction and Development of the Republic of Uzbekistan in July 2023, with a total commitment of USD 105,00,000. The maturity for the loan agreement is to set to June 2033 with a grace period of 3 years. The purpose of the loan agreement is to finance various railway projects.

During 2023, the Group repaid loans in the total amount of UZS 11,438,872 million and continues to proactively collaborate with the above-mentioned borrowers.

* As at 31 December 2022, as a result of restrictive measures imposed on certain lenders of the Group by the United States, the EU or any regional, national or international body, the respective lenders have agreed to assign their rights on payments due by the Group to other credit institutions upon which the restrictive measures were not imposed, particularly:

- Eximbank of Russia and State Development Corporation “VEB.RF” to “International Development Projects” LLC;
- VTB Bank (Europe) to “Oesterreichische Kontrollbank AG”.

As at 31 December 2022, the Group managed to repay in full all its obligations to “Oesterreichische Kontrollbank AG”.

As of 31 December 2023, the Group was expecting to be in breach of expected credit loss ratio, financial covenant of the loan agreement with the Baobab Securities Limited. On 28 December 2023, the Group received a waiver of claims from Baobab Securities Limited in connection with breach of above-mentioned covenant as of 31 December 2023. The Group classified amounts due to Baobab Securities Limited as non-current liabilities.

The management considers the rates of long-term financing from government, state and international financial institutions to be at market (Note 4).

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20. Subordinated loans

	31 December 2023	31 December 2022
International Bank for Reconstruction and Development via the Ministry of Economy and Finance of the Republic of Uzbekistan	1,092,681	987,631
Ministry of Economy and Finance of the Republic of Uzbekistan	361,055	361,055
Asian Development Bank via the Ministry of Economy and Finance	329,496	299,516
Subordinated Loans	1,783,232	1,648,202

21. Equity

<i>In millions of Uzbek Soums except for numbers of shares</i>	Number of outstanding shares (in thousand)	Ordinary shares	Total
As at 31 December 2021	12,209,351	12,209,351	12,209,351
New shares issued	2,209,055	2,209,055	2,209,055
Redemption of shares	(68,121)	(68,121)	(68,121)
As at 31 December 2022	14,350,285	14,350,285	14,350,285
New shares issued	1,183,167	1,183,167	1,183,167
Redemption shares issued	(57,374)	(57,374)	(57,374)
As at 31 December 2023	15,476,078	15,476,078	15,476,078

At the Shareholders’ meeting in May 2023, the Group declared dividends in respect to the results of 2022 in the amount of UZS 1,303,128 million (2022: UZS 2,383,464 million) on ordinary shares, from which UZS 1,183,167 million (2022: UZS 2,209,055 million) was capitalized to Share Capital proportionally to each shareholder, UZS 54,805 million (2022: UZS 58,143 million) was allocated for payout, and the remaining UZS 98,719 million (2022: UZS 116,266 million) was allocated to tax on dividends. All shares have a par value of UZS 1,000.

During 2022 and 2023, based on the Decree of the President of the Republic of Uzbekistan PD No-168 dated 18 March 2022 №PD-168, the Group transferred “Common Republican Processing Center” LLC, its subsidiary, equity securities and repossessed assets to “State Assets Management Agency” at no charge. Furthermore, following the same Decree, the Group settled the 2021 transfer of “Tashkent Palace New” LLC, another subsidiary, for the decrease in Share Capital. As a result of these transactions, the Group decreased Share Capital for the amount of UZS 57,374 million in 2023 and UZS 68,121 million in 2022. The difference between the net book value and the amount of transfer of “Common Republican Processing Center” LLC was recognized as a reduction in Retained Earnings.

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22. Commitments and contingencies

Operating environment

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

Because Uzbekistan produces and exports gold in large volume, its economy is sensitive to the price of gold on the world market. During 2023, the gold price was subject to significant fluctuations with the average price of 1,943.00 USD per troy ounce (2022: 1,801.97 USD per troy ounce). At the end of 2023 the Uzbekistan’s gross domestic product (“GDP”) grew by 6% (2022: 5.7%). In 2023 inflation rate in the country declined to 8.8% per annum (2022: inflation was 12.3% per annum).

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

The Group also monitors the activities of its Russian subsidiary – JSCB Asia Invest Bank, for any transactions with the financial institutions and entities, upon which sanctions were applied. In 2023 and 2022 the activities of JSCB Asia Invest Bank were not significantly hindered by consequences of conflict between Russian and Ukraine and it remained profitable during this period.

As of 31 December 2023 and 31 December 2022, the total assets of JSCB Asia Invest Bank, the largest subsidiary of the Bank located in Russian Federation, comprised 3.7% and 2.7% of total assets of the Group. JSCB Asia Invest Bank was not under any sanctions during the reporting period and there were no limitations externally imposed upon transactions between the Bank and JSCB Asia Invest Bank.

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

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

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. As at 31 December 2023, the Group was still in the process of litigation with “Uzinterimpeks” JSC and “Uzmarkazimpeks” JSC on the claims for the amounts of USD 550,000 and USD 1,100,000, respectively (the equivalent of UZS 6,786 million and UZS 13,573 million). The cases were fully satisfied by the court. The Management considers there to be a high possibility for the Group to pay off these claims and therefore has accrued the respective provision as at 31 December 2023. Management believes that the ultimate liability, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

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Taxation

Uzbekistan currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Implementing regulations are often unclear or non-existent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations (like the State Tax Committee of the Republic of Uzbekistan and its various inspectorates) thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities that are empowered by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in Uzbekistan substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

As at 31 December 2023 management believes that its interpretation of the relevant legislation is appropriate and that the Group’s tax, currency and customs positions will be sustained.

Capital expenditure commitments

As at 31 December 2023 and 31 December 2022, the Group had no material contractual expenditure commitments in respect of premises and equipment.

Credit related commitments

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

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 31 December, the Group’s commitments and contingencies comprised the following:

	31 December 2023	31 December 2022
Credit related commitments		
Undrawn loan commitments	6,662,090	7,130,144
Letters of credit	1,550,200	2,771,414
Financial guarantees	1,713,007	1,775,335
	9,925,297	11,676,893
Other commitments		
Performance guarantees	502,919	524,730
	502,919	524,730
Commitments and contingencies	10,428,216	12,201,623
Provision for ECL for credit related commitments (Note 14)	(220,567)	(193,104)
Deposits held as securities against letters of credit (Note 17)	(546,072)	(1,383,807)

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All balances of commitments and contingencies are allocated to Stage 1. An analysis of changes in the ECL allowances during the years ended 31 December is as follows:

<i>Undrawn loan commitments</i>	2023	2022
ECL allowance as at 1 January	78,272	47,945
New exposures	135,396	72,741
Amounts paid	(37,063)	(43,795)
Changes to models and inputs used for ECL calculations	(18,169)	1,381
As at 31 December	158,436	78,272
<i>Letters of credit</i>	2023	2022
ECL allowance as at 1 January	13,951	46,308
New exposures	13,935	13,140
Amounts paid	(3,165)	(39,327)
Changes to models and inputs used for ECL calculations	(10,715)	(6,170)
As at 31 December	14,006	13,951
<i>Financial guarantees</i>	2023	2022
ECL allowance as at 1 January	100,881	58,801
New exposures	5,993	62,169
Amounts paid	(3,853)	(19,746)
Changes to models and inputs used for ECL calculations	(54,896)	(343)
As at 31 December	48,125	100,881
23. Net interest income	2023	2022
Loans to customers	8,740,108	6,914,573
Amounts due from credit institutions	997,185	483,641
Cash and cash equivalents	605,109	1,182,427
Investment securities	260,660	128,601
Interest revenue calculated using effective interest rate	10,603,062	8,709,242
Finance leases	3,243	5,089
Other interest revenue	3,243	5,089
Total interest revenue	10,606,305	8,714,331
Other borrowed funds	(2,634,286)	(1,608,678)
Amounts due to customers	(1,550,362)	(1,145,437)
Amounts due to credit institutions	(633,060)	(497,096)
Debt securities issued	(174,700)	(167,509)
Subordinated loans	(76,662)	(32,132)
Total interest expense	(5,069,070)	(3,450,852)
Net interest income	5,537,235	5,263,479

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24. Net fee and commission income

	2023	2022
Settlement operations	291,950	216,749
Foreign Settlement operations	156,039	114,769
Cash operations	137,042	93,478
Operations with plastic cards	125,925	46,769
Letters of credit and guarantee issuance	58,222	45,099
Foreign currency exchange operations	2,689	4,390
Other	42,012	64,216
Fee and commission income	813,879	585,470
Operations with plastic cards	(77,756)	(43,547)
Settlement expenses	(59,111)	(43,399)
Conversion expenses	(20,937)	(11,663)
Cash collection services	(18,988)	(18,437)
Other	(22,656)	(39,650)
Fee and commission expense	(199,448)	(156,696)
Net fee and commission income	614,431	428,774

25. Net dealing from foreign currencies

During 2022, the increase in net dealing gains from foreign currencies was primarily attributed to heightened market volatility, driven by the external geopolitical situation. This increased market volatility, in turn, led to more profitable arbitrage transactions. Subsequently, as market volatility decreased, demand for arbitrage transactions decreased as well, ultimately resulting in the reduction of net dealing gains from foreign currencies for the year ended 31 December 2023.

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26. Personnel and other operating expenses

	2023	2022
Salaries and bonuses	900,198	747,264
Social security costs	112,883	76,572
Personnel expenses	1,013,081	823,836
Depreciation and amortization (Note 11)	233,867	147,277
Legal and consultancy	190,005	95,660
Property and software maintenance	167,381	78,485
Membership fee	109,067	66,697
Security	90,166	75,543
Charity and Sponsorship	63,161	47,640
Operating taxes	45,630	37,745
Office supplies	42,019	26,520
Communications	39,009	11,350
Utilities and rent	22,711	24,176
Business travel and related expenses	9,112	5,081
Transportation expenses	4,495	2,162
Penalties incurred and related	30	4,470
Other	29,803	51,289
Other operating expenses	1,046,456	674,095
Total personal and other operating expenses	2,059,537	1,497,931

To be in line with the Law of the Republic of Uzbekistan on Public Procurement, the Management of the Bank has made the information on audit and non-audit fees accessible in the tender information portal of Uzbek Commodity Exchange.

27. Risk management

Introduction

Risk is inherent in the Group’s activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group’s continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group’s strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

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Board of Directors

The Board of Directors, legally titled as Supervisory Board, is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Group.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Risk Controlling

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits, across the Group. Each business group has a realized unit which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Bank Treasury

Bank Treasury is responsible for managing the Group’s assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Group’s compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Group’s risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

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Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for expected credit losses on a quarterly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Group.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Group on the realized of market limits, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks (see below for more detail).

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which allocates each counterparty to a certain risk category. Risk are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

As at 31 December 2023, the carrying value of all financial assets except for loans to customers is the best representation of their maximum exposure to credit risk.

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Impairment assessment

The Group calculates ECL based on the most probable scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The <i>Probability of Default</i> is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously realized and is still in the portfolio.
EAD	The <i>Exposure at Default</i> is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The <i>Loss Given Default</i> is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realized of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first realized, the Group realized an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. The Group records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently realized based on a credit-adjusted EIR. ECL are only realized or released to the extent that there is a subsequent change in the lifetime expected credit losses.

As at 31 December 2023, the modification of the terms and conditions of the renegotiated loans to customers was not substantial and did not result in their derecognition. The Group classified them within Stage 2 and 3 and did not change their allowance for impairment from lifetime to 12-month ECLs.

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Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Other impairment triggers include:

- ▶ Loan restructure with “default” category;
- ▶ Default rating;
- ▶ Involvement in legal proceedings of the borrower, which may worsen its financial condition;
- ▶ Implementation measures for financial recovery/ or prevention of bankruptcy (reorganization);
- ▶ Withdrawal of the license for operations.

It is the Group’s policy to consider a financial instrument as ‘cured’ and therefore re-classified out of Stage 3 when none of the default criteria are present at reporting date. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on whether there has been a significant increase in credit risk compared to initial recognition.

PD estimation process

The Group Risk Management Department estimates PD on a portfolio divided by its key segments. The estimation process incorporates payment behavior information and, where practical, also utilizes information from the international external rating agencies. PDs, incorporating forward looking information and the IFRS 9 stage classification of the exposure, are assigned for each PD bucket. This is repeated for each economic scenario as appropriate. Under the updated PD model, Group Risk Management Department has removed expert weights magnifying the effect of defaults occurring in certain periods in the calculation of PD.

The Bank has an internal asset quality grading system used for regulatory purposes.

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The Group's internal ratings scale:

Standard	1	The quality of these assets is classified as "standard" if the borrower is up to 30 days past due on principal and/or interest within the last 180 days. The quality of assets whose condition has been revised cannot be categorised as "standard".
Substandard	2	As a whole, the financial position of a borrower is stable, but some unfavorable circumstances or tendencies are present, which, if not disposed of, raise some doubts about the borrower's ability to repay on time. Assets with overdue of principal and interest for 31 days or more but not more than 90 days are also classified as "Substandard".
Unsatisfactory	3	The primary source of repayment is not sufficient and the Bank has to seek additional loan repayment sources. The financial position of a borrower or forecasted cash flows is not sufficient to settle obligations. The value of collateral is not exceeding or equal to outstanding loan amount. Assets with overdue of principal and interest for 91 days or more but not more than 180 days are also classified as "Unsatisfactory".
Doubtful	4	"Doubtful" are loans which, in addition to having the characteristics of "Unsatisfactory" loans, have additional shortcomings, which make it doubtful that the loan will be repaid in full under the existing circumstances. There is of partial repayment of the loan in near terms. Assets with overdue of principal and interest for 181 days or more but not more than 365 days are also classified as "Doubtful".
Impaired	5	Loans classified as "impaired" are considered uncollectible and have such a little value that their continuance as assets of the Group is not worth. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that the Group should cease recognising such loans and make every effort to liquidate such debts through selling of collateral or collection of the outstanding loan. Assets with overdue of principal and interest for 366 days are also classified as "Impaired".

The Group's internal credit rating grades for financial assets other than loans are as follows:

<i>Internal rating grade</i>	<i>Internal rating description</i>
AA+ to AAA AA	Standard grade
A- to AA- BBB+	
BBB	
BBB-	
and no overdue	
BB- to BB+ B- to B+	Substandard grade
CCC- to CCC+	
CC- to CC+	
C- to C+ and no overdue	Unsatisfactory, doubtful and impaired
D or overdue	

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Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing client’s ability to increase its exposure while approaching default. To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

EAD modelling is based on the contractual cash flows expected over the modelling horizon. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group’s models.

Loss given default

For corporate lending assets, LGD values are assessed at least semiannually by account managers and reviewed and approved by the Group’s Risk Management Department.

Historically, the credit risk assessment is based on a LGD assessment process that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

The Group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type) as well as borrower characteristics.

The Group assesses the LGD rates based on two separate LGD model: for unsecured and secured loans. LGD for unsecured loans is calculated based on historical recoveries on defaulted loans, whereas LGD for secured loans is calculated based on the collateral values.

Significant increase in credit risk

In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk using following criteria:

- ▶ The principal and/or interest on financial assets are past due for 31-90 days;
- ▶ Decrease of turnover on client accounts for the last year compared to the previous year and presence of overdue debts;
- ▶ Restructure of loans “potentially bad debt”;
- ▶ External rating decreases for 3 notches.

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

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

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Asset classes where the Group calculates ECL on an individual basis include:

- ▶ Stage 3 assets, with exposure greater than UZS 100,000 million.

For other assets classes the Group calculates ECL on a collective basis.

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example overdue bucket, product type, or borrower’s industry.

Forward-looking information and multiple economic scenarios

In its ECL estimation process, the Group apply the inflation rates as economic inputs in a range of forward-looking information.

As a result of changes introduced to the methodology in 2023, the Group may also apply regression model using historical default rates of the Bank, GDP, inflation and currency exchange rates in developing an adjustment for forward-looking information.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Credit quality per class of financial assets

A methodology to determine credit ratings of borrowers has been developed in the Group to assess corporate borrowers. This method allows for calculation and assignment/confirmation of a borrower’s rating and rating of collateral for a loan. The system is based on a scoring model depending on key performance indicators of the borrower with the possibility of insignificant expert adjustments in case of insufficient objectivity of the benchmark. The method provides for the rating assignment on the basis of the following criteria groups: market indicators of the borrower, goodwill, credit history, transparency and reliability of information, information on business and business environment, relations of the Group and the borrower, financial situation of the borrower, business activity, and collateral provided. The financial situation and business activity are the most important criteria. Therefore, the scoring model provides for overall assessment of the borrower and the loan.

The scoring assessment based on the borrower’s parameters is one of the main factors for the decision-making process relating to loans.

A methodology of evaluation of borrowers-individuals is based on following criteria: education, occupancy, financial position, credit history, property owned by the borrower. Based on information obtained the maximum limit of a loan is calculated. The maximum limit of a loan is calculated using a ratio of debt burden on a borrower.

Financial assets other than loans to customers are classified as Stage 1 upon their initial recognition unless their external credit rating is assessed as “D” or default equivalent. These assets are subsequently reclassified to Stage 2 when their credit rating is downgraded by specific number of notches.

The table below shows the mapping of the internal asset quality grades of the financial assets with their respective staging used for the calculation of ECL.

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31 December 2023	Note	Stage	Standard grade	Sub-standard grade	Unsatisfactory grade	Doubtful grade	Impaired	Total
Cash and cash equivalents except for cash on hand	6	Stage 1	8,533,580	3,867,926	-	-	-	12,401,506
Amounts due from credit institutions	7	Stage 1	1,337,792	5,605,998	-	-	-	6,943,790
Loans to customers at amortised cost	9							
		Stage 1	12,197,294	23,772,505	-	-	-	35,969,799
- State companies		Stage 2	255,051	17,112	-	-	-	272,163
		Stage 3	-	-	51	8,586	7,310	15,947
		Stage 1	14,226,636	7,156,085	-	-	-	21,382,721
- Private companies		Stage 2	3,926,094	10,407,053	80,226	8,685	4,206	14,426,264
		Stage 3	112,345	102,139	496,544	404,122	849,598	1,964,748
- State budget or local authorities		Stage 1	5,938,003	434,559	-	-	-	6,372,562
		Stage 2	-	34,526	-	-	-	34,526
		Stage 3	-	-	-	645	-	645
- Gross investment in finance lease		Stage 1	-	232,558	-	-	-	232,558
		Stage 2	-	-	-	-	-	-
		Stage 3	-	-	-	-	-	-
- Non-banking financial institutions		Stage 1	159,036	18,412	-	-	-	177,448
		Stage 2	-	-	-	-	-	-
		Stage 3	-	-	-	-	-	-
- Individuals		Stage 1	13,412,865	257,328	-	303	336	13,670,832
		Stage 2	1,264	154,740	-	308	86	156,398
		Stage 3	401	248	28,583	27,326	50,063	106,621
Debt investment securities measured at amortised cost	10	Stage 1	-	6,724,411	-	-	-	6,724,411
Other financial assets	14	Stage 1	115,943	-	-	-	-	115,943
Financial guarantees	22	Stage 1	1,713,007	-	-	-	-	1,713,007
Undrawn loan commitments	22	Stage 1	6,662,090	-	-	-	-	6,662,090
Letters of credit	22	Stage 1	1,550,200	-	-	-	-	1,550,200
			70,141,601	58,784,548	605,404	449,975	912,651	130,894,179

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31 December 2022	Note	Stage	Standard grade	Sub-Standard grade	Unsatisfactory grade	Doubtful grade	Impaired	Total
Cash and cash equivalents except for cash on hand	6	Stage 1	23,006,456	27,032	-	-	-	23,033,488
Amounts due from credit institutions	7	Stage 1	2,483,112	4,841,340	-	-	-	7,324,452
Loans to customers at amortised cost	9							
		Stage 1	26,919,814	5,135,515	236,121	-	-	32,291,450
- State companies		Stage 2	-	751,148	-	-	-	751,148
		Stage 3	-	-	14,660	5,524	127,086	147,270
		Stage 1	20,524,333	7,871,887	103,155	-	-	28,499,375
- Private companies		Stage 2	-	5,509,320	105,326	-	-	5,614,646
		Stage 3	-	-	428,268	481,318	806,314	1,715,900
- State budget or local authorities		Stage 1	7,032,367	106,243	-	-	-	7,138,610
		Stage 2	-	-	-	-	-	-
		Stage 3	-	-	947	3,613	-	4,560
- Gross investment in finance lease		Stage 1	202,491	-	-	-	-	202,491
		Stage 2	-	-	-	-	-	-
		Stage 3	-	-	-	-	-	-
- Non-banking financial institutions		Stage 1	131,200	9,697	-	-	-	140,897
		Stage 2	-	-	-	-	-	-
		Stage 3	-	-	-	-	-	-
- Individuals		Stage 1	8,839,797	100,318	3,709	-	-	8,943,824
		Stage 2	-	101,811	1,643	-	-	103,454
		Stage 3	-	-	29,333	39,816	57,151	126,300
Debt investment securities measured at amortised cost	10	Stage 1	-	1,408,256	-	-	-	1,408,256
Other financial assets	14	Stage 1	76,473	-	-	-	-	76,473
Financial guarantees	22	Stage 1	1,775,335	-	-	-	-	1,775,335
Undrawn loan commitments	22	Stage 1	7,130,144	-	-	-	-	7,130,144
Letters of credit	22	Stage 1	2,771,414	-	-	-	-	2,771,414
			100,892,936	25,862,572	923,162	530,271	990,551	129,199,487

See Note 9 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

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The Assets and Liabilities Management Committee (“ALMC”) exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group’s activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Uzbekistan.

The geographical concentration of Group’s financial assets and liabilities is set out below:

31 December 2023	Republic of Uzbekistan	OECD	CIS and other foreign countries	Total
Assets				
Cash and cash equivalents	6,377,309	7,016,724	983,450	14,377,483
Amounts due from credit institutions	6,665,093	228,484	50,213	6,943,790
Derivative financial assets	-	179,039	-	179,039
Loans to customers	94,446,590	-	336,642	94,783,232
Investment securities	7,140,848	-	-	7,140,848
Other financial assets	90,636	13,206	12,101	115,943
Total financial assets	114,720,476	7,437,453	1,382,406	123,540,335
Liabilities				
Amounts due to CBU	1,045,549	-	-	1,045,549
Amounts due to the credit institutions	6,268,598	1,314	5,227,450	11,497,362
Amounts due to customers	33,372,949	12,811	583,002	33,968,762
Debt securities issued	11,049	3,644,221	-	3,655,270
Other borrowed funds	10,529,639	9,973,304	34,964,575	55,467,518
Subordinated loans	1,783,232	-	-	1,783,232
Other financial liabilities	168,587	8,534	115,150	292,271
Total financial liabilities	53,179,603	13,640,184	40,890,177	107,709,964
Net assets/(liabilities)	61,540,873	(6,202,731)	(39,507,771)	15,830,371

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31 December 2022	Republic of Uzbekistan	OECD	CIS and other foreign countries	Total
Assets				
Cash and cash equivalents	4,104,123	19,284,219	1,057,677	24,446,019
Amounts due from credit institutions	5,556,769	1,143,193	624,490	7,324,452
Derivative financial asset	-	92,385	-	92,385
Loans to customers	85,501,472	-	178,453	85,679,925
Investment securities	1,746,759	-	-	1,746,759
Other financial assets	76,473	-	-	76,473
Total financial assets	96,985,596	20,519,797	1,860,620	119,366,013
Liabilities				
Amounts due to CBU	725,946	-	-	725,946
Amounts due to the credit institutions	3,726,205	7,861,885	4,358,284	15,946,374
Amounts due to customers	38,951,852	-	-	38,951,852
Debt securities issued	4,407	3,404,906	-	3,409,313
Other borrowed funds (as restated)	8,886,225	7,327,314	27,614,458	43,827,997
Subordinated loans	1,648,202	-	-	1,648,202
Other financial liabilities	126,933	-	-	126,933
Total financial liabilities	54,069,770	18,594,105	31,972,742	104,636,617
Net assets/(liabilities)	42,915,826	1,925,692	(30,112,122)	14,729,396

Liquidity risk and funding management

Liquidity risk refers to the availability of sufficient funds to meet deposits withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial periods. Current liability is managed by the Treasury Department, which deals in the money markets for current liquidity and cash flow optimization.

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In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on customers’ and banking operations, which is part of assets/liabilities management process. The Board of Management of the Group sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Group’s financial liabilities at 31 December based on contractual undiscounted repayment obligations except for trading derivatives which are shown at fair value in a separate column and gross settled derivatives which are shown by contractual maturity. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Bank’s deposit retention history.

31 December 2023	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Amounts due to CBU	1,045,549	-	-	-	1,045,549
Amounts due to credit institutions	11,512,870	32,189	-	-	11,545,059
Gross settled derivative financial instruments					
- Contractual amounts payable	581,642	1,410,417	1,451,423	-	3,443,482
- Contractual amounts receivable	(716,280)	(1,401,379)	(1,580,922)	-	(3,698,581)
Amounts due to customers	19,330,137	13,958,629	8,471,447	3,721,634	45,481,847
Debt securities issued	53,921	174,633	3,743,026	-	3,971,580
Other borrowed funds	1,855,771	12,990,204	40,332,633	9,995,131	65,173,739
Subordinated loans	12,943	69,598	780,880	1,738,049	2,601,470
Other financial liabilities	292,271	-	-	-	292,271
Credit related commitments	664,607	3,063,564	5,080,379	853,027	9,661,577
Total undiscounted financial liabilities and credit commitments	34,633,431	30,297,855	58,278,866	16,307,841	139,517,993

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31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Amounts due to CBU	725,946	-	-	-	725,946
Amounts due to credit institutions	6,636,819	8,234,278	1,231,469	188,912	16,291,478
Gross settled derivative financial					
- Contractual amounts payable	-	-	571,103	-	571,103
- Contractual amounts receivable	-	-	(665,581)	-	(665,581)
Amounts due to customers (as restated)	30,185,139	6,051,621	7,747,624	4,348,062	48,332,446
Debt securities issued	68,897	122,498	3,667,077	-	3,858,472
Other borrowed funds	1,001,415	4,189,404	23,181,320	27,906,910	56,279,049
Subordinated loans	8,189	36,850	196,532	2,155,852	2,397,423
Other financial liabilities	126,933	-	-	-	126,933
Credit related commitments	929,226	4,035,436	4,762,864	897,186	10,624,712
Total undiscounted financial liabilities and credit commitments	39,682,564	22,670,087	40,692,408	35,496,922	138,541,981

The amounts of financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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Group has received significant funds from Eximbank of China, China Development Bank Corporation, the Ministry of Economy and Finance of the Republic of Uzbekistan, Gazprombank (JSC), the Fund for Reconstruction and Development of the Republic of Uzbekistan, "International Development Projects" LLC, Silk Road Fund, Credit Suisse AG, Deutsche Bank AG, Natixis Bank and other financial institutions (See Note 19). Any significant withdrawal of these funds would have an adverse impact on the operations of the Group. Management believes that this level of funding will remain with the Group for the foreseeable future and that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Market risk

Market risk is that the risk that the Group's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk, credit spreads, and equity prices that the Group is exposed to. There have been no changes as to the way the Group measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.

The Group is exposed to interest rate risks as it borrows funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The Treasury Department also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Treasury Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

Market risk – non-trading

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

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	Increase in basis point 2023	Sensitivity of net interest income 2023
Assets/Liabilities		
Financial assets	+180	306,196
Financial liabilities		(234,794)
	Decrease in basis point 2023	Sensitivity of net interest income 2023
Assets/Liabilities		
Financial assets	-180	(306,196)
Financial liabilities		234,794
	Increase in basis point 2022	Sensitivity of net interest income 2022
Assets/Liabilities		
Financial assets	+202	385,887
Financial liabilities		(443,549)
	Decrease in basis point 2022	Sensitivity of net interest income 2022
Assets/Liabilities		
Financial assets	-202	(385,887)
Financial liabilities		443,549

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Treasury Department controls currency risk by managing the open currency position on the estimated basis of UZS devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Treasury Department performs daily monitoring of the Group’s open currency position with the aim to match the requirements of the Central Bank of the Republic of Uzbekistan.

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The Group’s exposure to foreign currency exchange rate risk is presented in the table below:

31 December 2023	UZS	USD	EURO	Other currency*	Total
Financial assets					
Cash and cash equivalents	2,704,256	5,571,110	1,361,126	4,740,991	14,377,483
Amounts due from credit institutions	1,772,172	3,185,956	1,052,733	932,929	6,943,790
Loans to customers	33,706,411	42,628,497	10,913,726	7,534,598	94,783,232
Investment securities	416,437	6,724,411	-	-	7,140,848
Other financial assets	82,008	33,266	593	76	115,943
Total financial assets	38,681,284	58,143,240	13,328,178	13,208,594	123,361,296
Financial liabilities					
Amounts due to CBU	1,973	621,249	392,871	29,456	1,045,549
Amounts due to credit institutions	142,915	7,054,100	961,874	3,338,473	11,497,362
Amounts due to customers	17,739,702	13,633,397	1,616,728	978,935	33,968,762
Debt securities issued	11,049	3,644,221	-	-	3,655,270
Other borrowed funds	6,022,963	27,418,782	9,854,783	12,170,990	55,467,518
Subordinated loans	361,055	1,422,177	-	-	1,783,232
Other financial liabilities	164,593	117,493	2	10,183	292,271
Total financial liabilities	24,444,250	53,911,419	12,826,258	16,528,037	107,709,964
Open balance sheet position	14,237,034	4,231,821	501,920	(3,319,443)	
31 December 2022	UZS	USD	EURO	Other currency*	Total
Financial assets					
Cash and cash equivalents	3,151,269	16,239,860	1,071,316	3,983,574	24,446,019
Amounts due from credit institutions	1,791,752	5,130,050	941,152	127,080	7,990,034
Loans to customers	26,661,942	48,854,143	7,765,925	2,397,915	85,679,925
Investment securities	1,248,820	497,939	-	-	1,746,759
Other financial assets	40,461	28,648	-	7,364	76,473
Total financial assets	32,894,244	70,750,640	9,778,393	6,515,933	119,939,210
Financial liabilities					
Amounts due to CBU	367	145,674	401,980	177,925	725,946
Amounts due to credit institutions	157,495	13,929,982	989,655	869,242	15,946,374
Amounts due to customers	10,783,316	25,314,308	1,704,417	1,149,811	38,951,852
Debt securities issued	4,407	3,404,906	-	-	3,409,313
Other borrowed funds	6,410,484	27,049,173	6,727,346	4,212,097	44,399,100
Subordinated loans	370,121	1,278,081	-	-	1,648,202
Other financial liabilities	112,519	14,414	-	-	126,933
Total financial liabilities	17,838,709	71,136,538	9,823,398	6,409,075	105,207,720
Open balance sheet position	15,055,535	(385,898)	(45,005)	106,858	

*Other currency includes Russian Ruble, Chinese Yuan, Japanese Yen and Dirham.

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Currency risk sensitivity

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the UZS, with all other variables held constant on the consolidated statement of profit or loss. The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

	2023	2022
	Impact on profit before tax	Impact on profit before tax
US Dollars strengthening by 10% (2022: 23.7%)	423,182	(91,458)
US Dollars weakening by 10% (2022: 23.7%)	(423,182)	91,458
Euro strengthening by 15% (2022: 23.4%)	75,288	(10,531)
Euro weakening by 15% (2022: 23.4%)	(75,288)	10,531
Other currency strengthening by 9% (2022: 7%)	(298,750)	7,480
Other currency weakening by 9% (2022: 7%)	298,750	(7,480)

Limitations of sensitivity analysis

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

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

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28. Fair value measurements

Fair value measurement procedures

The Group’s investment committee determines the policies and procedures for both recurring fair value measurement, such as investment securities.

At each reporting date, the investment committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, the investment committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The investment committee also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the investment committee present the valuation results to the audit committee and the Group’s independent auditors. This includes a discussion of the major assumptions used in the valuations.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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At 31 December 2023	Fair value measurement				Total
	Date of valuation	Level 1	Level 2	Level 3	
Assets measured at fair value					
Investment securities - equity securities at FVTOCI	31 December 2023	-	-	416,437	416,437
Derivative assets	31 December 2023	-	179,039	-	179,039
Assets for which fair values are disclosed					
Amounts due from credit institutions	31 December 2023	-	-	6,987,007	6,987,007
Investment securities measured at amortised cost	31 December 2023	-	6,463,207	-	6,463,207
Loans to customers	31 December 2023	-	-	92,842,798	92,842,798
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2023	-	-	11,480,780	11,480,780
Amounts due to customers	31 December 2023	-	-	34,053,875	34,053,875
Debt securities issued	31 December 2023	-	3,842,293	-	3,842,293
Other borrowed funds	31 December 2023	-	-	54,791,218	54,791,218

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At 31 December 2022 (Restated)	Date of valuation	Fair value measurement			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value					
Investment securities – equity securities at FVTOCI	31 December 2022	-	149,329	189,174	338,503
Derivative assets	31 December 2022	-	92,385	-	92,385
Assets for which fair values are disclosed					
Amounts due from credit institutions	31 December 2022	-	-	7,311,192	7,311,192
Investment securities measured at amortised cost	31 December 2022	-	1,390,576	-	1,390,576
Loans to customers	31 December 2022	-	-	85,798,545	85,798,545
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2022	-	-	15,864,679	15,864,679
Amounts due to customers	31 December 2022	-	-	39,079,717	39,079,717
Debt securities issued	31 December 2022	-	3,409,313	-	3,409,313
Other borrowed funds	31 December 2022	-	-	40,149,630	40,149,630

	2023			2022		
	Carrying value	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets						
Amounts due from credit institutions	6,943,790	6,987,007	43,217	7,324,452	7,311,191	(13,261)
Loans to customers	94,783,232	92,842,798	(1,940,434)	85,679,925	85,798,545	118,620
Investment securities - debt securities at amortised cost	6,724,411	6,463,207	(261,204)	1,408,256	1,390,576	(17,680)
Financial liabilities						
Amounts due to credit institutions	11,489,604	11,488,538	8,824	15,946,374	15,864,679	81,695
Amounts due to customers	33,968,762	34,053,875	(85,113)	38,951,852	39,079,717	(127,865)
Debt securities	3,655,270	3,842,293	(187,023)	3,409,313	3,409,313	-
Other borrowed funds	55,467,518	54,791,218	676,300	43,827,997	40,149,630	3,678,367
Total unrecognised change in fair value			(1,745,433)			3,730,442

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Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the financial statements and those items that are not measured at fair value in the statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. These contracts are generally Level 2 unless adjustments to yield curves or credit spreads are based on significant non-observable inputs, in which case, they are Level 3.

Investment securities

Debt investment securities at amortized cost

Due to the absence of an active market or observable inputs for instruments with characteristics similar to the Bank’s financial instruments, the Management determined the fair value using the discounted cash flow model based on the average rates of the deals concluded throughout the reporting period.

Equity securities

Investment securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The Management have used the Asset based valuation approach focused on investment company’s net assets value (NAV) and dividend discount model for calculation of FV amount of equity securities. The Management believes that such approach accurately reflects the fair value of this security.

Financial assets and financial liabilities carried at amortized cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the CBU and credit institutions and other financial assets and liabilities, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

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Movements in level 3 assets and liabilities at fair value

The following tables show a reconciliation of the opening and closing amount of Level 3 assets and liabilities which are recorded at fair value:

	<i>At 31 December 2022</i>	<i>Total gain recorded in profit and loss</i>	<i>Total gain recorded in other compre- hensive income</i>	<i>Purchases</i>	<i>Sales</i>	<i>At 31 December 2023</i>
Financial assets						
Derivative financial instruments	92,385	86,654	-	-	-	179,039
Investment securities - equity securities at FVTOCI	338,503	-	50,953	126,009	(99,028)	416,437
Total level 3 financial assets	430,888	86,654	50,953	126,009	(99,028)	595,476

	<i>At 31 December 2021</i>	<i>Total gain recorded in profit and loss</i>	<i>Total gain recorded in other compre- hensive income</i>	<i>Purchases</i>	<i>Sales</i>	<i>At 31 December 2022</i>
Financial assets						
Derivative financial instruments	(41,491)	133,876	-	-	-	92,385
Investment securities - equity securities at FVTOCI	108,302	-	153,988	81,893	(5,680)	338,503
Total level 3 financial assets	66,811	133,876	153,988	81,893	(5,680)	430,888

During 2023, there were no transfers between the levels of fair value hierarchy.

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

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

31 December 2023	Carrying amount	Valuation techniques	Unobservable input	Range (weighted average)	Sensitivity of the input to fair value
Derivative financial instruments					2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Derivative financial instruments by UZS 64,668 million/ (UZS 64,668 million)
Foreign currency swaps	179,039	Discounted cash flow	Discount rate	12-16% (14%)	
Investment securities measured at FVTOCI		Net Asset Value/ Dividend discount model	Di:	12-16% (14%)	2% increase (decrease) in the discount rate would result in an (decrease)/increase in fair value of the Derivative financial instruments by (UZS 3,597 million)/ UZS 3,597 million
Equity securities	416,437				
31 December 2022	Carrying amount	Valuation techniques	Unobservable input	Range (weighted average)	Sensitivity of the input to fair value
Derivative financial instruments					2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Derivative financial instruments by UZS 10,586 million/ (UZS 10,586 million)
Foreign currency swaps	92,385	Discounted cash flow	Discount rate	12-16% (14%)	
Investment securities measured at FVTOCI		Discounted cash flow of dividend payments	Discount rate	12-16% (14%)	2% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the Derivative financial instruments by UZS 5,834 million/ (UZS 5,834 million)
Equity securities	338,503				

29. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 27 “Risk management” for the Group’s contractual undiscounted repayment obligations.

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	2023		Total
	Within one year	More than one year	
Cash and cash equivalents	14,377,483	-	14,377,483
Amounts due from credit institutions	4,203,825	2,739,965	6,943,790
Derivative financial assets	49,264	129,775	179,039
Loans to customers	34,823,169	59,960,063	94,783,232
Investment securities	137,809	7,003,039	7,140,848
Investments in associates	-	211,504	211,504
Property and equipment	233,867	1,770,672	2,004,539
Current income tax assets	33,500	-	33,500
Deferred income tax assets	-	202,672	202,672
Other assets	612,799	-	612,799
Total assets	54,471,716	72,017,690	126,489,406
Amounts due to the CBU	1,045,549	-	1,045,549
Amounts due to credit institutions	11,497,362	-	11,497,362
Amounts due to customers	26,846,644	7,122,118	33,968,762
Debt securities issued	53,430	3,601,840	3,655,270
Other borrowed funds	12,072,550	43,394,968	55,467,518
Subordinated loans	49,603	1,733,629	1,783,232
Other liabilities	585,306	-	585,306
Total liabilities	52,150,444	55,852,555	108,002,999
Net	2,321,272	16,165,135	18,486,407
	2022		Total
	Within one year	More than one year	
Cash and cash equivalents	24,446,019	-	24,446,019
Amounts due from credit institutions	2,214,369	5,110,083	7,324,452
Derivative financial assets	92,385	-	92,385
Loans to customers	10,456,385	75,223,540	85,679,925
Investment securities	944,793	801,966	1,746,759
Investments in associates	-	229,403	229,403
Property and equipment	162,459	910,197	1,072,656
Current income tax assets	19,955	-	19,955
Deferred income tax assets	-	280,785	280,785
Other assets	385,110	-	385,110
Total assets	39,002,260	82,275,189	121,277,449
Amounts due to the CBU	725,946	-	725,946
Amounts due to credit institutions	13,274,200	2,672,174	15,946,374
Amounts due to customers	27,917,952	11,033,900	38,951,852
Debt securities issued	41,676	3,367,637	3,409,313
Other borrowed funds	3,737,385	40,090,612	43,827,997
Subordinated loans	-	1,648,202	1,648,202
Other liabilities	347,485	-	347,485
Total liabilities	46,044,644	58,812,525	104,857,169
Net	(7,323,169)	23,743,449	16,420,280

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30. Related party disclosures

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or 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.

- “Parent” - legal entity shareholder which have control to the Group through the Government;
- “Key management personnel” - members of the Management Board and the Council of the Bank;
- “Government controlled entities” - entities that are controlled, jointly controlled or significantly influenced by the Government.
- “Associates” – entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with government-related entities

The Government of the Republic of Uzbekistan, acting through The Fund for Reconstruction and Development of the Republic of Uzbekistan and The Ministry of Economy and Finance of the Republic of Uzbekistan, controls the Group.

The Government of the Republic of Uzbekistan, directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organizations (together referred to as “government-related entities”). The Group enters into banking transactions with these entities including but not limited to lending, deposit taking, cash settlement, foreign exchange, providing guarantees, as well as securities and derivative transactions. These transactions comprise a large portion of the Group’s transactions.

Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

As at 31 December 2023 and 2022, the outstanding balances of loans issued to customers included loan balances with Government controlled entities issued at rates differ from market.

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	31 December 2023					31 December 2022				
	Parent	Government controlled entities	Associates	Key management personnel	Total category as per financial statement caption	Parent	Government controlled entities	Associates	Key management personnel	Total category as per financial statement caption
Cash and cash equivalents	-	3,290,592	-	-	14,377,483	-	4,331,284	-	-	24,446,019
Amounts due From credit institutions	-	4,602,515	-	-	6,943,790	-	4,250,479	-	-	7,324,452
Loans to customers (gross)	-	42,059,665	6,394,818	2,076	103,261,116	-	36,553,099	3,633,641	680	91,985,108
Allowance for impairment – Loans to customers	-	(964,483)	(4,027,723)	(6)	(8,477,884)	-	(1,646,802)	(2,459,504)	(3)	(6,305,183)
Investment securities	-	6,819,892	-	-	7,140,848	-	1,592,770	-	-	1,746,759
Other assets	-	3,152	75	-	612,799	-	-	-	-	-
Amounts due to the CBU	-	1,045,549	-	-	1,045,549	-	725,946	-	-	725,946
Amounts due to credit institutions	-	3,895,372	-	-	11,497,362	-	4,431,086	-	-	15,946,374
Amounts due to customers	-	11,401,372	20,524	480	33,968,762	45,598	10,958,552	88,127	2	38,951,852
Other borrowed funds	4,124,575	6,405,064	-	-	55,467,518	3,007,179	5,786,245	-	-	43,827,997
Subordinated loans	-	1,783,232	-	-	1,783,232	-	1,648,202	-	-	1,648,202
Debt securities issued	-	10,129	-	-	3,655,270	-	1,900	-	-	3,409,313
Guarantees	-	1,624,276	-	-	2,215,926	-	2,300,065	-	-	2,300,065
Letters of credit	-	1,323,892	-	-	1,550,200	-	2,771,414	-	-	2,771,414
Undrawn loan commitments	-	2,799,162	4,922	-	6,662,090	-	4,313,219	10,328	-	7,130,144

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(in millions of Uzbek Soums, unless otherwise indicated)

	31 December 2023					31 December 2022				
	Parent	Government controlled entities	Associates	Key management personnel	Total category as per financial statement caption	Parent	Government controlled entities	Associates	Key management personnel	Total category as per financial statement caption
Interest income on loans to customers	-	2,799,508	364,990	138	8,740,108	-	2,391,781	345,712	123	6,914,573
Interest income on cash and cash equivalents	-	20,732	-	-	121,967	-	69,166	-	-	1,182,427
Interest income on investment securities	-	247,544	-	-	260,660	17,534	107,726	-	-	128,601
Interest income on finance leases	-	3,243	-	-	3,243	-	3,133	-	-	5,089
Impairment charge for loans to customers	-	682,319	(1,568,219)	(3)	(1,789,044)	-	132,421	(2,238,308)	(3)	(2,210,248)
Interest expense on amounts due to customers	-	(668,880)	-	-	(1,550,362)	-	(542,452)	(1,192)	-	(1,145,437)
Interest expense on other borrowed funds	(227,071)	(466,559)	-	-	(2,634,286)	(45,479)	(21,582)	-	-	(1,608,678)
Interest expense on other subordinated loans	-	(76,662)	-	-	(76,662)	-	(32,132)	-	-	(32,132)
Fee and commission income	-	125,925	-	-	813,879	-	117,721	-	-	585,470
Fee and commission expense	-	(77,756)	-	-	(199,448)	(494)	(57,602)	-	-	(156,696)
Operating expense: Salaries and bonuses	-	(154,697)	-	(9,912)	(1,046,456)	-	(104,442)	-	(5,909)	(674,095)
	-	-	-	(8,865)	(900,198)	-	-	-	(5,276)	(747,264)
Social security costs	-	-	-	(1,047)	(112,883)	-	-	-	(633)	(76,572)

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31. Segmentation information

The Group’s operations are a single reportable segment.

The Group provides mainly banking services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8, Operating Segments, and based on the way of operations of the Group are regularly reviewed by the chief operating decision-maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker (“CODM”) has been determined as the Group’s Chairman of the Management Board. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. The Management has determined a single operating segment being banking services based on these internal reports.

Revenue from transactions with a single customer comprised more than 10% of the Group’s total revenue and amounted to UZS 627,186 (2022: UZS 568,235) (See Note 30).

Substantially part of the Group’s operations and assets are located in the Republic of Uzbekistan.

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32. Subsidiaries

The consolidated financial statements include the following major subsidiaries:

31 December 2023					
Subsidiary	Principal place of business	Country of incorporation	Date of incorporation	Nature of activities	Ownership/ voting, %
JSC NBU Invest Group	Tashkent	Uzbekistan	2008	Asset management	100%
CJSC Asia Invest Bank	Moscow	Russia	1996	Banking	95.9%
NBU Samarkand Invest LLC	Samarkand	Uzbekistan	2017	Asset management	100%
NBU Gazgan Invest LLC	Navoiy	Uzbekistan	2017	Asset management	100%
Marmarobod LLC	Navoiy	Uzbekistan	2019	Manufacturing	100%
Invest Group Center LLC	Tashkent	Uzbekistan	1999	Office maintenance	100%
Zomin Ropeway LLC	Tashkent	Uzbekistan	2021	Service	100%
Zominsoy Development Invest LLC	Tashkent	Uzbekistan	2020	Service	100%
Suffa Spa LLC	Jizzakh	Uzbekistan	2017	Service	100%
Royal Silk LLC	Andijan	Uzbekistan	2020	Textile	100%
Suffa Shale LLC	Djizzakh	Uzbekistan	2023	Service	100%
Khiva Plaza LLC	Khorezm	Uzbekistan	2023	Hotel	100%
Chorvoq Resort Complex LLC	Tashkent	Uzbekistan	2023	Service	100%
World-Leader LLC	Tashkent	Uzbekistan	2023	Trade	99.3%
Zominsoy Development Invest 1 LLC	Jizzakh	Uzbekistan	2023	Asset management	75.6%
Zominsoy Development Invest 2	Jizzakh	Uzbekistan	2023	Asset management	100%
Zominsoy Development Invest 3	Jizzakh	Uzbekistan	2023	Asset management	100%

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(in millions of Uzbek Soums, unless otherwise indicated)

31 December 2022					
Subsidiary	Principal place of business	Country of incorporation	Date of incorporation	Nature of activities	Ownership/ voting,%
JSC NBU Invest Group	Tashkent	Uzbekistan	2008	Asset management	100%
CJSC Asia Invest Bank	Moscow	Russia	1996	Banking	95.9%
NBU Samarkand Invest LLC	Samarkand	Uzbekistan	2017	Asset management	100%
NBU Gazgan Invest LLC	Navoiy	Uzbekistan	2017	Asset management	100%
Marmarobod LLC	Navoiy	Uzbekistan	2019	Manufacturing	100%
Invest Group Center LLC	Tashkent	Uzbekistan	1999	Office maintenance	100%
Zomin Ropeway LLC	Tashkent	Uzbekistan	2021	Service	100%
Zominsoy Development Invest LLC	Tashkent	Uzbekistan	2020	Service	100%
Suffa Spa LLC	Jizzakh	Uzbekistan	2017	Service	100%
Royal Silk LLC	Andijan	Uzbekistan	2020	Textile	100%

In accordance with the resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated 6 March 2023, the Group was instructed to carry out a project on the construction of houses (cottages) in the “Shale” style. In order to implement this project, the subsidiary investment company JSC NBU Invest Group has established the company Suffa Shale LLC, with a share capital in the amount of UZS 20,000 million.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

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33. Changes in liabilities arising from financing activities

	Debt securities issued	Other borrowed funds	Subordinated loans	Amounts due to customers	Dividends to share-holders of the bank	Total liabilities from financing activities
Carrying amount at 31 December 2021	3,334,500	43,847,483	1,612,487	5,529,063	-	54,323,533
Proceeds from issue	-	22,189,144	-	2,154,536	-	24,343,680
Redemption	(44,754)	(23,068,072)	-	(2,560,435)	(174,409)	(25,847,670)
Foreign currency translation	116,340	695,106	44,153	-	-	855,599
Other	3,227	164,336	(8,438)	-	174,409	333,534
Carrying amount at 31 December 2022	3,409,313	43,827,997	1,648,202	5,123,164	-	54,008,676
Financial liabilities						
Proceeds from issue	21,806	18,762,346	-	1,746,090	-	20,530,242
Redemption	(114,999)	(11,438,872)	-	(1,010,328)	(153,524)	(12,717,723)
Foreign currency translation	333,993	4,154,583	126,757	-	-	4,615,333
Other	5,157	161,464	8,273	139,317	153,524	467,735
Carrying amount at 31 December 2023	3,655,270	55,467,518	1,783,232	5,998,243	-	66,904,263

The “Other” line includes the effect of accrued but not yet paid interest on bonds issued, other borrowed funds and subordinated loans. The Group classifies interest paid as cash flows from operating activities.

34. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group’s capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the CBU in supervising the Group.

During the past year, the Group had complied in full of all its externally imposed capital requirements.

The primary objectives of the Group’s capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders’ value.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

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The Management Board reviews the capital structure on a monthly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group’s general policy in relation to risks related to capital management is reflected in the Bank’s Capital Management Policy approved by the Board of Directors and amended from time to time based on the Group’s strategic goals and the regulatory requirements of the Central Bank of the Republic of Uzbekistan.

Under the current capital requirements set by the CBU, banks have to maintain ratios of:

- Ratio of Group’s main tier 1 capital to risk weighted assets (“Capital adequacy ratio”) above a prescribed minimum level of 8 percent (2022: 8 percent);
- Ratio of Group’s tier 1 capital to risk weighted assets (“Capital adequacy ratio”) above a prescribed minimum level of 10.0 percent (2022: 10.0 percent);
- Ratio of total regulatory capital to risk weighted assets (“Regulatory capital ratio”) above a prescribed minimum level of 13.0 percent (2022: 13.0 percent);and
- Ratio of Group’s tier 1 capital to total assets less intangibles (“Leverage ratio”) above a prescribed minimum level of 6 percent (2022: 6 percent).

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The following table analyses the Group’s regulatory capital resources for capital adequacy purposes in accordance with the requirements set by the CBU:

<i>In millions of Uzbek Soums</i>	31 December 2023 (unaudited)	31 December 2022 (unaudited)
Tier 1 capital		
Ordinary share capital	15,476,078	14,418,406
Capital reserves	569,854	449,376
Retained earnings (previous years)	49,312	26,978
Less:		
Intangible assets	(10,198)	(1,086)
Investments to non-consolidated entities	(149,690)	(1,058,038)
Other investments	(386,750)	(256,674)
Total main tier 1 capital	15,548,606	13,578,962
Total tier 1 capital	15,548,606	13,578,962
Tier 2 capital		
Current year net profit	1,716,547	1,423,607
Impairment provision on standard assets	735,555	978,965
Subordinated loans	1,105,153	1,262,715
Other	16,599	26,649
Total tier 2 capital	3,573,854	3,691,936
Total regulatory capital	19,122,460	17,270,898
Risk weighted assets	95,809,335	78,317,211
Assets for leverage ratio	137,333,152	131,389,091
Capital adequacy ratios:		
<i>Main tier 1 capital adequacy ratio</i>	16.23%	17.34%
<i>Tier 1 capital adequacy ratio</i>	16.23%	17.34%
<i>Total regulatory capital adequacy ratio</i>	19.96%	22.05%
<i>Leverage ratio</i>	11.32%	10.33%

35. Events after the reporting period

New borrowings

The Group signed a new contract in April 2024 with a total commitment of EUR 200,000,000 organized by Societe Generale for financing small business projects.

The Group signed a new contract with China Development Bank Corporation in January 2024 with a total commitment of CNY 859,863,842 for financing the purchase of passenger buses from Chinese manufacturer.