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Rivojlantirish  
Banki

# **CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND INDEPENDENT AUDITOR'S REPORT**



## **JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”**

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## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### *Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statements for the Year Ended 31 December 2023*

Management of Joint-Stock Commercial Bank "Business Development Bank" is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint-Stock Commercial Bank "Business Development Bank" and its subsidiaries (collectively – the "Group") as at 31 December 2023, and the related consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of material accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") 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 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 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 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 for the year ended 31 December 2023 were approved by the Management Board of the Group on 14 June 2024.

**On behalf of the Management Board:**

  
**Annaklichev S.S.**  
**Chairman of the Management Board**

14 June 2024  
Tashkent, Uzbekistan



  
**Makhmudov Kh.T.**  
**Chief Accountant**

14 June 2024  
Tashkent, Uzbekistan

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of Joint-Stock Commercial Bank "Business Development Bank"

### Opinion

We have audited the consolidated financial statements of Joint-Stock Commercial Bank "Business Development Bank" (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 and other comprehensive income, consolidated statement of changes in equity and 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.

### Emphasis of Matter – Liquidity

We draw attention to Notes 3 and 16 to the consolidated financial statements which describes the non-compliance with certain financial covenants of its long-term loan agreements set by various international financial institutions. Our opinion is not modified in respect of this matter.

### 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.



Turgunboy Tokhirov, Qualified Auditor/Engagement Partner



## Why the matter was determined to be a key audit matter

### *Allowance for loans and advances to customers for expected credit losses*

As disclosed in Note 8 to the consolidated financial statements, the gross value of loans and advances to customers ("loans") amounted to UZS 23,057,867 million with related allowances for expected credit losses of UZS 2,870,205 million as at 31 December 2023.

Depending on the significance of loans, the management determines the expected credit losses ("ECL") on a collective or individual basis.

During the year, the Bank has restructured loans of some borrowers under its own initiative and/or as a result of government's support of certain sectors of the economy. The changes in loan repayment schedules have increased judgment in relation to classification of loans into various impairment stages as stipulated under IFRS 9.

The underlying information used in the ECL model on loans assessed on a collective basis may include errors. The errors could be due to an incomplete list of loans that have been restructured. As the status of loan restructuring is one of the significant criteria for determination of stage categorization, an incomplete list of restructured loans might result in understatement of expected credit losses.

Individual assessment of expected credit losses for significant borrowers involves an analysis of overdue interest or principal, including determining whether a significant increase in credit risk or credit impairing events have occurred on loans since their initial recognition. The understatement of the value of the overdue days when determining stages for individually significant borrowers might result in improper staging which may significantly affect the allowance for the expected credit losses for individually significant borrowers.

## How the matter was addressed in the audit

We obtained an understanding of the processes and relevant control procedures over ECL provisioning, in particular, identification of significant increase in credit risk ("SICR" or "stage 2") and credit-impaired loans ("stage 3"), and the ECL modelling, including controls with respect to the completeness of the list of restructured loans and whether their stages are properly identified in the ECL calculation model.

We also assessed the Group's impairment methodology for compliance with the requirements of IFRS 9.

For loans collectively assessed for impairment, with the assistance of internal credit risk specialists, we assessed the integrity and mathematical accuracy of the ECL models.

We obtained a list of loans that have been restructured and assessed accuracy and completeness of data and ascertained that stages of the restructured loans were accurately reflected in the Group's loan portfolio. To test completeness of the list of such loans, we had selected a sample of loans from the loan portfolio and verified that classification of those loans was accurate.

We tested, on a sample basis, the accuracy and completeness of input data in the models, including principal balances, allocation of loans by days in arrears, and checked other parameters of the model, such as delinquency of interest or principal, including off-balances, restructuring events, existence of litigation processes and statistics for recoveries of loans.

For individually assessed loans, we analyzed the appropriateness of loans' staging by selecting a sample of these loans and testing whether conditions, including existence of overdue days, restructuring and current financial performance of the borrower for classification into respective stages were met.

We checked, on a sample basis, the fair value of collateral used for the calculation of allowances for ECL for individually significant loans in stage 3.



Turgunboy Tokhirov, Qualified Auditor, Engagement Partner

Additionally, for significant loans classified as stage 3, the analysis involves estimation of future cash flows under the different scenarios weighted for their probabilities. Information used for such analysis includes expected value of collateral, costs and time required to sell the collateral.

Allowance for ECL is determined to be a key audit matter due to the significance of Loans and advances to customers' balances and the degree of judgement and estimation uncertainty, as discussed in Note 4, 8 and Note 30 to the consolidated financial statements.

We also analyzed, on a sample basis, the Group's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, including future cash flow projections and the market valuation of collateral, as evidenced by available market and internal information.

We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans in accordance with IFRS requirements.

## **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.

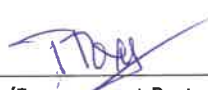
## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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.



Turgunboy Tokhirov, Qualified Auditor/Engagement Partner

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


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

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



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Turgunboy Tokhirov, Qualified Auditor/Engagement Partner

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

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

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

Our findings from the procedures performed are as follows.

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

We have not performed any procedures on the underlying accounting data of the Bank, other than those which we considered necessary to enable us to express an opinion as to whether the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and 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 the Central Bank requirements, we found that:

- in accordance with the Central Bank requirements and recommendations, as at 31 December 2023, the Bank's internal audit function was subordinated and accountable to the Supervisory Board, 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 the Central Bank requirements. The reports were approved by the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2023 the Bank has 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;



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Turgunboy Tokhirov, Qualified Auditor/Engagement Partner





# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

## Consolidated Statement of Financial Position

(in millions of Uzbekistan Soums)

	Notes	31 December 2023	31 December 2022
<b>ASSETS</b>			
Cash and cash equivalents	6	1,964,087	2,046,066
Due from other banks	7	1,880,717	612,256
Loans and advances to customers	8	20,187,662	19,255,052
Investment securities measured at amortised cost	9	1,486,963	1,246,670
Financial assets at fair value through other comprehensive income	10	56,502	21,284
Property and equipment	11	422,398	348,561
Intangible assets	11	19,746	22,817
Deferred income tax asset	27	469,263	293,160
Current income tax prepayment		25,177	11,183
Other assets	12	101,321	35,904
Assets classified as held for sale	13	66,029	63,489
<b>TOTAL ASSETS</b>		<b>26,679,865</b>	<b>23,956,442</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to other banks	14	1,206,552	2,292,335
Customer accounts	15	5,916,366	4,911,716
Borrowings from government and international financial institutions	16	16,984,347	14,666,621
Debt securities in issue	17	86,799	104,498
Other liabilities	18	1,016,996	50,946
Liabilities associated with assets held for sale	13	-	26,281
<b>TOTAL LIABILITIES</b>		<b>25,211,060</b>	<b>22,052,397</b>
<b>EQUITY</b>			
Share capital	19	1,861,514	1,859,887
Share premium	19	942	942
(Accumulated loss)/Retained earnings		(397,152)	39,425
Investment revaluation reserve		3,501	3,791
<b>TOTAL EQUITY</b>		<b>1,468,805</b>	<b>1,904,045</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>26,679,865</b>	<b>23,956,442</b>

On behalf of the Management Board:

**Annaklichev S.S.**  
Chairman of the Management Board

14 June 2024  
Tashkent, Uzbekistan



**Makhmudov Kh.T.**  
Chief Accountant

14 June 2024  
Tashkent, Uzbekistan

The notes on pages 13-86 form an integral part of these consolidated financial statements.

# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (in millions of Uzbekistan Soums)

	Notes	2023	2022
Interest income	21	3,362,389	2,613,455
Interest expense	21	(1,973,008)	(1,540,908)
<b>NET INTEREST INCOME</b>		<b>1,389,381</b>	<b>1,072,547</b>
Provision for expected credit losses	30	(1,340,834)	(739,732)
Net loss on initial recognition of assets at rates below market		(21,678)	-
<b>NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS</b>		<b>26,869</b>	<b>332,815</b>
Fee and commission income	22	200,634	192,507
Fee and commission expense	22	(51,970)	(45,922)
Net gain on foreign exchange operations	23	45,571	39,730
Other income	24	10,640	5,793
Gain on disposal of subsidiary	26	14,389	-
Impairment losses on other operations	12,13	(42,747)	-
Income from insurance operations		-	15,290
Expense from insurance operations		-	(977)
Change in insurance reserves, net	13	-	(10,364)
<b>NET NON-INTEREST INCOME</b>		<b>176,517</b>	<b>196,057</b>
<b>OPERATING INCOME</b>		<b>203,386</b>	<b>528,872</b>
Operating expenses	25	(808,135)	(786,747)
<b>LOSS BEFORE INCOME TAX</b>		<b>(604,749)</b>	<b>(257,875)</b>
Income tax benefit	27	134,359	52,615
<b>LOSS FOR THE YEAR</b>		<b>(470,390)</b>	<b>(205,260)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of equity instruments classified as FVTOCI		(363)	4,137
Income tax relating to the equity instruments classified as FVTOCI		73	(827)
<b>Other comprehensive (loss)/income for the year</b>		<b>(290)</b>	<b>3,310</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(470,680)</b>	<b>(201,950)</b>
<b>Basic and diluted loss per ordinary share (expressed in UZS per share)</b>	28	<b>(30)</b>	<b>(14)</b>

On behalf of the Management Board:

Annaklichev S.S.  
Chairman of the Management Board

14 June 2024  
Tashkent, Uzbekistan



Makhmudov Kh.T.  
Chief Accountant

14 June 2024  
Tashkent, Uzbekistan

The notes on pages 13-86 form an integral part of these consolidated financial statements.

# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

## Consolidated Statement of Changes in Equity (in millions of Uzbekistan Soums)

	Note	Share capital	Share premium	Retained earnings	Investment revaluation reserve	Other reserves	Total equity
<b>31 December 2021</b>		<b>1,859,887</b>	<b>942</b>	<b>244,828</b>	<b>481</b>	<b>125</b>	<b>2,106,263</b>
Loss for the year		-	-	(205,260)	-	-	(205,260)
Other comprehensive income for the year, net of income tax		-	-	-	3,310	-	3,310
Change in other insurance reserves		-	-	125	-	(125)	-
Dividends declared - preference shares	19	-	-	(268)	-	-	(268)
<b>31 December 2022</b>		<b>1,859,887</b>	<b>942</b>	<b>39,425</b>	<b>3,791</b>	<b>-</b>	<b>1,904,045</b>
Loss for the year		-	-	(470,390)	-	-	(470,390)
Other comprehensive income for the year, net of income tax		-	-	-	(290)	-	(290)
Transfer of subsidiary	1	-	-	34,081	-	-	34,081
Shares issued		1,627	-	-	-	-	1,627
Dividends declared - preference shares	19	-	-	(268)	-	-	(268)
<b>31 December 2023</b>		<b>1,861,514</b>	<b>942</b>	<b>(397,152)</b>	<b>3,501</b>	<b>-</b>	<b>1,468,805</b>

On behalf of the Management Board:

Annaklichev S.S.  
Chairman of the Management Board  
14 June 2024  
Tashkent, Uzbekistan



Makhmudov Kh.T.  
Chief Accountant  
14 June 2024  
Tashkent, Uzbekistan

The notes on pages 13-86 form an integral part of these consolidated financial statements.



**JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"****Consolidated Statement of Cash Flows***(in millions of Uzbekistan Soums)*

	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received		2,991,213	2,519,816
Interest paid		(1,910,124)	(1,481,916)
Fees and commissions received		224,372	181,495
Fees and commissions paid		(51,970)	(45,922)
Income received from trading in foreign currencies		41,045	37,630
Income from insurance operations received		-	15,290
Expense from insurance operations paid		-	(977)
Other income received		4,519	2,911
Staff costs paid		(491,642)	(489,675)
Operating expenses paid		(222,098)	(220,859)
Income tax paid		(55,665)	(74,335)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>529,650</b>	<b>443,458</b>
<b>Net (increase)/decrease in:</b>			
- due from other banks		(12,505)	(298,850)
- loans and advances to customers		(1,552,629)	(2,695,921)
- other assets		14,130	63,436
<b>Net increase/(decrease) in:</b>			
- due to other banks		(1,189,047)	830,947
- debt securities		(17,599)	9,999
- customer accounts		(290,527)	725,414
- other liabilities		916,475	7,104
<b>Net cash used in operating activities</b>		<b>(1,602,052)</b>	<b>(914,413)</b>

# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

## Consolidated Statement of Cash Flows (Continued)

(in millions of Uzbekistan Soums)

	Notes	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and intangible assets		(174,071)	(110,877)
Proceeds from sale of property and equipment		3,517	2,136
Acquisition of financial assets at fair value through other comprehensive income		(35,581)	(1,222)
Acquisition of investment securities measured at amortised cost		(718,028)	(1,090,442)
Proceeds from disposal of Investment securities measured at amortised cost		500,298	653,616
Proceeds from disposal of subsidiary and its associates	26	51,597	-
Dividend income received		4,516	2,335
<b>Net cash used in investing activities</b>		<b>(367,752)</b>	<b>(544,454)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividends paid		(246)	(263)
Proceeds from borrowings from government and international financial institutions	20	6,129,352	5,060,618
Repayment of borrowings from government and international financial institutions	20	(4,317,580)	(2,884,841)
<b>Net cash inflow from financing activities</b>		<b>1,811,526</b>	<b>2,175,514</b>
Effect of changes in foreign exchange rate on cash and cash equivalents		75,102	20,722
Effect of changes in expected credit losses		1,197	(2,424)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(81,979)</b>	<b>734,945</b>
<b>CASH AND CASH EQUIVALENTS, at the beginning of the year</b>	6	<b>2,046,066</b>	<b>1,311,121</b>
<b>CASH AND CASH EQUIVALENTS, at the end of the year</b>	6	<b>1,964,087</b>	<b>2,046,066</b>

On behalf of the Management Board:

  
Annaklichev S.S.  
Chairman of the Management Board

14 June 2024  
Tashkent, Uzbekistan



  
Makhmudov Kh.T.  
Chief Accountant

14 June 2024  
Tashkent, Uzbekistan

The notes on pages 13-86 form an integral part of these consolidated financial statements.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

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#### 1. General information

On 29 September 2023, Joint-Stock Commercial Bank “Business Development Bank” (“the Bank”) was created on the basis of Joint-Stock Commercial Bank “Qishloq Qurilish Bank” with a priority focus on financing projects of small businesses and providing them with comprehensive services, in accordance with the Presidential Decree of the Republic of Uzbekistan No. PD-292 dated 4 September 2023 “On measures to implement the tasks identified in the open dialogue of 2023 between the President of the Republic of Uzbekistan and entrepreneurs”. The Bank is state controlled as a significant portion of its equity is owned by the Ministry of Economy and Finance of the Republic of Uzbekistan (“MOEF”) and Fund for Reconstruction and Development of the Republic of Uzbekistan (“UFRD”).

The Bank is a joint-stock company limited by shares and was set up in accordance with Uzbek regulations.

#### Principal activity

The main objectives of the Bank are:

- implementation of logistical support for the process from the study of small businesses to financing and sustainable establishment of production;
- introduction of a simplified lending system for small businesses with a positive credit history;
- introduction of the practice of “business mortgages” and development of master plans for regions that provide mortgages for communication facilities and infrastructure;
- business plan, financial reporting, export-import practice, property valuation, use of insurance and notary services, practical assistance to entrepreneurs in preparing documents and organizing free legal services;
- creation and operation of the “Business 24/7” system - a “single window” system that provides uninterrupted banking and consulting services to entrepreneurs in matters of market conditions and business organization;
- as a universal commercial bank that provides other comprehensive banking services to legal entities and individuals in the manner prescribed by law.

The Bank was granted a new banking license #93 issued by the Central Bank of the Republic of Uzbekistan (“CBU”) on 30 September 2023.

A significant portion of the Bank's activities are related to its role as a government agent in improving the living conditions of the rural population and financing construction in villages, acceleration of the development of the industrial and social infrastructure in the rural areas by issuing long-term mortgage loans to residents living in such areas and other sectors of economy such as agricultural, food, export and etc. These activities represent a significant part of the Bank's assets, funding sources and income generation and carried out in accordance with the Loan Agreements between the Asian Development Bank, Saudi Fund for Development, International Bank of Reconstruction and Development and the government of the Republic of Uzbekistan on Housing for Integrated Rural Development Investment Program (the “Program”) and development of other sectors of Uzbekistan's economy.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued)

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

As at 31 December 2023, the Bank's registered address was: 18A, Navoi str., Tashkent, 100011, Republic of Uzbekistan.

The Bank is a parent company of the Group which consists of the following subsidiaries consolidated in these financial statements:

		31 December 2023		31 December 2022		Industry
	Country	Share in company, %	Amount	Share in company, %	Amount	
JSCB "Business Development Bank" direct interest in subsidiaries						
LLC "Green-Energy-Service-Group"	Uzbekistan	100%	34,836	-	-	Individual Services
LLC "Small Business Development Fund"	Uzbekistan	100%	30,000	-	-	Fund Management
JSC "Perfect insurance"	Uzbekistan	-	-	100%	35,000	Insurance Services Financial Market Management
LLC "Digital transformation center"	Uzbekistan	100%	1,627	-	-	
JSCB "Business Development Bank" indirect interest in subsidiaries via LLC "Small Business Development Fund"						
LLC "Small business supporting centre of Bukhara region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Republic of Karakalpakstan"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Andijan region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Navoi region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Syrdarya region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Tashkent city"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Fergana region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Namangan region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Samarkand region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Tashkent region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Jizzakh region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Khorezm region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Kashkadarya region"	Uzbekistan	100%	20,000	-	-	Fund Management
LLC "Small business supporting centre of Surkhandarya region"	Uzbekistan	100%	20,000	-	-	Fund Management
Total investments in subsidiaries			346,463	35,000		



## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued)

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LLC "Green-Energy-Service Group" ("the Company") was established on 20 February 2023 as a limited liability company in accordance with the Presidential Decree No. PD-57 dated 16 February 2023 "On measures to accelerate the implementation of renewable energy sources and energy saving technologies in 2023". The Company's principal activity is focused on promoting green economy development goals. This involves introducing eco-friendly technologies across various sectors to encourage resource conservation, waste reduction, and renewable energy usage. The Company invests in innovative projects and startups, aiming to commercialize promising developments and facilitate technology transfer. Additionally, it supports projects aimed at energy conservation and financial incentives for technological modernization, fostering community engagement to boost economic activity in the green economy sector.

LLC "Small Business Development Fund" ("the Fund") was established on 5 October 2023 as a limited liability company in accordance with the Presidential Decree of the Republic of Uzbekistan No. PD-292 dated 4 September 2023 "On measures to implement the tasks identified in the open dialogue of 2023 between the President of the Republic of Uzbekistan and entrepreneurs". The Fund's principal activity is specialized in facilitating joint efforts with government departments, ministries, and banks to support small businesses. The Fund sets up small business assistance centers across regions funded jointly by the Bank.

The Fund oversees 14 small business supporting centres ("Centres" or "the Centre") in the Republic of Karakalpakstan, regions, and Tashkent city, facilitating the development, financing, and implementation of business projects of small businesses, as well as providing them with consulting services. The Fund acts as a coordinator and facilitator, it ensures effective implementation of tasks assigned to the Bank and business development centres. Additionally, it maintains a "business platform" to streamline processes for lending and online coordination, enhancing overall efficiency in supporting small businesses.

The following subsidiaries were established during October 2023:

- LLC "Small business supporting centre of Republic of Bukhara region"
- LLC "Small business supporting centre of Republic of Karakalpakstan"
- LLC "Small business supporting centre of Andijan region"
- LLC "Small business supporting centre of Navoi region"
- LLC "Small business supporting centre of Syrdarya region"
- LLC "Small business supporting centre of Tashkent city"
- LLC "Small business supporting centre of Fergana region"
- LLC "Small business supporting centre of Namangan region"
- LLC "Small business supporting centre of Samarkand region"
- LLC "Small business supporting centre of Tashkent region"
- LLC "Small business supporting centre of Jizzakh region"
- LLC "Small business supporting centre of Khorezm region"
- LLC "Small business supporting centre of Kashkadarya region"
- LLC "Small business supporting centre of Surkhandarya region"

Each centre specializes in a range of services vital for supporting small businesses. Centres offer practical training courses and establish certification systems to give entrepreneurs the necessary skills to develop and finance projects, expand the market reach, attract private investors, and create robust business plans.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

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Moreover, the Centres conduct thorough analyses and evaluations of project proposals, providing feedback to initiators who participate in the program. The Centres play a crucial role in identifying regional opportunities by analyzing entrepreneurship data and conducting social surveys to guide entrepreneurs in developing new business ventures.

In accordance with the Presidential Decree of the Republic of Uzbekistan No. PD-306 on 14 September 2023 “On measures of financial and institutional support for small business development”, on 15 December 2023, LLC “Digital transformation center” was reorganized as a limited liability company and was fully transferred to the balance of the Fund. This increased the share of the Ministry of Economy and Finance of the Republic of Uzbekistan in the Bank by UZS 1,627 million through issuance of additional shares (Note 19).

*Assets acquired and liabilities recognised at the date of acquisition of LLC “Digital transformation center”:*

	15 December 2023
<b>Assets</b>	
Due from banks	1,224,336
Property and equipment	3,794
Intangible assets	4,055
Other assets	17,448
<b>Total assets</b>	<b>1,249,633</b>
<b>Liabilities</b>	
Customer accounts	1,209,241
Other liabilities	4,684
<b>Total assets</b>	<b>1,213,925</b>
<b>Net assets</b>	<b>35,708</b>
Less: Share capital	1,627
<b>Net assets acquired</b>	<b>34,081</b>

On 17 March 2023, the Group sold its 100% shares of JSC “Perfect insurance” for UZS 51,597 million.

**Presentation currency.** These consolidated financial statements are presented in Uzbekistan Soums (“UZS”), unless otherwise stated.

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

	31 December 2023	31 December 2022
<b>Shareholders:</b>		
The Ministry of Economy and Finance of the Republic of Uzbekistan	74.47%	74.45%
The Fund for Reconstruction and Development of the Republic of Uzbekistan (“UFRD”)	23.87%	23.89%
Others (individually holding less than 5% of the share capital of the Group)	1.66%	1.66%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

The Group is ultimately controlled by the Government of the Republic of Uzbekistan.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

Notes to the Consolidated Financial Statements (Continued)  
for the year ended 31 December 2023  
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### 2. 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 1,941.67 USD per troy ounce (2022: 1,800.80 USD per troy ounce). At the end of 2023 the Uzbekistan's gross domestic product ("GDP") grew by 6% (2022: 5.7%). In 2023 inflation rate in the country declined to 8.8% per annum (2022: inflation was 12.3% per annum). The military and political conflict between Russian Federation and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises. As a result of these sanctions, level of remittances to Uzbekistan has significantly reduced in 2023.

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

Management of the 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 Group's business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Group's operations.

### 3. Material accounting policies

**Basis of preparation.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set in this section. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**Going concern.** These consolidated financial statements have been prepared assuming that the Group continues as a going concern, which contemplates that the Group will continue its operations for the foreseeable future. The Group's activities continue to be affected by the uncertainty and instability of the current economic environment.

For the year ended 31 December 2023, the Group had a cash outflow from operating activities mainly as a result of increasing the loans and advances to customers amount by UZS 5,549,364 million or 24.07% of total gross loans and advances to customers (31 December 2022: UZS 6,756,244 million or 32.3%) as disclosed in Note 30. Cash flows stemming from the borrowings from government and international financial institutions have been disclosed as a part of financing activity whereas the loans and advances to customers considered part of operating activities in the consolidated cash flow statements of the Group as well as outflow in due to other banks, which led to negative cash flows in operating activities of the Group as a whole.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

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As a result, the Group had operating cash outflow in the amount of UZS 1,602,052 million (31 December 2022: UZS 914,413 million). Additionally, net loss for the year amounted to UZS 470,390 million mainly due to increase in ECL on loans and advances to customers (please refer to Note 30 for ECL Movement).

As at 31 December 2023, the Group was not in compliance with certain financial covenants stipulated in loan agreements with Islamic Corporation for the Development of the Private Sector (ICD), International Islamic Trade Finance Corporation (ITFC), Asian Development Bank (ADB) provided through the Ministry of Economy and Finance of the Republic of Uzbekistan (“MOEF”), International Fund for Agricultural Development (IFAD) via MOEF, Banka Kombëtare Tregtare SH.a. and KFW IPEX BANK. However, during 2023 the Group was provided with waiver letters in response to non-compliance with financial covenants from the ICD and Banka Kombëtare Tregtare SH.a. As a result of non-compliance with the financial covenants, borrowings from ITFC, ADB, IFAD provided through MOEF and KFW IPEX BANK in the total principal amount of UZS 1,247,276 million (Note 16) were classified as “Up to 1 month” category in the liquidity disclosure. This resulted in negative cumulative liquidity gap with UZS 2,080,592 million in “Up to 1 year” category, as discussed in detail in Notes 16 and 30.

The Management believes that the Group will be able to continue as a going concern for the foreseeable future based on the following:

- The Group is a state-owned bank with the Ministry of Economy and Finance of the Republic of Uzbekistan and the Fund for Reconstruction and Development of the Republic of Uzbekistan as key shareholders, jointly holding 98.34% interest in the share capital of the Bank as at 31 December 2023 (31 December 2022: 98.34%). In accordance with the Presidential Decree of the Republic of Uzbekistan No. PD-306 on 14 September 2023 “On measures of financial and institutional support for small business development” (“PD-306”), starting from 1 October 2023, the Bank was determined to be the main base bank for the effective implementation and continuous improvement of the Comprehensive Program for Continuous Support of Small Businesses. Under the PD-306, the Bank expects to receive additional funds from the shareholders in the total amount of UZS 6,000,000 million and should seek to attract funds from the international financial institutions in the total amount USD 1,200 million for the implementation of the Program from 2023-2026 years.
- The Bank plays a vital role as a government arm/vehicle to channel the State funds to the strategic sectors of the economy of Uzbekistan. Customer accounts being on demand comprise 47.4% of the total customer accounts balance as at 31 December 2023. About 65.2% of these demand deposits are placed by State controlled entities which are either the Group’s shareholders or its entities under common control and the past experience of the Group indicate that these customer accounts provide a long-term and stable source of funding for the Group.
- During 2023, the Group has attracted additional short-term and long-term financings from the Government and International financial institutions for the total amount of equivalent to UZS 6,129,352 million in domestic and foreign currencies as described in Note 16 and the consolidated statement of cash flows.
- On 31 January 2024, under the PD-306, the Group increased its share capital based on received funds for capital injection in the form of ordinary shares from the Fund for Reconstruction and Development of the Republic of Uzbekistan in the amount of equivalents to UZS 931,800 million as per the agreement for the subscription of ordinary shares #2 dated 30 November 2023.



## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

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Subsequently the Group obtained financing in the form of capital increase and subordinated debt described in Note 35.

As at 31 December 2023, the Group was in compliance with all prudential requirements set by CBU.

**Consolidated financial statements.** Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

**Disposals of subsidiaries, associates or joint ventures.** When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

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**Recognition and measurement of financial instruments.** The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

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

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

Specifically:

- Retention of an asset to obtain the cash flows stipulated by the contract. This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets. This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.
- Retention of an asset for other purposes. Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

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

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

**Financial assets measured at amortised cost or financial assets at fair value through other comprehensive income ("FVTOCI").** The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

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

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

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

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

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

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When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

#### Expected credit loss (ECL) measurement - definitions

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The key inputs used for measuring ECL are:

- Probability of default (PD) – is an estimate of the likelihood of default over a given time horizon;
- Loss given default (LGD) – is an estimate of the loss arising on default; and
- Exposure at default (EAD) – is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

#### Default and credit-impaired assets

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

The financial asset is considered in default, or credit-impaired, if it meets any of the following criteria:

##### Individually significant loans

- breaches of contract such as a default or past due event on its contractual payments for 90 days or more;
- significant financial difficulty of the borrower;
- loans that had been restructured since the initial recognition (except for loans restructured not because of the deterioration in the borrowers' creditworthiness or restricted because of the decision of the higher authority);
- absence of communication with the borrower or information about the financial condition of this borrower;

##### Collectively assessed loans

- loans that have either principal or interest past due for more than 90 days;
- loans that had been restructured since the initial recognition (except for loans restructured not because of the deterioration in the borrowers' creditworthiness or restricted because of the decision of the higher authority);
- loans that have court rulings or are under litigation;
- presence of past due principal or interest on off-balance accounts in accordance with CBU classification and Resolution of CBU on non-accrual of interest;
- loans that have matured but not repaid;
- loans that have positive difference between the amount of accrued overdue interest as at the reporting date and that of as at the previous quarter;



## **JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”**

### **Notes to the Consolidated Financial Statements (Continued)**

**for the year ended 31 December 2023**

*(in millions of Uzbekistan Soums)*

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- purchase or origination of credit-impaired (POCI) financial assets.

Debt securities, interbank deposits, and correspondent accounts

- counterparties or issuers rated at CC (Standard & Poor's) or lower;
- counterparties or issuers are past due more than 30 days;
- negative information on counterparties or issuers;
- purchase or origination of credit-impaired (POCI) financial assets;
- events of cross-default on other liabilities of counterparties or issuers.
- the counterparty or issuer has significant deterioration of operating results.

#### **Significant increase in credit risk (SICR)**

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

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or subsidiary criteria have been met:

Individually significant loans

- breaches of contract such as a past due event on its contractual payments for 31–90 days;
- significant financial difficulty of the borrower;
- actual or expected deterioration in the external credit rating for two or more notches;
- reduction of financial support from the Government or affiliated entities;
- significant changes in the quality of loan collateral or the quality of guarantees / warranties provided by third parties that are expected to reduce the economic incentive for the borrower to make scheduled payments or otherwise affect the likelihood of default;
- credit-impaired loans (stage 3), provided the borrower extinguished its gross outstanding debt below the amount that had been before transition to credit-impaired classification;
- loans, whose borrowers have been sued by the Group or other creditors but legal proceedings have not been started;
- expected breaches of contract that can lead to exemptions from covenants or amendments to covenants, temporary exemption from interest payment and other.

Collectively assessed loans

- loans that have either principal or interest past due for 31–90 days, inclusive;
- credit-impaired loans as at the end of previous quarter because of meeting one or more criteria of stage 3 and that meet criteria for stages 1 or 2 as at the reporting date;
- loans that have past due interest as at the end of the current quarter, at the absence of historical information on overdue days;
- loans that have negative difference between the amount of accrued overdue interest as at the reporting date and that of as at the end of previous quarter;
- loans that have been restructured and that have been repaid for 25% of principal amount from the date of restructuring.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

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Debt securities, interbank deposits, and correspondent accounts

- deterioration of the external credit rating of counterparties or issuers rated:
  - at A- down to BB+;
  - at BBB+/B- down for three notches or to CCC+;
  - at CCC+ or below for one notch;
- overdue of accrued compensation (coupon) or principal for one day (except for technical overdue);
- negative information on counterparties or issuers.

#### ECL measurement - description of estimation techniques

##### General principle

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

The Group defines individually significant loans as loans with total outstanding balances exceeding the threshold of 5% of the Bank's average profit before tax accounted in accordance with Uzbekistan GAAP and instructions set by CBU for the last three years. ECL for individually significant loans in Stage 3 are assessed on an individual basis, whereas, ECL for individually significant loans in Stage 1 and 2 are assessed on a collective basis.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favourable change for such assets creates an impairment gain.

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

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

#### Derecognition of financial assets and liabilities

##### Financial assets

A financial asset (or, where applicable a part of a financial asset or a 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

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued)

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- 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.

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

**Cash and cash equivalents.** Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include deposits with CBU and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

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

**Mandatory cash balances with CBU.** Mandatory cash balances with CBU are carried at amortised cost and represent non-interest-bearing mandatory reserve deposits which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

**Due from other banks.** Amounts due from other banks are recorded when the Group advances money to counterparty Banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Due from CBU include non-interest-bearing mandatory reserve deposit held with CBU against deposits. This deposit is not available to finance the Group's day to day operations, and hence is not considered as part of cash and cash equivalents for the purposes of these consolidated financial statements. Amounts due from other Banks are carried at amortised cost.

**Loans and advances to customers.** Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

**Financial instruments - key measurement terms.** Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued)

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 33.

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

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

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

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued)

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The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

**Financial assets – write-off.** Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include no repayment during 5 years from the last repayment. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

**Property and equipment.** Property and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property and equipment items are capitalised and the replaced part is retired.

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

**Depreciation.** Construction in progress is not depreciated. Depreciation of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Building and premises	20
Office and computer equipment	5-10

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

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.

**Non-current assets held for sale.** Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued)

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This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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

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

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

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

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

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

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



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### Notes to the Consolidated Financial Statements (Continued)

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

For credit-impaired financial assets, the interest income is calculated by applying the effective interest rate ("EIR") to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

Fees integral to the effective interest rate include origination fees received or paid by the Group relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

**Borrowings from Government and international financial institutions.** These funds include borrowings from Government and nongovernment funds and financial institutions and are carried at amortised cost.

The Group obtains long term financing from Government and other 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 such financing, the Group is able to advance funds in the form of mortgage loans to specific customers at advantageous rates. Management has considered whether gains or losses should arise on initial recognition of such instruments. As the transactions are with unrelated parties, management's judgement 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 judgement management also considered that these instruments are a separate market segment.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

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**Offsetting.** Financial assets and liabilities are offset, and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

**Earnings per share.** Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

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

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

Monetary assets and liabilities are translated into Group's functional currency at the official exchange rate of CBU at the end of respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Group's functional currency at year-end official exchange rates of CBU are recognised in profit or loss for the year. Translation at the year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

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

The results and financial position of each group entity are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- (iii) components of equity are translated at the historic rate.

At 31 December 2023, the principle rate of exchange used for translating foreign currency balances was USD 1 = UZS 12,338.77 (2022: UZS 11,225.46), EUR 1 = UZS 13,731.82 (2022: UZS 11,961.85). Exchange restrictions and controls exist over the conversion of UZS into other currencies. The UZS is not a freely convertible currency outside of Uzbekistan.

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

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

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued)

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**Segment reporting.** The Group's operations are 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 the 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.

#### 4. Significant accounting judgments and estimates

##### Significant accounting judgements

**Business model assessment.** Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**Significant increase of credit risk.** As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable information.

##### Restructured loans.

The Group restructures some of the loans and advances to customers. Based on the assessment of the borrowers' ability to service the loans before being restructured the management updates its ECL model by classifying those loans into the relevant stages of impairment. The accounting policy states that the restructure of loans are an indication of a significant increase in credit risk or an event of default. However, when the restructure of loans is recommended by the higher authority, there is no immediate indication of a significant increase in credit risk or default. In assessing the appropriate impairment stage classification the Group takes into account qualitative and quantitative information related to the loans that have been restructured.

Establishing groups of assets with similar credit risk characteristics. When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 30 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

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

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

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**Models and assumptions used.** As explained in Note 3, the Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**Measurement of allowances for expected credit losses ("ECL").** The allowances for ECL of financial assets in the consolidated financial statements have been determined based on existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Uzbekistan and in other countries it operates in and what effect such changes might have on the adequacy of the allowances for ECL of financial assets in future years.

For the carrying amount of the allowance for ECL of loans and advances to customers refer to Notes 8 and 30.

**Deferred income tax asset recognition.** The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances. Key assumptions in the business plan are: The Group is expecting to achieve stable growth in net profit during following years and has significant portfolio of state-controlled customers within production and construction sectors.

**Tax legislation.** Uzbekistan tax, currency and customs legislation is subject to varying interpretations. Refer to Note 27.

#### **Key sources of estimation uncertainty**

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

**Loss Given Default.** LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

The Group has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change by 5%.

The ECL would increase by UZS 141,532 million or decrease by UZS 138,208 million (2022: increase by UZS 97,473 million or decrease by UZS 95,10 million).

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

The changes are applied in isolation for illustrative purposes and are applied to inputs (PD and LGD) that are used to develop the estimate of expected credit losses.

**Fair value measurement and valuation process.** In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to Note 33 for more details on fair value measurement.

#### 5. 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:

<b>New or revised standard or interpretation</b>	<b>Applicable to annual reporting periods beginning on or after</b>
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.

#### 6. Cash and Cash Equivalents

	<b>31 December 2023</b>	<b>31 December 2022</b>
Cash on hand	725,170	508,339
Cash balances with the CBU (other than mandatory reserve deposits)	842,827	844,871
Correspondent accounts and overnight placements with other banks	369,507	289,966
Placements with other banks with original maturities of less than three months	27,812	405,315
<b>Total cash and cash equivalents, gross</b>	<b>1,965,316</b>	<b>2,048,491</b>
Less – Provision for expected credit losses	(1,229)	(2,425)
<b>Total cash and cash equivalents, net</b>	<b>1,964,087</b>	<b>2,046,066</b>

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

The analysis of credit quality and credit ratings of cash and cash equivalents is as follows:

	31 December 2023	31 December 2022
<b>Stage 1 (12 month ECL)</b>		
Cash on hand	725,170	508,339
A1 /A+	-	8,406
Ba2/BB	36	-
Ba3/BB-	1,232,643	860,292
B1/B+	1,833	496,718
B2/B	3,693	137,300
B3/B-	-	33,693
<b>Total stage 1, gross</b>	<b>1,963,375</b>	<b>2,044,748</b>
<b>Stage 3 (Lifetime ECL)</b>		
Not rated	1,941	3,743
<b>Total stage 3, gross</b>	<b>1,941</b>	<b>3,743</b>
<b>Total cash and cash equivalents, gross</b>	<b>1,965,316</b>	<b>2,048,491</b>
Less: Provision for expected credit losses	(1,229)	(2,425)
<b>Total cash and cash equivalents, net</b>	<b>1,964,087</b>	<b>2,046,066</b>

For the balances with CBU, the quality categories are determined based on the Moody's sovereign rating– Ba3 stable (as at 31 December 2022: B1 positive).

Changes in credit quality of cash and cash equivalents during the year are disclosed in Note 30. Information on related party balances is disclosed in Note 34.

#### 7. Due from Other Banks

	31 December 2023	31 December 2022
Short term placements with other banks with original maturities of more than three months	430,849	384,611
Long term placements with other banks	150,061	144,664
Mandatory reserve deposit held with CBU	89,615	84,180
Restricted cash	1,213,038	1,283
<b>Total due from other banks, gross</b>	<b>1,883,563</b>	<b>614,738</b>
Less: Provision for expected credit losses	(2,846)	(2,482)
<b>Total due from other banks, net</b>	<b>1,880,717</b>	<b>612,256</b>

Restricted cash represents balances on correspondent accounts with foreign and local banks placed by the Group in respect of Letters of Credit and payment systems. The Group does not have the right to use these funds for the purposes of funding its own activities.



## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

The analysis of credit quality and credit ratings of due from other banks is presented in the table below:

	31 December 2023	31 December 2022
<b>Stage 1 (12 month ECL)</b>		
A3/A-	247,163	-
Baa1/BBB+	185,401	-
Ba3/BB-	1,418,494	520,953
B1/B+	50	90,687
B2/B	31,829	2,486
B3/B-	-	50
Not rated	-	562
<b>Total stage 1, gross</b>	<b>1,882,937</b>	<b>614,738</b>
<b>Stage 3 (Lifetime ECL)</b>		
Not rated	626	-
<b>Total stage 3, gross</b>	<b>626</b>	<b>-</b>
<b>Total due from other banks, gross</b>	<b>1,883,563</b>	<b>614,738</b>
Less: Provision for expected credit losses	(2,846)	(2,482)
<b>Total due from other banks, net</b>	<b>1,880,717</b>	<b>612,256</b>

For the balances with CBU, the quality categories are determined based on the Moody's sovereign rating – Ba3 stable (as at 31 December 2022: B1 positive).

Interest rate analysis and changes in credit quality of due from other banks for the year are disclosed are Note 30. Information on related party balances is disclosed in Note 34.

### 8. Loans and Advances to Customers

The Group uses the following classification of loans and advances to customers by classes:

- Mortgages under the Program – mortgage loans issued to individuals under Housing for Integrated Rural Development Investment Program (Note 1)
- Loans to legal entities – loans issued to clients with legal form of ownership
- Loans to individuals – loans issued to individuals, except for mortgages issued under Housing for Integrated Rural Development Investment Program, which comprise:
  - commercial mortgage loans
  - consumer loans
  - educational loans
  - other
- Net investment in finance lease – loans issued to legal entities that meet the definition of finance lease.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

	31 December 2023	31 December 2022
Loans to legal entities	12,186,437	10,416,909
Mortgages under the Program	5,291,550	5,898,080
Loans to individuals	5,498,495	4,475,410
Net investment in financial lease	81,385	102,018
<b>Total loans and advances to customers, gross</b>	<b>23,057,867</b>	<b>20,892,417</b>
Less: Provision for expected credit losses	(2,870,205)	(1,637,365)
<b>Total loans and advances to customers, net</b>	<b>20,187,662</b>	<b>19,255,052</b>

Interest rate analysis of loans and advances to customers is disclosed in Note 30. Information on related party balances is disclosed in Note 34.

As at 31 December 2023, the Group had a single borrower with the aggregate principal balance of loans comprising UZS 493,551 million (31 December 2022: UZS 220,433 million).

The table below summarizes carrying value of loans and advances to customers analysed by economic sector concentrations:

	31 December 2023		31 December 2022	
	Amount	%	Amount	%
Individuals	10,790,045	47	10,373,490	50
Manufacturing	4,153,349	18	3,449,546	17
Trade	2,566,200	11	2,278,280	11
Agriculture	1,834,718	8	1,231,186	6
Construction	1,794,133	8	1,836,456	9
Services	1,141,088	5	1,030,983	5
Transport and communication	461,527	2	424,537	2
Other	316,807	1	267,939	-
<b>Total loans and advances to customers, gross</b>	<b>23,057,867</b>	<b>100</b>	<b>20,892,417</b>	<b>100</b>

Individuals comprise of the Mortgages under the Program and Loans to individuals.

The analysis of credit quality of loans and advances to customers is presented in the table below:

	31 December 2023	31 December 2022
Stage 1 (12-month ECL)	15,027,586	14,957,332
Stage 2 (Lifetime ECL)	3,466,625	2,411,808
Stage 3 (Lifetime ECL)	4,563,656	3,523,277
<b>Total loans and advances to customers, gross</b>	<b>23,057,867</b>	<b>20,892,417</b>
Less: Provision for expected credit losses	(2,870,205)	(1,637,365)
<b>Total loans and advances to customers, net</b>	<b>20,187,662</b>	<b>19,255,052</b>

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

The table below summarizes the carrying value of loans and advances to customers analysed by type of collateral obtained by the Group:

	31 December 2023	31 December 2022
Unsecured loans:	516,044	712,291
<b>Loans collateralised by pledge of:</b>		
Real estate	17,876,396	16,192,143
Guarantees of third parties	2,076,460	1,903,886
Insurance policies	910,438	663,760
Equipment	825,788	528,640
Vehicles	776,954	763,528
Inventories	37,244	109,284
Cash deposit	397	290
Other	38,146	18,595
<b>Total loans and advances to customers, gross</b>	<b>23,057,867</b>	<b>20,892,417</b>
Less: Provision for expected credit losses	(2,870,205)	(1,637,365)
<b>Total loans and advances to customers, net</b>	<b>20,187,662</b>	<b>19,255,052</b>

Guarantees of third parties were not considered in computation of discounted cash flows in calculation of allowance for impairment of loans and advances to customers.

The table below summarizes the carrying value of the credit impaired loans and advances to customers (Stage 3) analysed by type of collateral obtained by the Group:

	31 December 2023	31 December 2022
Unsecured loans:	62,131	146,663
<b>Loans collateralised by pledge of:</b>		
Real estate	2,977,311	2,212,731
Guarantees of third parties	748,110	581,605
Insurance policies	324,206	176,138
Vehicles	247,295	230,185
Equipment and inventory	204,390	175,915
Cash deposit	-	28
Other	213	12
<b>Total Stage 3 (Lifetime ECL) loans and advances to customers, gross</b>	<b>4,563,656</b>	<b>3,523,277</b>
Less: Provision for expected credit losses	(1,910,165)	(1,163,586)
<b>Total Stage 3 (Lifetime ECL) loans and advances to customers, net</b>	<b>2,653,491</b>	<b>2,359,691</b>

# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

## Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

Analysis of credit quality of loans and advances to customers outstanding as at 31 December 2023 is as follows:

	Mortgages under the Program	Loans to legal entities	Loans to individuals	Net investment in financial lease	Total
<b>Collectively assessed</b>					
<i>Stage 1 (12-month ECL)</i>					
Not past due	3,961,052	5,587,800	4,387,148	70,491	14,006,491
up to 30 days	405,912	476,364	138,819	-	1,021,095
<b>Total collectively assessed stage 1 (12-month ECL), gross</b>	<b>4,366,964</b>	<b>6,064,164</b>	<b>4,525,967</b>	<b>70,491</b>	<b>15,027,586</b>
<i>Stage 2 (Lifetime ECL)</i>					
Not past due	-	1,108,436	-	-	1,108,436
up to 30 days	321,021	177,884	371,410	479	870,794
31 to 60 days	266,800	583,147	110,385	2,371	962,703
61 to 90 days	151,919	295,324	76,070	1,379	524,692
<b>Total collectively assessed stage 2 (Lifetime ECL), gross</b>	<b>739,740</b>	<b>2,164,791</b>	<b>557,865</b>	<b>4,229</b>	<b>3,466,625</b>
<i>Stage 3 (Lifetime ECL)</i>					
Not past due	-	637,380	-	-	637,380
up to 30 days	45,050	85,460	106,548	2,011	239,069
31 to 60 days	25,797	267,303	44,706	-	337,806
61 to 90 days	16,524	90,890	31,729	-	139,143
91 to 180 days	24,185	299,954	75,186	2,534	401,859
Over 180 days	73,290	1,039,676	156,494	2,120	1,271,580
<b>Total collectively assessed stage 3 (Lifetime ECL), gross</b>	<b>184,846</b>	<b>2,420,663</b>	<b>414,663</b>	<b>6,665</b>	<b>3,026,837</b>
<b>Total collectively assessed, gross</b>	<b>5,291,550</b>	<b>10,649,618</b>	<b>5,498,495</b>	<b>81,385</b>	<b>21,521,048</b>
<b>Individually impaired</b>					
<i>Stage 3 (Lifetime ECL)</i>					
Not past due	-	568,747	-	-	568,747
up to 30 days	-	38,279	-	-	38,279
31 to 60 days	-	306,990	-	-	306,990
61 to 90 days	-	154,189	-	-	154,189
91 to 180 days	-	175,260	-	-	175,260
Over 180 days	-	293,354	-	-	293,354
<b>Total individually impaired stage 3 (Lifetime ECL), gross</b>	<b>-</b>	<b>1,536,819</b>	<b>-</b>	<b>-</b>	<b>1,536,819</b>
<b>Total loans and advances to customers, gross</b>	<b>5,291,550</b>	<b>12,186,437</b>	<b>5,498,495</b>	<b>81,385</b>	<b>23,057,867</b>
Provision for expected credit losses assessed on a collective basis stage 1 (12-month ECL)	(22,872)	(388,478)	(29,947)	(2,300)	(443,597)
Provision for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(49,882)	(427,367)	(37,676)	(1,518)	(516,443)
Provision for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	(45,538)	(1,309,366)	(114,047)	(4,249)	(1,473,200)
Provision for expected credit losses determined on an individual basis stage 3 (Lifetime ECL)	-	(436,965)	-	-	(436,965)
<b>Total provision for expected credit losses</b>	<b>(118,292)</b>	<b>(2,562,176)</b>	<b>(181,670)</b>	<b>(8,067)</b>	<b>(2,870,205)</b>
<b>Total loans and advances to customers</b>	<b>5,173,258</b>	<b>9,624,261</b>	<b>5,316,825</b>	<b>73,318</b>	<b>20,187,662</b>

# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

## Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

Analysis of credit quality of loans and advances to customers outstanding as at 31 December 2022 is as follows:

	Mortgages under the Program	Loans to legal entities	Loans to individuals	Net investment in financial lease	Total
<b>Collectively assessed</b>					
<i>Stage 1 (12-month ECL)</i>					
Not past due	4,432,826	5,613,489	3,652,928	89,609	13,788,852
up to 30 days	660,031	222,597	282,118	3,734	1,168,480
<b>Total collectively assessed stage 1 (12-month ECL), gross</b>	<b>5,092,857</b>	<b>5,836,086</b>	<b>3,935,046</b>	<b>93,343</b>	<b>14,957,332</b>
<i>Stage 2 (Lifetime ECL)</i>					
Not past due	60,230	969,245	24,217	939	1,054,631
up to 30 days	35,343	46,814	36,036	-	118,193
31 to 60 days	283,742	415,189	181,544	-	880,475
61 to 90 days	115,969	206,767	35,773	-	358,509
<b>Total collectively assessed stage 2 (Lifetime ECL), gross</b>	<b>495,284</b>	<b>1,638,015</b>	<b>277,570</b>	<b>939</b>	<b>2,411,808</b>
<i>Stage 3 (Lifetime ECL)</i>					
Not past due	2,282	151,161	23,448	5	176,896
up to 30 days	-	11,241	2,228	-	13,469
31 to 60 days	317	8,575	7,997	-	16,889
61 to 90 days	308	8,656	5,013	-	13,977
91 to 180 days	147,115	384,626	86,458	3,978	622,177
Over 180 days	159,917	850,970	137,650	3,753	1,152,290
<b>Total collectively assessed stage 3 (Lifetime ECL), gross</b>	<b>309,939</b>	<b>1,415,229</b>	<b>262,794</b>	<b>7,736</b>	<b>1,995,698</b>
<b>Total collectively assessed, gross</b>	<b>5,898,080</b>	<b>8,889,330</b>	<b>4,475,410</b>	<b>102,018</b>	<b>19,364,838</b>
<b>Individually impaired</b>					
<i>Stage 3 (Lifetime ECL)</i>					
Not past due	-	1,253,621	-	-	1,253,621
up to 30 days	-	14,947	-	-	14,947
31 to 60 days	-	26,999	-	-	26,999
61 to 90 days	-	20,962	-	-	20,962
91 to 180 days	-	43,523	-	-	43,523
Over 180 days	-	167,527	-	-	167,527
<b>Total individually impaired stage 3 (Lifetime ECL), gross</b>	<b>-</b>	<b>1,527,579</b>	<b>-</b>	<b>-</b>	<b>1,527,579</b>
<b>Total loans and advances to customers, gross</b>	<b>5,898,080</b>	<b>10,416,909</b>	<b>4,475,410</b>	<b>102,018</b>	<b>20,892,417</b>
Provision for expected credit losses assessed on a collective basis stage 1 (12-month ECL)	(23,946)	(145,687)	(28,428)	(1,964)	(200,025)
Provision for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(29,335)	(223,174)	(21,099)	(146)	(273,754)
Provision for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	(72,767)	(821,124)	(78,927)	(5,482)	(978,300)
Provision for expected credit losses determined on an individual basis stage 3 (Lifetime ECL)	-	(185,286)	-	-	(185,286)
<b>Total provision for expected credit losses</b>	<b>(126,048)</b>	<b>(1,375,271)</b>	<b>(128,454)</b>	<b>(7,592)</b>	<b>(1,637,365)</b>
<b>Total loans and advances to customers</b>	<b>5,772,032</b>	<b>9,041,638</b>	<b>4,346,956</b>	<b>94,426</b>	<b>19,255,052</b>

As at 31 December 2023, loans to legal entities include loans that were restructured during 2023 in the amount of UZS 1,875,790 million (31 December 2022: UZS 2,205,646 million).

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

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(in millions of Uzbekistan Soums)

The components of net investment in finance lease receivables are as follows:

	31 December 2023	31 December 2022
<b>Amounts receivable under finance leases</b>		
Less than one year	24,836	48,893
Year 1	17,390	31,059
Year 2	14,874	21,305
Year 3	14,173	17,446
Year 4	13,335	15,057
Year 5	4,339	12,709
Onwards	-	3,774
Minimum lease payments	88,947	150,243
Less: unearned finance income	(7,562)	(48,225)
<b>Net investment in finance lease (before impairment)</b>	<b>81,385</b>	<b>102,018</b>
Recoverable within 12 months	21,702	32,344
Recoverable after 12 months	59,683	69,674
<b>Net investment in finance lease (before impairment)</b>	<b>81,385</b>	<b>102,018</b>
Less: Provision for expected credit losses	(8,067)	(7,592)
<b>Net investment in finance lease</b>	<b>73,318</b>	<b>94,426</b>

Net investment in finance lease is collateralised by the equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

#### 9. Investment securities measured at amortised cost

	Currency	Annual coupon/ interest rate %	Maturity date month/year	31 December 2023	31 December 2022
Government bonds	USD-UZS	4.75-5.375%, 14-19%	Feb 2024-Jul 2032	1,376,551	1,060,695
CBU Bonds	UZS	8-15%	Feb-Mar 2024	97,357	193,817
Corporate bonds	UZS	18.39%	Oct 2026	20,778	-
<b>Total investment securities measured at amortised cost, gross</b>				<b>1,494,686</b>	<b>1,254,512</b>
Less: Provision for expected credit losses				(7,723)	(7,842)
<b>Total investment securities measured at amortised cost, net</b>				<b>1,486,963</b>	<b>1,246,670</b>



## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

(in millions of Uzbekistan Soums)

As at 31 December 2023, government bonds from the Ministry of Economy and Finance of the Republic of Uzbekistan and CBU Bonds include a gross amount of UZS 599,893 million (2022: UZS 896,625 million) and UZS 97,357 million purchased in 2023 (2022: UZS 193,817 million), respectively. In addition, corporate bonds in the gross amount of UZS 20,778 million were purchased in 2023.

As at 31 December 2023, government bonds from the Ministry of Economy and Finance of the Republic of Uzbekistan include pledged bonds in the total amount equivalent to UZS 36,843 million.

In addition, the government bonds include Eurobonds issued by the Ministry of Economy and Finance of the Republic of Uzbekistan with interest rates of 4.75%-5.375% per annum and remaining maturity from 1 to 6 years as at 31 December 2023.

For the balances with CBU and the Ministry of Economy and Finance of the Republic of Uzbekistan, the quality categories are determined based on the Moody's sovereign rating – Ba3 stable (as at 31 December 2022: B1 positive).

### 10. Financial Assets at Fair Value Through Other Comprehensive Income

	Type of financial instrument	Share in %	31 December 2023	31 December 2022
"Yashil Energiya" LLC	equity instruments	9.58%	34,473	-
JSC "Uzbekistan Mortgage Refinancing Company"	equity instruments	10%	14,690	13,003
JSC "O'ZBEKISTON POCHTASI"	equity instruments	2.93%	3,812	3,806
JSC "O'zagrolizing"	equity instruments	0.20%	170	162
Others	equity instruments	3.23 - 9.87%	3,357	4,313
<b>Total financial assets at fair value through other comprehensive income</b>			<b>56,502</b>	<b>21,284</b>

In accordance with the Presidential Decree of the Republic of Uzbekistan No. PD-57 "On measures to accelerate the introduction of renewable energy sources and energy-saving technologies in 2023" dated 16 February 2023, in order to implement the project, the Group's subsidiary LLC "Green-Energy-Service-Group" acquired investments of LLC "Yashil Energiya" with a share of 9.58% in the total amount of UZS 33,533 million.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

#### 11. Property, Equipment and Intangible Assets

	Buildings and Premises	Office and computer equipment	Construction in progress	Total Property and equipment	Intangible assets	Total
<b>At cost</b>						
<b>31 December 2021</b>	<b>214,341</b>	<b>190,634</b>	<b>26,628</b>	<b>431,603</b>	<b>8,749</b>	<b>440,352</b>
Additions	-	53,929	31,392	85,321	17,428	102,749
Transfers	11,391	(3,648)	(13,111)	(5,368)	5,368	-
Disposals	(201)	(1,481)	-	(1,682)	(446)	(2,128)
Reclassification as non-current assets held for sale (Note 13)	-	(1,898)	-	(1,898)	-	(1,898)
<b>31 December 2022</b>	<b>225,531</b>	<b>237,536</b>	<b>44,909</b>	<b>507,976</b>	<b>31,099</b>	<b>539,075</b>
Additions	-	113,939	18,561	132,500	2,463	134,963
Transfers	6,891	2,964	(7,018)	2,837	(2,837)	-
Disposals	(6)	(2,338)	(375)	(2,719)	(1,573)	(4,292)
Acquisition of subsidiaries	-	5,154	-	5,154	4,830	9,984
<b>31 December 2023</b>	<b>232,416</b>	<b>357,255</b>	<b>56,077</b>	<b>645,748</b>	<b>33,982</b>	<b>679,730</b>
<b>Accumulated depreciation</b>						
<b>31 December 2021</b>	<b>26,544</b>	<b>79,282</b>	<b>-</b>	<b>105,826</b>	<b>5,633</b>	<b>111,459</b>
Charge for the year (Note 25)	11,068	43,077	-	54,145	2,632	56,777
Transfers	-	-	-	-	-	-
Disposals	(194)	(362)	-	(556)	17	(539)
<b>31 December 2022</b>	<b>37,418</b>	<b>121,997</b>	<b>-</b>	<b>159,415</b>	<b>8,282</b>	<b>167,697</b>
Charge for the year (Note 25)	11,549	53,174	-	64,723	5,412	70,135
Transfers	-	-	-	-	-	-
Disposals	(5)	(2,143)	-	(2,148)	(233)	(2,381)
Acquisition of subsidiaries	-	1,360	-	1,360	775	2,135
<b>31 December 2023</b>	<b>48,962</b>	<b>174,388</b>	<b>-</b>	<b>223,350</b>	<b>14,236</b>	<b>237,586</b>
<b>Net book value</b>						
<b>31 December 2021</b>	<b>187,797</b>	<b>111,352</b>	<b>26,628</b>	<b>325,777</b>	<b>3,116</b>	<b>328,893</b>
<b>31 December 2022</b>	<b>188,113</b>	<b>115,539</b>	<b>44,909</b>	<b>348,561</b>	<b>22,817</b>	<b>371,378</b>
<b>31 December 2023</b>	<b>183,454</b>	<b>182,867</b>	<b>56,077</b>	<b>422,398</b>	<b>19,746</b>	<b>442,144</b>

Intangible assets comprise software licenses acquired for conducting its operations.

A significant part of construction in progress balances in the total amount of UZS 55,098 million is represented by Tashkent (UZS 51,486 million) and Sirdaryo (UZS 3,612 million) branch buildings and upon completion these assets will be transferred to buildings and premises.

Additions of office and computer equipment mainly comprise of database server and automated teller machines in the amount of UZS 51,213 million and UZS 15,276 million, respectively.

As at 31 December 2023 and 2022, fully depreciated assets amounted to UZS 58,146 million and UZS 35,870 million, respectively.

As at 31 December 2023 and 2022, the Group did not pledge properties, equipment and intangible assets as collateral.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

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### 12. Other Assets

	31 December 2023	31 December 2022
<b>Other financial assets</b>		
Receivables on money transfers	1,144	1,975
Commissions receivable from customers	1,129	12,841
Receivable from employees	192	174
Receivables on post-financing arrangements	-	2,530
Other receivables	1,679	468
<b>Total other financial assets, gross</b>	<b>4,144</b>	<b>17,988</b>
Less: Provision for expected credit losses	(303)	(3,122)
<b>Total other financial assets, net</b>	<b>3,841</b>	<b>14,866</b>
<b>Other non-financial assets:</b>		
Prepayments for office and computer equipment	38,091	-
Prepayments	31,195	18,851
Reposessed collateral	25,535	-
Prepayment for construction services	2,451	1,435
Other	208	752
<b>Total other non-financial assets</b>	<b>97,480</b>	<b>21,038</b>
<b>Total other assets</b>	<b>101,321</b>	<b>35,904</b>

As at 31 December 2023, prepayments for office and computer equipment include advance payment for the acquisition of automated teller and deposit machines in the total amount of UZS 36,624 million.

Analysis by credit quality of other financial assets is as follows:

	31 December 2023	31 December 2022
Stage 2 (Lifetime ECL)	4,144	13,873
Stage 3 (Lifetime ECL)	-	4,115
<b>Total other financial assets, gross</b>	<b>4,144</b>	<b>17,988</b>
Less: Provision for expected credit losses	(303)	(3,122)
<b>Total other financial assets, net</b>	<b>3,841</b>	<b>14,866</b>

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

The analysis by credit quality of other financial assets outstanding at 31 December 2023 is as follows:

	Receivables on money transfers	Commissions receivable from customers	Receivable from employees	Other receivables	Total
<b>Collectively assessed</b>					
<i>Stage 2 (Lifetime ECL)</i>					
Not past due	1,144	1,129	192	1,679	4,144
<b>Total collectively assessed stage 2 (Lifetime ECL), gross</b>	<b>1,144</b>	<b>1,129</b>	<b>192</b>	<b>1,679</b>	<b>4,144</b>
Provision for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(19)	(107)	(18)	(159)	(303)
<b>Total other financial assets, net</b>	<b>1,125</b>	<b>1,022</b>	<b>174</b>	<b>1,520</b>	<b>3,841</b>

The analysis by credit quality of other financial assets outstanding at 31 December 2022 is as follows:

	Receivables on money transfers	Commissions receivable from customers	Receivables on post- financing arrangements	Receivable from employees	Other receivables	Total
<b>Collectively assessed</b>						
<i>Stage 2 (Lifetime ECL)</i>						
Not past due	-	9,850	-	2	-	9,852
up to 30 days	1,975	805	-	44	468	3,292
31 to 60 days	-	130	-	125	-	255
61 to 90 days	-	474	-	-	-	474
<b>Total collectively assessed stage 2 (Lifetime ECL), gross</b>	<b>1,975</b>	<b>11,259</b>	<b>-</b>	<b>171</b>	<b>468</b>	<b>13,873</b>
<i>Stage 3 (Lifetime ECL)</i>						
91 to 180 days	-	766	2,530	-	-	3,296
Over 180 days	-	816	-	3	-	819
<b>Total collectively assessed stage 3 (Lifetime ECL), gross</b>	<b>-</b>	<b>1,582</b>	<b>2,530</b>	<b>3</b>	<b>-</b>	<b>4,115</b>
<b>Total other financial assets, gross</b>	<b>1,975</b>	<b>12,841</b>	<b>2,530</b>	<b>174</b>	<b>468</b>	<b>17,988</b>
Provision for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(123)	(619)	-	(6)	(25)	(773)
Provision for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	-	(518)	(1,830)	(1)	-	(2,349)
<b>Total provision for expected credit losses</b>	<b>(123)</b>	<b>(1,137)</b>	<b>(1,830)</b>	<b>(7)</b>	<b>(25)</b>	<b>(3,122)</b>
<b>Total other financial assets</b>	<b>1,852</b>	<b>11,704</b>	<b>700</b>	<b>167</b>	<b>443</b>	<b>14,866</b>

The primary factors that the Group considers in determining whether a receivable is impaired are its overdue status and realisability of related collateral, if any.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

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#### 13. Assets classified as held for sale

On November 2022, the Group approved the plan to sell its subsidiary JSC “Perfect Insurance”. As at 31 December 2022, the Group actively marketed in different local market platforms and classified related assets and liabilities as Assets classified as held for sale.

	31 December 2023	31 December 2022
<i>Assets of subsidiary insurance business classified as held for sale</i>		
Non-current assets	n/a	10,448
Current assets	n/a	53,041
<b>Total assets of subsidiary insurance business classified as held for sale</b>	<b>-</b>	<b>63,489</b>
<i>Reposessed assets received as collateral from loans and advances to customers</i>		
Real estate	62,601	n/a
Vehicles	3,428	n/a
<b>Total reposessed assets classified as held for sale</b>	<b>66,029</b>	<b>-</b>
<b>Total assets classified as held for sale</b>	<b>66,029</b>	<b>63,489</b>
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>-</b>	<b>26,281</b>
<b>Net assets classified as held for sale</b>	<b>66,029</b>	<b>37,208</b>

The Group recognized lower carrying amount and fair value less costs to sell as follows:

	31 December 2023	31 December 2022
<b>Non-current assets</b>		
Property and equipment	-	1,898
Due from other banks	-	6,500
Investment securities measured at amortised cost	-	2,050
<b>Total non-current assets</b>	<b>-</b>	<b>10,448</b>
<b>Current assets</b>		
Cash and cash equivalents	-	595
Placements with other banks with original maturities of less than three months	-	51,059
Reinsurance unearned premium reserve	-	669
Reinsurance reserves for incurred but not reported losses	-	185
Other current assets	-	533
<b>Total current assets</b>	<b>-</b>	<b>53,041</b>
<b>Total assets of subsidiary insurance business classified as held for sale</b>	<b>-</b>	<b>63,489</b>
<b>Non-current liabilities</b>		
Unearned premium reserve	-	22,086
Reserves for incurred but not reported losses	-	2,247
Reported but not settled	-	1,536
<b>Total non-current liabilities</b>	<b>-</b>	<b>25,869</b>
<b>Current liabilities</b>		
Other current liabilities	-	412
<b>Total current liabilities</b>	<b>-</b>	<b>412</b>
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>-</b>	<b>26,281</b>
<b>Net assets of subsidiary insurance business classified as held for sale</b>	<b>-</b>	<b>37,208</b>

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### 14. Due to Other Banks

	31 December 2023	31 December 2022
Short term placements of other banks	522,218	1,696,845
Long term placements of other banks	684,334	595,490
<b>Total due to other banks</b>	<b>1,206,552</b>	<b>2,292,335</b>

As at 31 December 2023, term deposits in the amount of UZS 565,604 million were provided by 2 domestic banks (31 December 2022: UZS 398,723 million – 2 domestic banks), and UZS 286,106 million were provided by 2 Russian banks (31 December 2022: UZS 1,858,979 million – 2 Russian banks).

### 15. Customer Accounts

	31 December 2023	31 December 2022
<b>State and public organizations</b>		
- Current/settlement accounts	1,794,962	500,974
- Term deposits	880,121	1,551,353
<b>Other legal entities</b>		
- Current/settlement accounts	666,022	571,007
- Term deposits	830,406	686,123
<b>Individuals</b>		
- Current/settlement accounts	288,740	289,652
- Term deposits	1,456,115	1,312,607
<b>Total customer accounts</b>	<b>5,916,366</b>	<b>4,911,716</b>

Economic sector concentration is as follows:

	31 December 2023		31 December 2022	
	Amount	%	Amount	%
<b>Analysis by economic sector/customer type:</b>				
State and public organisations	2,675,083	46	2,052,327	43
Individuals	1,744,855	29	1,602,259	33
Finance sector	521,996	9	514,638	10
Services	314,299	5	105,338	2
Construction	252,881	4	366,761	7
Manufacturing	237,760	4	123,099	3
Trade	127,567	2	117,115	2
Transport and communication	25,720	1	13,924	-
Agriculture	15,666	-	14,534	-
Others	539	-	1,721	-
<b>Total customer accounts</b>	<b>5,916,366</b>	<b>100</b>	<b>4,911,716</b>	<b>100</b>

As at 31 December 2023 and 2022, the Group had 10 customers with the total balance of UZS 2,526,605 million and UZS 1,920,226 million, respectively.



# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

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## 16. Borrowings from Government and International Financial Institutions

	Currency	Nominal interest rate	31 December 2023	31 December 2022
Ministry of Economy and Finance of the Republic of Uzbekistan (MOEF)	USD, UZS	5.25-5.875%, 0-14%	6,145,247	5,311,492
Asian Development Bank (ADB) via MOEF	USD, UZS	3-14% (CBU policy rate)	1,767,958	1,942,219
International Bank of Reconstruction and Development (IBRD) via MOEF	USD, UZS	3-7.6%, 14%	1,704,176	1,378,252
Islamic Development Bank via MOEF	UZS	4-5.4%	1,683,277	1,797,670
Fund for Reconstruction and Development of the Republic of Uzbekistan (UFRD)	USD, UZS	0-7.74%, 7- 10%	913,412	643,619
Saudi Fund for Development via MOEF	UZS	4-7%	548,771	583,287
Borrowings from Government	USD, UZS	2-4.5%, 3-12% Euribor +	470,082	293,492
KFW IPEX BANK	EUR	1.25%-3%	460,938	227,147
European Investment Bank via Entrepreneurship Development Agency under the Ministry of Economic Development and Poverty Reduction	USD	6.032% + SOFR 6m	437,050	333,434
"Kamkombank" LLC	AED	5.25%	306,414	8,492
Cargill Financial Services International	USD	11.89%	254,839	-
Bank World of Privilege	RUB	12.30%	248,048	-
JSC "Uzbekistan mortgage refinancing company"	UZS	12.5-20%	236,135	175,488
Japan International Cooperation Agency (JICA)	USD	5%	233,991	213,139
International Development Association (IDA) via MOEF	USD, UZS	Libor 6 m - 4.3%, 14%	207,178	204,862
National Bank for Foreign Economic Activity of the Republic of Uzbekistan (NBU)	UZS	10-18%	201,405	216,052
JSC JSCB International Financial Club (IFC Bank)	CYN	5.75%	193,492	312,547
International Fund for Agricultural Development (IFAD) via MOEF	USD, UZS	2.5-3.5%, 14%	143,148	135,162
Islamic Corporation for the Development of the Private Sector (ICD)	USD	-	120,621	185,686
COMMERZBANK AG	EUR	4.87-7.02%	113,372	47,094
International Islamic Trade Finance Corporation (ITFC)	USD	-	92,224	60,953
JSC KDB Bank Uzbekistan	USD	6.00%	91,499	102,137
French Development Agency via State Committee for Veterinary and Livestock Development	UZS	14% (CBU policy rate) CBU policy rate	89,658	89,609
Central Bank of Uzbekistan	UZS	+1%	54,443	-
China Eximbank via NBU	USD	Libor 6 m - 4%	42,811	115,686
JSCB "Asaka Bank"	UZS	3-10%	38,139	49,923
JSCB "Uzbek Industrial and Construction Bank"	UZS	10%	31,792	32,558
JSCMB "Ipoteka Bank"	UZS	10%	30,058	40,371
Landesbank Hessen-Thüringen Girozentrale	EUR	6.61% Libor 6 m -	29,074	-
Banka Kombëtare Tregtare SH.a	USD	4.1%	27,496	72,806
JSCB "Aloqabank"	UZS	10%	27,358	38,120
JSCB "Turonbank"	UZS	10%	19,344	28,692
JSCB "Mikrokreditbank"	UZS	10%	16,552	16,895
JSCB "Agrobank"	UZS	10%	4,345	5,586
International Bank for Economic Co-operation	EUR	4.3%	-	4,151
<b>Total borrowings from government and international financial institutions</b>			<b>16,984,347</b>	<b>14,666,621</b>

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As at 31 December 2023, borrowings from the Ministry of Economy and Finance of the Republic of Uzbekistan represented in USD and UZS denominated long-term loans, maturing the earliest in February 2024, and the latest in December 2043, which are issued with interest rates ranging from 0% to 14% per annum (including interest rates ranging from 5.25% - 5.875% per annum for the USD denominated loans). The purpose of borrowed funds is the construction of residential housing units in rural areas.

Borrowings from Asian Development Bank provided through the Ministry of Economy and Finance of the Republic of Uzbekistan represented in USD and UZS denominated long-term loans, maturing the earliest in August 2029 and the latest in May 2035, which are issued with interest rates from 3% to 14% per annum. Loans were borrowed to finance mortgages issued to individuals under Housing for Integrated Rural Development Investment Program.

Borrowings from International Bank for Reconstruction and Development provided through the Ministry of Economy and Finance of the Republic of Uzbekistan represented in USD and UZS denominated long-term loans (which can be obtained in UZS and USD equivalent), maturing the earliest in January 2032 and the latest in October 2043, which are issued with an interest rate ranging from 3% to 7.6% per annum for the USD denominated loans and 14% per annum for the UZS denominated loans. Loans were borrowed to finance the development of fruits and vegetables sector in Uzbekistan.

Borrowings from Islamic Development Bank provided through the Ministry of Economy and Finance of the Republic of Uzbekistan represent long-term loan, maturing the earliest in November 2032 and the latest in October 2041, which are issued with interest rates ranging from 4%-5.4% per annum. Loans were borrowed with the purpose of construction of residential housing units in rural areas of Tashkent, Fergana and Samarkand regions.

Borrowings from Fund for Reconstruction and Development of the Republic of Uzbekistan represented in USD and UZS denominated long-term loans, maturing the earliest in July 2024 and the latest in September 2033, which are issued with an interest rate ranging from 7% to 10% per annum for UZS denominated loans and up to 7.74% per annum for the USD denominated loans. Loans were borrowed to finance socially important sectors of economy such as development of family entrepreneurship and related service sector (excluding projects for the development of the financial sector and cases of replenishment of working capital in that sector).

In 2023, the Group entered into agreements with new lenders represented by Cargill Financial Services International and Bank World of Privilege. Borrowings from Cargill Financial Services International represented in USD denominated long-term loans, maturing in June 2025 which are issued with an interest rate of 11.9% per annum. Loans were borrowed with the purpose of financing the export and/or import of various commodities and goods of the clients. Borrowings from Bank World of Privilege represented in RUB denominated short-term loan, maturing in July 2024 which is issued with an interest rate of 12.3% per annum. Loan was borrowed with the purpose of financing the export and/or import of various commodities and goods of the clients.

The Group has attracted borrowing funds from the Central Bank of the Republic of Uzbekistan in 2023, which represent UZS denominated long-term loans, maturing the earliest in July 2026 and the latest in December 2026, which are issued with the interest rate of 15% per annum. Loans were borrowed to refinance loans issued under the "green energy" program of the Republic of Uzbekistan.

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As at 31 December 2023, the Group was not in compliance with certain financial covenants stipulated in the following loan agreements where the Group is obliged to comply with the financial covenants in relation to the funds borrowed:

- Borrowings from the International Islamic Trade Finance Corporation (ITFC). As a result of the non-compliance, the Group recognized liability in the outstanding principal amount of equivalent to UZS 92,224 million to ITFC within the Borrowings from government and international financial institutions. The Group was in breach of a financial covenant ratio of non-performing loans against total gross loans; or the overdue ratio of loans overdue more than 90 days divided by total gross loans.
- Borrowings from Asian Development Bank provided through the Ministry of Economy and Finance represent long-term loans with the total outstanding principal amount of equivalent to UZS 571,319 million maturing from May 2028 to March 2033, which are issued with interest rates from 3% to 15% under the Subsidiary Loan Agreements #2775-UZB dated 16 February 2012, #3039-UZB dated 11 October 2013, #3271-UZB dated 21 August 2015 and #L3823-UZB (COL) dated 13 November 2019. The Group was in breach of financial covenants of a “return on average assets ratio”, a “maximum ratio of the value of non-performing loans (NPLs)” and breach “non-performing loans ratio”.
- Borrowings from the International Fund for Agricultural Development (IFAD) under the general agreement signed among the Bank, IFAD and MOF. The total outstanding principal amount was equivalent to UZS 124,515 million. The Group was in breach of the followings financial covenants: 1) positive net profit for the current financial period and two previous financial period; 2) ratio of non-performing loans to the total loans portfolio and; 3) ratio of the outstanding balance of the loans issued under the credit line with over 30 days overdue to the gross outstanding balance of the loans issued under this credit line.
- Non-compliance has triggered cross default clauses stipulated in the credit facility agreement signed between the Bank and KFW IPEX BANK. Under this credit facility agreement cross default events also give KFW IPEX BANK the right to demand prepayment of the loan advanced to the Bank. The total outstanding principal amount was equivalent to UZS 459,218 million.

As at 31 December 2023, in accordance with IFRS, the Group classified the long-term borrowings from these financial institutions as “Up to 1 month” with the total principal amount of equivalent to UZS 1,247,276 million.

In 2023, the Group was provided with waiver letters from ICD and Banka Kombëtare Tregtare SH.a. in response to non-compliance with certain financial covenants.

The Group believes that the non-compliance with the abovementioned financial covenants is not expected to adversely affect the financial condition and results of the Group (Note 3).

#### 17. Debt Securities in Issue

			31 December 2023	31 December 2022
	Maturity	Nominal interest rate		
Certificates of deposit	2024 - 2025	18% - CBU policy rate+4%	86,799	104,498
<b>Total debt securities in issue</b>			<b>86,799</b>	<b>104,498</b>

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### 18. Other Liabilities

	31 December 2023	31 December 2022
<b>Other financial liabilities:</b>		
Deposit for stock subscription	925,408	-
Trade payables for goods and services received	29,774	6,876
Security Deposits on money transfers	6,293	6,511
Payable to "Guarantee fund of deposits of individuals"	4,195	3,701
Dividends payable	60	38
Other	473	319
<b>Total other financial liabilities</b>	<b>966,203</b>	<b>17,445</b>
<b>Other non-financial liabilities:</b>		
Taxes other than income tax payable	17,031	14,080
Unearned Income	12,425	399
Accrued employee benefit costs	11,867	13,031
Provision for credit related commitments	5,910	3,604
Obligatory payable to pension and other funds	668	1,569
Other	2,892	818
<b>Total other non-financial liabilities</b>	<b>50,793</b>	<b>33,501</b>
<b>Total other liabilities</b>	<b>1,016,996</b>	<b>50,946</b>

Deposit for stock subscription relates to the deposit placed by Fund for Reconstruction and Development of the Republic of Uzbekistan for the purpose to increase its ownership in the share capital of the Bank. Subsequent after the reporting period, the Group transferred funds for capital injection into the share capital (Note 35).

As at 31 December 2023, trade payables for goods and services received include payable of UZS 7,384 million for the installation and integration of networks screen and related switches.

### 19. Share Capital

	Authorised shares	Ordinary shares	Preference shares	Total number of shares
<b>31 December 2021</b>	<b>15,548,065,844</b>	<b>15,548,065,844</b>	<b>9,000,000</b>	<b>15,557,065,844</b>
<b>31 December 2022</b>	<b>15,548,065,844</b>	<b>15,548,065,844</b>	<b>9,000,000</b>	<b>15,557,065,844</b>
<b>31 December 2023</b>	<b>15,561,710,780</b>	<b>15,561,710,780</b>	<b>9,000,000</b>	<b>15,570,710,780</b>

The Group's share capital comprises the following:

	Ordinary shares	Preference shares	Share premium	Total
<b>31 December 2021</b>	<b>1,857,880</b>	<b>2,007</b>	<b>942</b>	<b>1,860,829</b>
<b>31 December 2022</b>	<b>1,857,880</b>	<b>2,007</b>	<b>942</b>	<b>1,860,829</b>
<b>31 December 2023</b>	<b>1,859,507</b>	<b>2,007</b>	<b>942</b>	<b>1,862,456</b>

	Nominal registered amount	Effect of hyperinflation	Share premium	Total
<b>As at 31 December 2023</b>				
Share capital	1,856,807	4,707	942	1,862,456

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The preferred shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. The preference shares give the holders the right to participate in general shareholders' meetings without voting rights except in instances where decisions are made in relation to re-organization and liquidation of the Group, and where changes and amendments to the Group's charter which restrict the rights of preference shareholders are proposed. If preference dividends are not declared by ordinary shareholders, the preference shareholders have the right to vote as ordinary shareholders until such time that the dividend is paid.

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

### 20. Net Debt Reconciliation

	1 January 2023	Net financing cash flows	Interest paid	Non-cash changes		Foreign exchange rate adjust- ments	31 December 2023
				Interest accrued (Note 21)	Off balance sheet liabilities derecognised (Note 16)		
Borrowings from government and international financial institutions (Note 16)	14,666,621	1,811,772	(1,156,597)	1,221,251	(33,793)	475,093	16,984,347

	1 January 2022	Net financing cash flows	Interest paid	Non-cash changes		Foreign exchange rate adjust- ments	31 December 2022
				Interest accrued (Note 21)	Off balance sheet liabilities recognised (Note 16)		
Borrowings from government and international financial institutions (Note 16)	12,131,007	2,175,777	(816,546)	862,285	224,650	89,448	14,666,621

Due to breach of certain financial covenants of ITFC and ICD, previously, the Group recognized off-balance sheet liabilities in the balance sheet. Current period changes in these liabilities disclosed in "off balance sheet liabilities recognised/(derecognised)" column above.

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### 21. Net Interest Income

	2023	2022
<b>Interest income comprises:</b>		
Interest on loans and advances to customers	3,067,678	2,417,593
Interest income on investment securities measured at amortised cost	241,322	154,940
Interest on balances due from other banks	52,447	37,597
Interest on cash and cash equivalents	942	3,325
<b>Total interest income</b>	<b>3,362,389</b>	<b>2,613,455</b>
<b>Interest expense comprises:</b>		
Interest on borrowings from government and international financial institutions	(1,221,251)	(862,285)
Interest on term deposits of individuals	(284,839)	(193,604)
Interest on term deposits of state and other legal entities	(276,323)	(316,591)
Interest on term deposits of other banks	(119,498)	(112,618)
Interest on debt securities in issue	(21,209)	(16,636)
Other interest expenses	(49,888)	(39,174)
<b>Total interest expense</b>	<b>(1,973,008)</b>	<b>(1,540,908)</b>
<b>Net interest income</b>	<b>1,389,381</b>	<b>1,072,547</b>

The total interest income and expenses calculated using the EIR method for financial assets and liabilities measured at amortized cost are the same as disclosed above. Interest income includes UZS 122,726 million (2022: UZS 94,918 million) of interest income recognized on Stage 3 loans and advances to customers.

### 22. Fee and Commission Income and Expense

	2023	2022
<b>Fee and commission income:</b>		
Settlements	151,908	136,203
International money transfers	29,226	34,595
Guarantees and letters of credit	11,994	13,643
SMS and internet banking	4,599	4,405
Foreign exchange operations	339	756
Other	2,568	2,905
<b>Total fee and commission income</b>	<b>200,634</b>	<b>192,507</b>
<b>Fee and commission expense:</b>		
Settlements	(34,711)	(27,637)
Fee and commission expenses to other banks	(6,338)	(9,304)
Cash collection services	(6,115)	(6,070)
Other	(4,806)	(2,911)
<b>Total fee and commission expense</b>	<b>(51,970)</b>	<b>(45,922)</b>
<b>Net fee and commission income</b>	<b>148,664</b>	<b>146,585</b>

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

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### 23. Net Gain on Foreign Exchange Operations

	2023	2022
Translation differences, net	4,526	2,100
Dealing transactions, net	41,045	37,630
<b>Total net gain on foreign exchange operations</b>	<b>45,571</b>	<b>39,730</b>

### 24. Other Income

	2023	2022
Dividend income	4,516	2,335
Gain on disposal of premises and equipment	1,605	547
Income from rental of plastic card terminals	198	572
Other	4,321	2,339
<b>Total other income</b>	<b>10,640</b>	<b>5,793</b>

### 25. Operating Expenses

	2023	2022
Staff costs	489,559	494,927
Depreciation and amortisation (Note 11)	70,135	56,777
Taxes other than income tax	69,938	65,125
Security services	46,646	40,132
Charity and sponsorship	32,579	23,541
Membership fees	23,032	14,054
Repair and maintenance	13,688	9,192
Stationery and supplies	10,506	10,324
Professional services	9,399	25,994
Business trip and travel expenses	7,262	6,575
Other Insurance expenses	6,709	-
Advertising and Publicity	4,297	2,514
Utilities	4,228	3,331
Rent expenses	3,792	3,398
Postage, telephone and fax	3,508	3,049
Fuel	1,957	1,688
Other operating expenses	10,900	26,126
<b>Total operating expenses</b>	<b>808,135</b>	<b>786,747</b>

Included in staff costs are statutory social security contributions of UZS 34,446 million (2022: UZS 50,293 million).

Expenses for professional services above include UZS 1,580 million (2022 - UZS 1,514 million) and UZS 559 million (30 June 2022 - UZS 570 million) for audit of the Group's consolidated financial statements for the year ended 31 December 2023 and Review of the Group's consolidated financial information for the period ended 30 June 2023, respectively. No other non-audit services were provided during the years ended 31 December 2023 and 2022.



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### 26. Disposal of subsidiary

On November 2022, the Group approved the plan to sell its subsidiary JSC “Perfect Insurance”. On 23 February 2023, the Group entered into a sale agreement to dispose of the subsidiary and the disposal was completed on 17 March 2023. The Group sold its 100% shares of JSC “Perfect insurance” for UZS 51,597 million.

The gain on disposal of the subsidiary, which has been included in the profit for the six months ended 30 June 2023 (unaudited), was as follows:

	17 March 2023	31 December 2022
Consideration received in cash and cash equivalents	51,597	-
Net assets disposed of	(37,208)	-
<b>Gain on disposal</b>	<b>14,389</b>	<b>-</b>

### Assets and liabilities disposed of

	17 March 2023
<b>Non-current assets</b>	
Property and equipment	1,898
Due from other banks	6,500
Investment securities measured at amortised cost	2,050
<b>Total non-current assets</b>	<b>10,448</b>
<b>Current assets</b>	
Cash and cash equivalents	595
Placements with other banks with original maturities of less than three months	51,059
Reinsurance unearned premium reserve	669
Reinsurance reserves for incurred but not reported losses	185
Other current assets	533
<b>Total current assets</b>	<b>53,041</b>
<b>Total assets</b>	<b>63,489</b>
<b>Non-current liabilities</b>	
Unearned premium reserve	22,086
Reserves for incurred but not reported losses	2,247
Reported but not settled	1,536
<b>Total non-current liabilities</b>	<b>25,869</b>
<b>Current liabilities</b>	
Other current liabilities	412
<b>Total current liabilities</b>	<b>412</b>
<b>Total liabilities</b>	<b>26,281</b>
<b>Net assets disposed of</b>	<b>37,208</b>

### Net cash inflow on disposal of subsidiary

	17 March 2023	31 December 2022
Consideration received in cash and cash equivalents	51,597	n/a
Less: cash and cash equivalent balances disposed of	(595)	n/a
<b>Total net consideration received in cash and cash equivalents</b>	<b>51,002</b>	<b>n/a</b>

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#### 27. Income Taxes

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, which may differ from IFRS.

Income tax expense comprises the following:

	2023	2022
Current income tax expense	41,671	94,014
Deferred tax benefit	(176,030)	(146,629)
<b>Income tax benefit</b>	<b>(134,359)</b>	<b>(52,615)</b>
<b>Income tax relating to the equity instruments classified as FVTOCI</b>	<b>(73)</b>	<b>827</b>

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 income tax rate applicable to the majority of the Group's income is 20%.

Relationships between tax expenses and accounting profit for 2023 and 2022 are explained as follows:

	2023	2022
<b>IFRS loss before tax</b>	<b>(604,749)</b>	<b>(257,875)</b>
Theoretical tax recovery at the applicable statutory rate - 20%	(120,950)	(51,575)
- Non-deductible expenses (employee compensation, representation and other non-deductible expenses)	12,563	9,776
- Tax law change for allowances for assets	21,582	9,768
- Tax exempt income	(48,264)	(31,853)
- Other permanent differences	-	11,303
- Other	710	(34)
<b>Income tax benefit</b>	<b>(134,359)</b>	<b>(52,615)</b>
<b>Income tax relating to the equity instruments classified as FVTOCI</b>	<b>(73)</b>	<b>827</b>
<b>Total income tax benefit</b>	<b>(134,432)</b>	<b>(51,788)</b>

According to article 304 of the Tax Code of the Republic of Uzbekistan, income from Government bonds and other government securities of the Republic of Uzbekistan, as well as income on bonds issued abroad by the Republic of Uzbekistan and legal entities of the Republic of Uzbekistan are not considered as income for taxation purposes. For the years ended 2023 and 2022, the income in the amount of UZS 241,322 million and UZS 154,940 million, respectively, derived from the purchase of bonds of the Government and CBU.

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On 1 January 2022, new amendments and additions to the Republic of Uzbekistan tax code, registered 29 December 2021 #LRU-741 became effective. In accordance with the Republic of Uzbekistan tax code, banks and legal entities that carry out certain types of banking operations on the basis of a license to conduct banking operations, as well as insurance organizations, create reserve funds or general allowances for assets in accordance with the requirements of the law. The deductions to reserve funds or general allowances for assets provided for by the above article by banks are charged to expenses in the manner prescribed by law, in the amount of not more than 80 percent of the norm established by law.

Temporary differences as at 31 December 2023 and 2022 comprise:

	31 December 2023	Debited to Other compre- hensive income	(Debited)/ credited to profit or loss	31 December 2022	Debited to Other compre- hensive income	(Debited)/ credited to profit or loss	31 December 2021
<b>Tax effect of deductible/(taxable) temporary differences</b>							
Cash and cash equivalents	246	-	(239)	485	-	485	-
Due from other banks	569	-	73	496	-	(238)	734
Loans and advances to customers	456,957	-	169,877	287,080	-	148,176	138,904
Investment securities measured at amortised cost	(1,761)	-	(3,975)	2,214	-	464	1,750
Financial assets at fair value through other comprehensive income	(874)	73	-	(947)	(827)	-	(120)
Property and equipment	550	-	(53)	603	-	25	578
Intangible assets	171	-	106	65	-	58	7
Other assets	2,553	-	2,259	294	-	(5,488)	5,782
Assets classified as held for sale	6,320	-	6,320	-	-	-	-
Other liabilities	4,185	-	(192)	4,377	-	3,159	1,218
Borrowings from government and international financial institutions	347	-	1,854	(1,507)	-	(12)	(1,495)
<b>Net deferred income tax asset</b>	<b>469,263</b>	<b>73</b>	<b>176,030</b>	<b>293,160</b>	<b>(827)</b>	<b>146,629</b>	<b>147,358</b>
Recognised deferred tax asset	469,790	-	173,645	294,107	-	152,272	148,973
Recognised deferred tax liability	(527)	73	2,385	(947)	(827)	(5,643)	(1,615)
<b>Net deferred income tax asset</b>	<b>469,263</b>	<b>73</b>	<b>176,030</b>	<b>293,160</b>	<b>(827)</b>	<b>146,629</b>	<b>147,358</b>

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

#### 28. Earnings per Shares

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

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

	2023	2022
Profit for the year attributable to preference shares	268	268
Loss for the year attributable to ordinary shareholders	(470,658)	(205,528)
<b>Loss for the year attributable to the owners</b>	<b>(470,390)</b>	<b>(205,260)</b>
Weighted average number of preference shares in issue (millions)	9	9
Weighted average number of ordinary shares in issue (millions)	15,548	15,024
<b>Basic and diluted loss per ordinary share (expressed in UZS per share)</b>	<b>(30)</b>	<b>(14)</b>

During 2023 and 2022, the Bank declared required dividends for the preferred shares for UZS 268 million based on unaudited statutory financial statements.

#### 29. Segment Reporting

The Group's operations are 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 the 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.

#### 30. Financial Risk Management

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

Risk management activities of the Group are carried out in accordance with requirements of CBU on risk management and corporate governance in commercial banks, basic principles and recommendations of Basel banking oversight committee, as well as internal Policies of the Group on risk management and limits.

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The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has determined risk management goals and objectives, principles and organization, as well as participants of risk management process, their authority and responsibilities. The level of authority, rights and competence are determined and regulated by Policies on Risk management and Limits, Regulations on Risk oversight committee, Credit committee, Investment committee and Assets and Liabilities Management Committee, Regulations on branches, and other internal regulatory documents of the Group. The Group uses above mentioned concepts in managing the following risks.

**Credit risk.** Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail 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 the Group’s internal credit rating system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Clients of the Group are segmented into five rating classes. The Group’s rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

#### *Group’s internal ratings scale:*

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

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*Risk limits control and mitigation policies.* The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by Risk oversight committee.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantee. However, a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

*(a) Limits.* The Group established a number of credit committees which are responsible for approving credit limits for individual borrowers:

- The Credit Committee of Head office reviews and approves limits over UZS 5,000 million;
- The Credit Committee of certain branches reviews and approves limits up to UZS 5,000 million;
- The Credit Committees of those branches which review and approve smaller limits have to further obtain approval of the Head office.

Loan applications, along with financial analysis of loan applicant which includes liquidity, profitability, interest coverage and debt service coverage ratios, originated by the relevant client relationship managers are passed on to the relevant credit committee or Bank Council for approval of credit limit.

*(b) Collateral.* The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances and finance leases are:

- real estate
- vehicles
- guarantees of third parties
- equipment
- insurance policies
- cash deposit
- inventories
- other

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

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(c) *Concentration of risks of financial assets with credit risk exposure.* The Group's management focuses on concentration risk:

- The maximum risk to single borrower of Group of affiliated borrowers shall not exceed 25 percent of the Group's tier 1 capital;
- The maximum risk for unsecured credits to single borrower shall not exceed 5 percent of Group's tier 1 capital;
- Total amount of all large credits cannot exceed Group's tier 1 capital by more than 8 times; and
- Total loan amount to related party shall not exceed Group's tier 1 capital.

The Bank is required to prepare and submit stand-alone financial information of the Bank to CBU on a monthly basis. The consolidated financial statements are prepared under IFRS only twice in a year comprising yearly and semi-annual periods.

In order to monitor credit risk exposures, weekly reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance, which includes overdue balances, disbursements and repayments, outstanding balances and maturity of loan and as well as grade of loan and collateral. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the management daily. Management monitors and follows up past due balances.

The Group's policy requires the review of individual financial assets that are above certain materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of expected losses at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) individual financial assets in stage 1 and 2 that are above certain materiality thresholds, by using the available empirical data, experienced judgment and statistical techniques.

The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments.

However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring.

**Maximum exposure of credit risk** The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

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The following table presents the maximum exposure to credit risk of balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments. The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

Maximum exposure to credit risk as at 31 December 2023 is as follows:

	Amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Related amounts not set off in the statement of financial position			
			Net amounts of financial assets presented in the statement of financial position	Cash/cash collateral	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	1,965,917	(1,830)	1,964,087	(725,170)	-	1,238,917
Due from other banks	1,880,717	-	1,880,717	-	-	1,880,717
Loans and advances to customers	20,213,045	(25,383)	20,187,662	(397)	(19,671,221)	516,044
Investment securities measured at amortised cost	1,486,963	-	1,486,963	-	-	1,486,963
Financial assets at fair value through other comprehensive income	56,502	-	56,502	-	-	56,502
Other financial assets	47,709	(43,868)	3,841	-	-	3,841
<i>Off-balance sheet items:</i>						
Credit related commitments	584,231	-	584,231	(714)	(249,281)	334,236



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Maximum exposure to credit risk as at 31 December 2022 is as follows:

	Amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Cash/ cash collateral	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	2,056,353	(10,287)	2,046,066	(508,339)	-	1,537,727
Due from other banks	612,256	-	612,256	-	-	612,256
Loans and advances to customers	19,289,474	(34,422)	19,255,052	(290)	(18,542,471)	712,291
Investment securities measured at amortised cost	1,246,670	-	1,246,670	-	-	1,246,670
Financial assets at fair value through other comprehensive income	21,284	-	21,284	-	-	21,284
Other financial assets	68,664	(53,798)	14,866	-	(1,969)	12,897
<i>Off-balance sheet items:</i>						
Credit related commitments	284,723	-	284,723	(2,548)	(237,029)	45,146

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### Credit quality of financial assets

The tables below present information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance during the year ended 31 December 2023 and 2022:

	Cash and cash equivalents (Note 6)				Due from other banks (Note 7)				Loans and advances to customers (Note 8)				Investment securities measured at amortised cost (Note 9)		Other financial assets (Note 12)			Credit related commitments (Note 32)		Total	
	Stage 1		Stage 2		Stage 3		Stage 1		Stage 2		Stage 3		Stage 1		Stage 2		Stage 3		Stage 1		
	12-month	ECL	12-month	ECL	12-month	ECL	12-month	ECL	12-month	ECL	12-month	ECL	12-month	ECL	12-month	ECL	12-month	ECL	12-month		ECL
Gross carrying amount as at 31 December 2022	2,044,748	-	3,743	614,738	-	-	14,957,332	2,411,808	3,523,277	1,254,512	13,873	4,115	288,327	25,116,473							
Changes in the gross carrying amount																					
- Transfer from stage 1	(1)	-	-	(562)	-	-	(2,933,096)	2,933,096	-	-	-	-	-	-	-	-	-	-	-	-	-
- Transfer from stage 2	-	(1)	1	-	(562)	562	996,068	(3,245,753)	2,249,685	-	-	-	-	-	-	-	-	-	-	-	-
- Transfer from stage 3	-	-	-	-	-	-	-	1,223,221	(1,223,221)	-	220	(220)	-	-	-	-	-	-	-	-	-
- Changes in EAD*	287,020	-	(1,931)	(50,028)	-	64	(1,730,422)	168,621	391,142	7,998	(4,928)	(1,446)	(45,367)	(979,277)							
New assets issued or acquired	212,015	-	-	1,673,452	-	-	5,549,364	-	-	718,028	3,607	-	534,895	8,691,361							
Matured or derecognized assets (except for write off)	(655,373)	-	(9)	(384,613)	-	-	(2,117,033)	(143,625)	(384,882)	(489,116)	(13,511)	(3,898)	(208,773)	(4,400,833)							
Written off assets	-	-	-	-	-	-	-	-	(158,646)	-	-	-	-	(158,646)							
Foreign exchange differences	74,966	-	137	29,950	-	-	305,373	119,257	166,301	3,264	4,883	1,449	21,059	726,639							
Gross carrying amount as at 31 December 2023	1,963,375	-	1,941	1,882,937	-	626	15,027,586	3,466,625	4,563,656	1,494,686	4,144	-	590,141	28,995,717							
Loss allowance as at 31 December 2023	(30)	-	(1,199)	(2,534)	-	(312)	(443,597)	(516,443)	(1,910,165)	(7,723)	(303)	-	(5,910)	(2,888,216)							

\*The line "Changes in EAD" represents changes in the gross carrying amount of financial assets measured at amortised cost issued in prior periods which have not been fully repaid during 2023, and transfers of new issued financial assets measured at amortised cost between stages.

# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

## Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

(in millions of Uzbekistan Soums)

	Cash and cash equivalents (Note 6)			Due from other banks (Note 7)			Loans and advances to customers (Note 8)			Investment securities measured at amortised cost (Note 9)		Other financial assets (Note 12)		Credit related commitments (Note 32)		Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	12-month ECL	12-month ECL	Stage 1 Lifetime ECL	Stage 2 Lifetime ECL	Stage 1 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 31 December 2021	1,311,122	-	-	360,661	-	5,808	14,508,167	1,329,925	1,938,178	791,380	14,528	9,643	339,484	1,830	20,610,726	
Changes in the gross carrying amount																
- Transfer from stage 1	(12,424)	12,424	-	2,530	(2,530)	-	(3,222,896)	3,222,896	-	-	-	-	-	-	-	-
- Transfer from stage 2	-	(12,424)	12,424	-	2,530	(2,530)	714,168	(2,657,267)	1,943,099	-	(4,082)	4,082	-	-	-	-
- Transfer from stage 3	-	-	-	-	-	-	-	473,652	(473,652)	-	-	-	-	-	-	-
- Changes in EAD*	337,441	-	(9,126)	(7,597)	-	(3,278)	(1,799,252)	197,747	340,973	-	(867)	(550)	(61,162)	-	(1,005,671)	
New assets issued or acquired	663,670	-	-	393,071	-	-	6,756,244	-	-	1,090,442	17,771	-	285,476	-	9,206,674	
Matured or derecognized assets (except for write off)	(275,933)	-	-	(140,890)	-	-	(2,086,835)	(187,093)	(270,366)	(627,310)	(14,344)	(9,635)	(280,843)	(1,830)	(3,895,079)	
Foreign exchange differences	20,872	-	445	6,963	-	-	87,736	31,948	45,045	-	867	575	5,372	-	199,823	
Gross carrying amount as at 31 December 2022	2,044,748	-	3,743	614,738	-	-	14,957,332	2,411,808	3,523,277	1,254,512	13,873	4,115	288,327	-	25,116,473	
Loss allowance as at 31 December 2022	(45)	-	(2,380)	(2,482)	-	-	(200,025)	(273,754)	(1,163,586)	(7,842)	(773)	(2,349)	(3,604)	-	(1,656,840)	

\*The line "Changes in EAD" represents changes in the gross carrying amount of financial assets measured at amortised cost issued in prior periods which have not been fully repaid during 2022, and transfers of new issued financial assets measured at amortised cost between stages.

# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

## Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

(in millions of Uzbekistan Soums)

	Cash and cash equivalents (Note 6)				Due from other banks (Note 7)				Loans and advances to customers (Note 8)				Investment securities measured at amortised cost (Note 9)				Other financial assets (Note 12)				Credit related commitments (Note 32)		Total
	Stage 1		Stage 2		Stage 3		Stage 1		Stage 2		Stage 3		Stage 1		Stage 2		Stage 3		Stage 1		Stage 3		
	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL	Lifetime ECL	
Loss allowance for ECL as at 31 December 2022	45	-	2,380	2,482	-	-	200,025	273,754	1,163,586	7,842	773	2,349	3,604	1,656,840									
Changes in the gross carrying amount																							
- Transfer from stage 1	(1)	1	-	(11)	11	-	(56,757)	56,757	-	-	-	-	-	-									
- Transfer from stage 2	-	(1)	1	-	(11)	11	107,472	(246,834)	139,362	-	-	-	-	-									
- Transfer from stage 3	-	-	-	-	-	-	-	277,847	(277,847)	-	84	(84)	-	-									
- Changes in EAD*	-	-	(1,176)	(1,087)	-	301	(33,901)	157,101	1,124,179	(1,350)	(90)	(113)	498	1,244,362									
New assets issued or acquired	7	-	-	1,482	-	-	262,248	-	-	2,745	254	-	4,507	271,253									
Matured or derecognized assets (except for write off)	(22)	-	(6)	(343)	-	-	(40,092)	(14,796)	(112,256)	(1,514)	(755)	(2,265)	(2,732)	(174,781)									
Write off	-	-	-	-	-	-	-	-	(158,646)	-	-	-	-	(158,646)									
Foreign exchange differences	1	-	-	1	-	-	4,602	12,614	31,787	-	37	113	33	49,188									
Loss allowance for ECL as at 31 December 2023	30	-	1,199	2,534	-	312	443,597	516,443	1,910,165	7,723	303	-	5,910	2,888,216									

\*Changes in EAD are attributable to changes in parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages, as well as transfers of ECL on new financial assets measured at amortised cost originated during the reporting period from Stage 1 to other stages.

# JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

## Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

(in millions of Uzbekistan Soums)

	Cash and cash equivalents (Note 6)			Due from other banks (Note 7)			Loans and advances to customers (Note 8)			Investment securities measured at cost (Note 9)			Other financial assets (Note 12)			Credit related commitments (Note 32)			Total
	Stage 1			Stage 2			Stage 3			Stage 1			Stage 2			Stage 3			
	12-month	ECL	Lifetime	12-month	ECL	Lifetime	12-month	ECL	Lifetime	12-month	ECL	Lifetime	12-month	ECL	Lifetime	12-month	ECL	Lifetime	
Loss allowance for ECL as at 31 December 2021	1	-	-	15	-	3,655	145,049	65,199	680,964	3,828	928	8,266	3,255	1,206	912,366				
Changes in the gross carrying amount																			
- Transfer from stage 1	-	-	-	26	(26)	-	(48,960)	48,960	-	-	-	-	-	-	-	-	-	-	
- Transfer from stage 2	-	-	-	-	26	(26)	73,034	(120,490)	47,456	-	(2,314)	2,314	-	-	-	-	-	-	
- Transfer from stage 3	-	-	-	-	-	-	-	141,655	(141,655)	-	-	-	-	-	-	-	-	-	
- Changes in EAD*	22	-	2,380	2,015	-	(3,629)	(115,779)	148,973	690,041	-	(45)	(257)	42	-	723,763				
New assets issued or acquired	22	-	-	430	-	-	176,259	-	-	6,643	3,074	-	3,562	-	189,990				
Matured or derecognized assets (except for write off)	-	-	-	(4)	-	-	(31,077)	(10,826)	(115,861)	(2,629)	(902)	(8,261)	(3,255)	(1,206)	(174,021)				
Foreign exchange differences	-	-	-	-	-	-	1,499	283	2,641	-	32	287	-	-	4,742				
Loss allowance for ECL as at 31 December 2022	45	-	2,380	2,482	-	-	200,025	273,754	1,163,586	7,842	773	2,349	3,604	-	1,656,840				

\*Changes in EAD are attributable to changes in parameters (PD, LGD), changes in EAD and adjustment of ECL due to transfer to new stages, as well as transfers of ECL on new financial assets measured at amortised cost originated during the reporting period from Stage 1 to other stages.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

(in millions of Uzbekistan Soums)

**Geographical risk.** Control over the risk related to changes in the legislation and regulatory arena and assessment of their influence on the Group’s activity is carried out by all participants of risk management process within their authorities and responsibilities. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Uzbekistan. Risk oversight committee sets country limits, assessment and control over the concentration risk is carried out by Risk management.

The geographical concentration of the Group’s financial assets and liabilities as at 31 December 2023 is set out below:

	Uzbekistan	OECD	non-OECD	Total
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	1,716,340	2,573	245,174	1,964,087
Due from other banks	1,448,033	186,991	245,693	1,880,717
Loans and advances to customers	20,187,662	-	-	20,187,662
Investment securities measured at amortised cost	1,486,963	-	-	1,486,963
Financial assets at fair value through other comprehensive income	56,502	-	-	56,502
Other financial assets	2,717	935	189	3,841
<b>TOTAL FINANCIAL ASSETS</b>	<b>24,898,217</b>	<b>190,499</b>	<b>491,056</b>	<b>25,579,772</b>
<b>FINANCIAL LIABILITIES</b>				
Due to other banks	726,200	194,336	286,016	1,206,552
Customer accounts	5,916,366	-	-	5,916,366
Borrowings from government and international financial institutions	8,279,816	3,700,918	5,003,613	16,984,347
Debt securities in issue	86,799	-	-	86,799
Other financial liabilities	952,526	370	13,307	966,203
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>15,961,707</b>	<b>3,895,624</b>	<b>5,302,936</b>	<b>25,160,267</b>
<b>NET POSITION</b>	<b>8,936,510</b>	<b>(3,705,125)</b>	<b>(4,811,880)</b>	

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

(in millions of Uzbekistan Soums)

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

	Uzbekistan	OECD	non-OECD	Total
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	2,036,297	9,765	4	2,046,066
Due from other banks	611,705	-	551	612,256
Loans and advances to customers	19,255,052	-	-	19,255,052
Investment securities measured at amortised cost	1,246,670	-	-	1,246,670
Financial assets at fair value through other comprehensive income	21,284	-	-	21,284
Other financial assets	13,014	433	1,419	14,866
<b>TOTAL FINANCIAL ASSETS</b>	<b>23,184,022</b>	<b>10,198</b>	<b>1,974</b>	<b>23,196,194</b>
<b>FINANCIAL LIABILITIES</b>				
Due to other banks	398,723	-	1,893,612	2,292,335
Customer accounts	4,911,716	-	-	4,911,716
Borrowings from government and international financial institutions	6,954,427	2,701,503	5,010,691	14,666,621
Debt securities in issue	104,498	-	-	104,498
Other financial liabilities	10,935	1,459	5,051	17,445
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>12,380,299</b>	<b>2,702,962</b>	<b>6,909,354</b>	<b>21,992,615</b>
<b>NET POSITION</b>	<b>10,803,723</b>	<b>(2,692,764)</b>	<b>(6,907,380)</b>	

All financial assets and liabilities from OECD countries comprise banking institutions of Germany, France, Turkey, Albania, Italy, Japan, European Union countries, and United States of America; non-OECD countries comprise banking institutions of Russia, Saudi Arabia, Malaysia, and China.

The following table details credit ratings of financial assets held by the Group as at 31 December 2023:

	From AAA to A	From A- to CCC-	<CCC-	Not rated	CBU	Total
Cash and cash equivalents	-	395,367	742	725,170	842,808	1,964,087
Due from other banks	247,093	1,543,755	-	314	89,555	1,880,717
Loans and advances to customers	-	-	-	20,187,662	-	20,187,662
Investment securities measured at amortised cost	-	1,389,736	-	-	97,227	1,486,963
Financial assets at fair value through other comprehensive income	-	-	-	56,502	-	56,502
Other financial assets	-	935	-	2,906	-	3,841
Commitments and contingencies	236,490	-	-	347,027	-	583,517

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

The following table details credit ratings of financial assets held by the Group as at 31 December 2022:

	From AAA to A	From A- to CCC-	Not rated	CBU	Total
Cash and cash equivalents	8,406	1,191,444	1,363	844,853	2,046,066
Due from other banks	-	528,172	551	83,533	612,256
Loans and advances to customers	-	-	19,255,052	-	19,255,052
Investment securities measured at amortised cost	-	1,053,058	-	193,612	1,246,670
Financial assets at fair value through other comprehensive income	-	-	21,284	-	21,284
Other financial assets	-	-	14,866	-	14,866
Commitments and contingencies	-	-	282,175	-	282,175

For the balances with CBU, the quality categories are determined based on the Moody's sovereign rating – Ba3 stable (as at 31 December 2022: B1 positive).

The Group enters number of transactions where the counterparties are not rated by international rating agencies.

The Group has developed internal models, which allow it to determine the rating of counterparties. A methodology to determine 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, 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. A model of the borrower's scoring assessment has been developed in the Group to assess and decide on loans to small and medium-sized businesses. The scoring model is developed relating to standard loan products and includes key performance indicators of borrowers: financial situation, relations with the borrower, management quality, target use, location, credit history, collateral, etc. 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 pressure on a borrower. The Group applies internal methodologies to specific corporate loans and groups of retail loans. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan. As a result, it is not possible to make a cross-product score comparison which would agree to the outstanding balance of loans and advances to customers per the consolidated statement of financial position. As such, more detailed information is not being presented.



## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023

(in millions of Uzbekistan Soums)

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Financial assets other than loans and advances to customers are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

**Renegotiated loans and advances.** Loans and advances to customers are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and loans are no longer considered past due. Unless there were no indicators of significant increase in credit risk as at reporting date and loans have been repaid for 25% or more of principal amount from the date of restructuring, restructuring, though being considered as not overdue, will be automatically classified as credit-impaired (Stage 3). Loans continue to be subject to an individual or collective impairment assessment. The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Uzbekistan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group risk management policy are not breached.

**Liquidity risk.** 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. In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on customers' and banking operations, which is a 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. An analysis of the liquidity risk is presented in the following table.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023

(in millions of Uzbekistan Soums)

The presentation of balances below is based upon the information provided internally to key management personnel of the entity as at 31 December 2023:

	Up to 1 month	1 month to 6 months	6 months to 1 year	Over 1 year	Maturity undefined	Total
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	23,635	-	-	-	-	23,635
Due from other banks	188,987	29,421	271,797	88,249	1,210,452	1,788,906
Loans and advances to customers	1,017,787	1,965,818	1,763,536	14,260,785	579,441	19,587,367
Investment securities measured at amortised cost	19,713	605,568	363,919	443,802	-	1,433,002
<b>Total interest-bearing financial assets</b>	<b>1,250,122</b>	<b>2,600,807</b>	<b>2,399,252</b>	<b>14,792,836</b>	<b>1,789,893</b>	<b>22,832,910</b>
Cash and cash equivalents	1,940,452	-	-	-	-	1,940,452
Due from other banks	91,811	-	-	-	-	91,811
Loans and advances to customers	62,426	169,618	112,147	235,362	20,742	600,295
Investment securities measured at amortised cost	-	11,166	20,342	22,453	-	53,961
Financial assets at fair value through other comprehensive income	56,502	-	-	-	-	56,502
Other financial assets	3,841	-	-	-	-	3,841
<b>Total financial assets</b>	<b>3,405,154</b>	<b>2,781,591</b>	<b>2,531,741</b>	<b>15,050,651</b>	<b>1,810,635</b>	<b>25,579,772</b>
<b>FINANCIAL LIABILITIES</b>						
Due to other banks	25,732	488,552	334,996	345,487	-	1,194,767
Customer accounts	545,355	1,358,151	900,122	853,135	-	3,656,763
Borrowings from government and international financial institutions	1,149,465	1,013,067	841,691	13,394,598	-	16,398,821
Debt securities in issue	36,500	-	30,000	20,000	-	86,500
<b>Total interest-bearing financial liabilities</b>	<b>1,757,052</b>	<b>2,859,770</b>	<b>2,106,809</b>	<b>14,613,220</b>	<b>-</b>	<b>21,336,851</b>
Due to other banks	11,785	-	-	-	-	11,785
Customer accounts	2,259,403	-	200	-	-	2,259,603
Borrowings from government and international financial institutions	301,875	26,454	64,875	192,322	-	585,526
Debt securities in issue	299	-	-	-	-	299
Other financial liabilities	966,203	-	-	-	-	966,203
Credit related commitments	341,329	18,999	84,025	139,164	-	583,517
<b>Total financial liabilities</b>	<b>5,637,946</b>	<b>2,905,223</b>	<b>2,255,909</b>	<b>14,944,706</b>	<b>-</b>	<b>25,743,784</b>
Interest sensitivity gap	(506,930)	(258,963)	292,443	179,616	1,789,893	
<b>Cumulative interest sensitivity gap</b>	<b>(506,930)</b>	<b>(765,893)</b>	<b>(473,450)</b>	<b>(293,834)</b>	<b>1,496,059</b>	
Liquidity gap	(2,232,792)	(123,632)	275,832	105,945	1,810,635	
<b>Cumulative liquidity gap</b>	<b>(2,232,792)</b>	<b>(2,356,424)</b>	<b>(2,080,592)</b>	<b>(1,974,647)</b>	<b>(164,012)</b>	

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

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The presentation of balances below is based upon the information provided internally to key management personnel of the entity as at 31 December 2022:

	Up to 1 month	1 month to 6 months	6 months to 1 year	Over 1 year	Maturity undefined	Total
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	474,509	180,344	-	-	-	654,853
Due from other banks	1,809	389,685	9,758	126,102	-	527,354
Loans and advances to customers	639,041	2,140,989	2,142,019	13,660,391	101,805	18,684,245
Investment securities measured at amortised cost	121,277	256,155	162,246	675,425	-	1,215,103
<b>Total interest-bearing financial assets</b>	<b>1,236,636</b>	<b>2,967,173</b>	<b>2,314,023</b>	<b>14,461,918</b>	<b>101,805</b>	<b>21,081,555</b>
Cash and cash equivalents	1,391,022	191	-	-	-	1,391,213
Due from other banks	83,640	-	-	1,262	-	84,902
Loans and advances to customers	60,119	114,016	77,284	308,635	10,753	570,807
Investment securities measured at amortised cost	1	451	251	30,864	-	31,567
Financial assets at fair value through other comprehensive income	21,284	-	-	-	-	21,284
Other financial assets	12,740	1,377	749	-	-	14,866
<b>Total financial assets</b>	<b>2,805,442</b>	<b>3,083,208</b>	<b>2,392,307</b>	<b>14,802,679</b>	<b>112,558</b>	<b>23,196,194</b>
<b>FINANCIAL LIABILITIES</b>						
Due to other banks	7,051	1,744,661	126,679	401,324	-	2,279,715
Customer accounts	524,472	1,111,402	1,552,537	773,876	-	3,962,287
Borrowings from government and international financial institutions	2,052,773	518,619	551,095	10,995,218	-	14,117,705
Debt securities in issue	-	-	74,100	30,000	-	104,100
<b>Total interest-bearing financial liabilities</b>	<b>2,584,296</b>	<b>3,374,682</b>	<b>2,304,411</b>	<b>12,200,418</b>	<b>-</b>	<b>20,463,807</b>
Due to other banks	12,620	-	-	-	-	12,620
Customer accounts	946,784	2,245	100	300	-	949,429
Borrowings from government and international financial institutions	326,394	55,380	70,315	96,827	-	548,916
Debt securities in issue	398	-	-	-	-	398
Other financial liabilities	17,445	-	-	-	-	17,445
Credit related commitments	167,868	113,029	1,278	-	-	282,175
<b>Total financial liabilities</b>	<b>4,055,805</b>	<b>3,545,336</b>	<b>2,376,104</b>	<b>12,297,545</b>	<b>-</b>	<b>22,274,790</b>
Interest sensitivity gap	(1,347,660)	(407,509)	9,612	2,261,500	101,805	
<b>Cumulative interest sensitivity gap</b>	<b>(1,347,660)</b>	<b>(1,755,169)</b>	<b>(1,745,557)</b>	<b>515,943</b>	<b>617,748</b>	
Liquidity gap	(1,250,363)	(462,128)	16,203	2,505,134	112,558	
<b>Cumulative liquidity gap</b>	<b>(1,250,363)</b>	<b>(1,712,491)</b>	<b>(1,696,288)</b>	<b>808,846</b>	<b>921,404</b>	

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

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**Interest rate risk.** The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The table above summarises the Group’s exposure to interest rate risks. The table presents the aggregated amounts of the Group’s financial assets and liabilities at carrying amounts, categorised by the maturity dates.

In the table above, the terms to maturity correspond to the contractual terms. However, individuals are entitled to terminate the deposit agreement ahead of schedule according to effective laws and entitled for the full deposit amount.

As at 31 December 2023, if interest rates at that date had been 165 basis points lower (2022: 165 basis points lower) with all other variables held constant, profit for the year would have been UZS 19,395 million higher (2022: UZS 15,740 million higher).

If interest rates had been 165 basis points higher (2022: 165 basis points higher), with all other variables held constant, profit would have been UZS 19,395 million lower (2022: UZS 15,740 million lower).

The following tables detail the Group’s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

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

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

Notes to the Consolidated Financial Statements (Continued)  
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The undiscounted maturity analysis of financial liabilities as at 31 December 2023 is as follows:

	Up to 1 month	1 month to 6 months	6 months to 1 year	Over 1 year	Total
<b>Interest-bearing financial liabilities</b>					
Due to other banks	31,403	510,872	353,119	356,655	1,252,049
Customer accounts	553,834	1,558,432	992,840	926,035	4,031,141
Borrowings from government and international financial institutions	1,339,957	1,350,793	1,404,944	23,960,212	28,055,906
Debt securities in issue	37,155	3,723	34,073	20,819	95,770
<b>Total interest-bearing financial liabilities</b>	<b>1,962,349</b>	<b>3,423,820</b>	<b>2,784,976</b>	<b>25,263,721</b>	<b>33,434,866</b>
<b>Non-interest-bearing financial liabilities and commitments</b>					
Due to other banks	11,785	-	-	-	11,785
Customer accounts	2,259,403	-	200	-	2,259,603
Borrowings from government and international financial institutions	301,875	26,454	64,875	192,322	585,526
Debt securities in issue	299	-	-	-	299
Other financial liabilities	966,203	-	-	-	966,203
Credit related commitments	341,329	18,999	84,025	139,164	583,517
<b>Total non-interest-bearing financial liabilities and commitments</b>	<b>3,880,894</b>	<b>45,453</b>	<b>149,100</b>	<b>331,486</b>	<b>4,406,933</b>
<b>Total financial liabilities and commitments</b>	<b>5,843,243</b>	<b>3,469,273</b>	<b>2,934,076</b>	<b>25,595,207</b>	<b>37,841,799</b>

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

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

	Up to 1 month	1 month to 6 months	6 months to 1 year	Over 1 year	Total
<b>Interest-bearing financial liabilities</b>					
Due to other banks	29,079	1,762,881	140,168	424,624	2,356,752
Customer accounts	573,390	1,310,679	1,686,373	808,802	4,379,244
Borrowings from government and international financial institutions	2,103,253	852,836	932,929	18,468,429	22,357,447
Debt securities in issue	1,574	7,618	83,048	35,141	127,381
<b>Total interest-bearing financial liabilities</b>	<b>2,707,296</b>	<b>3,934,014</b>	<b>2,842,518</b>	<b>19,736,996</b>	<b>29,220,824</b>
<b>Non-interest-bearing financial liabilities and commitments</b>					
Due to other banks	12,620	-	-	-	12,620
Customer accounts	946,784	2,245	100	300	949,429
Borrowings from government and international financial institutions	326,394	55,380	70,315	96,827	548,916
Debt securities in issue	398	-	-	-	398
Other financial liabilities	17,445	-	-	-	17,445
Credit related commitments	167,868	113,029	1,278	-	282,175
<b>Total non-interest-bearing financial liabilities and commitments</b>	<b>1,471,509</b>	<b>170,654</b>	<b>71,693</b>	<b>97,127</b>	<b>1,810,983</b>
<b>Total financial liabilities and commitments</b>	<b>4,178,805</b>	<b>4,104,668</b>	<b>2,914,211</b>	<b>19,834,123</b>	<b>31,031,807</b>

**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, commodity prices 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 total cumulative 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.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest which contains clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequently cash flow risk.

**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.

Assets and Liabilities Management Committee controls currency risk by analysis and management of 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.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

The Group's exposure to foreign currency exchange rate risk at 31 December 2023 is presented in the table below:

	UZS	USD	EUR	Other	Total
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	802,818	956,080	10,294	194,895	1,964,087
Due from other banks	1,447,427	186,197	-	247,093	1,880,717
Loans and advances to customers	14,651,936	5,032,257	503,469	-	20,187,662
Investment securities measured at amortised cost	1,452,105	34,858	-	-	1,486,963
Financial assets at fair value through other comprehensive income	56,502	-	-	-	56,502
Other financial assets	2,327	1,514	-	-	3,841
<b>TOTAL FINANCIAL ASSETS</b>	<b>18,413,115</b>	<b>6,210,906</b>	<b>513,763</b>	<b>441,988</b>	<b>25,579,772</b>
<b>FINANCIAL LIABILITIES</b>					
Due to other banks	17,000	1,141,492	48,060	-	1,206,552
Customer accounts	5,178,183	725,563	5,883	6,737	5,916,366
Borrowings from government and international financial institutions	11,555,463	4,077,546	603,384	747,954	16,984,347
Debt securities in issue	86,799	-	-	-	86,799
Other financial liabilities	27,118	939,085	-	-	966,203
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>16,864,563</b>	<b>6,883,686</b>	<b>657,327</b>	<b>754,691</b>	<b>25,160,267</b>
<b>NET BALANCE SHEET POSITION</b>	<b>1,548,552</b>	<b>(672,780)</b>	<b>(143,564)</b>	<b>(312,703)</b>	

The Group's exposure to foreign currency exchange rate risk at 31 December 2022 is presented in the table below:

	UZS	USD	EUR	Other	Total
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	783,048	1,215,176	29,675	18,167	2,046,066
Due from other banks	226,883	337,580	47,793	-	612,256
Loans and advances to customers	14,555,827	4,390,415	308,810	-	19,255,052
Investment securities measured at amortised cost	1,246,670	-	-	-	1,246,670
Financial assets at fair value through other comprehensive income	21,284	-	-	-	21,284
Other financial assets	12,311	2,411	144	-	14,866
<b>TOTAL FINANCIAL ASSETS</b>	<b>16,846,023</b>	<b>5,945,582</b>	<b>386,422</b>	<b>18,167</b>	<b>23,196,194</b>
<b>FINANCIAL LIABILITIES</b>					
Due to other banks	-	2,286,060	-	6,275	2,292,335
Customer accounts	4,286,284	608,341	9,876	7,215	4,911,716
Borrowings from government and international financial institutions	10,748,131	3,503,973	414,517	-	14,666,621
Debt securities in issue	104,498	-	-	-	104,498
Other financial liabilities	10,934	6,511	-	-	17,445
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>15,149,847</b>	<b>6,404,885</b>	<b>424,393</b>	<b>13,490</b>	<b>21,992,615</b>
<b>NET BALANCE SHEET POSITION</b>	<b>1,696,176</b>	<b>(459,303)</b>	<b>(37,971)</b>	<b>4,677</b>	

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

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

	2023	2022
	Impact on profit or loss	Impact on profit or loss
US Dollars strengthening by 15% (2022: 15%)	(100,917)	(68,895)
US Dollars weakening by 15% (2022: 15%)	100,917	68,895
Euro strengthening by 15% (2022: 15%)	(21,535)	(5,696)
Euro weakening by 15% (2022: 15%)	21,535	5,696

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

The exposure calculated only for monetary balances denominated in currencies other than the functional currency of the Group. Impact on equity would be the same as impact on statement of comprehensive income.

**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. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity. Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the 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. The Bank monitors interest rates for its financial instruments.



# JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

## Notes to the Consolidated Financial Statements (Continued) for the year ended 31 December 2023 (in millions of Uzbekistan Soums)

The table below summarises nominal interest rates based on reports reviewed by key management personnel:

	2023			2022		
	UZS	USD	EUR	UZS	USD	EUR
<b>Assets</b>						
Cash and cash equivalents	0-20%	-	-	-	-	-
Due from other banks	0-23%	0-5.18%	-	0-10%	0-7%	5-6%
Loans and advances to customers	0%-36%	0%-15%	2.75%-10%	0%-36%	0%-14%	2.75%-10%
Investment securities measured at amortised cost	8-19%	4.75-5.375%	-	14-18%	-	-
<b>Liabilities</b>						
Due to other banks	19%	0-9.35%	5.5-6%	-	4.55-7%	-
Debt securities in issue	18% - CBU policy rate+4%	-	-	CBU policy rate+1%- CBU policy rate+4%	-	-
Customer accounts						
Individuals						
- term deposits	0-28%	2-6%	-	0-28%	2-6%	-
Legal entities						
- current/demand accounts	0-12%	-	-	0-10%	-	-
- term deposits	13-21%	5-7%	6.0%	0-20%	0-7%	5.5-7%
Borrowings from government and international financial institutions						
- borrowings from the Ministry of Finance of Uzbekistan	0-14%	5.25-5.875%	-	0-13%	5.25-5.88%	-
- term borrowings from international financial institutions	3-14%	2.5-12.3%	4.85-7.02%	3-15%	2.28-8.79%	1.25-5.79%
- term borrowings from domestic financial institutions	3-20%	2-4.5%	-	3-20%	2-7.3%	-

**Other price risk.** The Bank is exposed to prepayment risk through providing loans, including mortgages, which give the borrower the right to early repay the loans. The Bank's current year profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2022: no material impact). The Bank has no significant exposure to equity price risk.

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

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#### 31. Management of Capital

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

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

		Prescribed minimum level	31 December 2023 (unaudited)	31 December 2022 (unaudited)
Regulatory capital ratio	Ratio of regulatory capital to risk weighted assets	0.130	0.132	0.139
Capital adequacy ratio	Ratio of Bank’s tier 1 capital to risk weighted assets	0.100	0.114	0.110
Capital adequacy ratio	Ratio of Bank’s main tier 1 capital to risk weighted assets	0.080	0.114	0.110
Leverage ratio	Ratio of Bank’s tier 1 capital to total assets less intangibles	0.060	0.104	0.098

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

	31 December 2023 (unaudited)	31 December 2022 (unaudited)
Tier 1 capital	2,926,395	2,487,346
Tier 2 capital	442,160	666,159
<b>Total regulatory capital</b>	<b>3,368,555</b>	<b>3,153,505</b>
<b>Risk - weighted assets</b>	<b>25,615,034</b>	<b>22,678,855</b>

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

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#### 32. Commitments and Contingencies

**Credit related commitments.** The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

As at 31 December 2023 and 31 December 2022, the nominal or contract amounts were:

	31 December 2023	31 December 2022
Commitments on unused credit lines	303,896	22,232
Guarantees issued	249,281	237,029
Letters of credit and other transaction related contingent obligations	36,964	2,023
Letters of credit, post-financing with commencement after reporting period end	-	27,043
<b>Total credit related commitments, gross</b>	<b>590,141</b>	<b>288,327</b>
Cash coverage	(714)	(2,548)
Less: Provision for expected credit losses (Note 18)	(5,910)	(3,604)
<b>Total credit related commitments</b>	<b>583,517</b>	<b>282,175</b>

Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

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

**Lease commitments** – the Group had no material lease commitments outstanding as at 31 December 2023 and 31 December 2022.

**Legal proceedings** – From time to time and in the normal course of business, claims against the Group can be received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred by the Group and accordingly no provision has been made in these consolidated financial statements.

## JOINT-STOCK COMMERCIAL BANK "BUSINESS DEVELOPMENT BANK"

### Notes to the Consolidated Financial Statements (Continued)

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**Taxation.** Provisions of the Uzbek tax legislation are sometimes inconsistent and may have more than one interpretation, which allows the Uzbek tax authorities to take decisions based on their own arbitrary interpretation of these provisions. In practice, the Uzbek tax authorities often interpret the tax legislation not in favour of the taxpayers, who have to resort to court proceeding to defend their position against the tax authorities. It should be noted that the Uzbek tax authorities can use the clarifications issued by the judicial bodies that have introduced the concept of "unjustified tax benefit", "primary commercial goal of transaction" and the criteria of "commercial purpose (substance) of transaction". Such uncertainty could, in particular, be attributed to tax treatment of financial instruments and determination of market price of transactions for transfer pricing purposes. It could also lead to temporary taxable differences occurred due to loan impairment provisions and income tax liabilities being treated by the tax authorities as understatement of the tax base. The management of the Group is confident that applicable taxes have all been accrued and, consequently, creation of respective provisions is not required. Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also according to the clarification of the Country Constitutional Court the statute of limitation for tax liabilities may be extended beyond the five year term set forth in the tax legislation, if a court determines that the taxpayer has obstructed or hindered a tax inspection.

### 33. Fair Value of Financial Instruments

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

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). The Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

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#### (a) Recurring fair value measurements

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

	Fair value as at 31 December 2023	Fair value as at 31 December 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Signifi- cant unobser- vable input(s)	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income (equity instruments)	56,502	21,284	Level 3	Discounted cash flows of future expected dividends. Discount rate estimated based on unobservable internally generated historical dividend received rates	Discount rate	The greater discount - the smaller fair value

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires the Management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related other comprehensive income.

The fair value of the equity instruments at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities, given they are not traded. Such financial instruments were categorised as Level 3.

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### Notes to the Consolidated Financial Statements (Continued)

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#### (b) Assets and liabilities not measured at fair value but for which fair value is disclosed

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

	31 December 2023				31 December 2022			
	Level 2 fair value	Level 3 fair value	Total fair value	Carrying value	Level 2 fair value	Level 3 fair value	Total fair value	Carrying value
Loans and advances to customers	-	20,306,299	20,306,299	20,187,662	-	19,576,028	19,576,028	19,255,052
Due from other banks	-	1,871,131	1,871,131	1,880,717	-	549,256	549,256	612,256
Investment securities measured at amortised cost	-	1,552,711	1,552,711	1,486,963	-	1,163,634	1,163,634	1,246,670
Due to other banks	-	1,202,483	1,202,483	1,206,552	-	2,321,703	2,321,703	2,292,335
Customer accounts	5,915,624	-	5,915,624	5,916,366	4,937,007	-	4,937,007	4,911,716
Borrowings from government and international financial institutions	-	17,865,324	17,865,324	16,984,347	-	14,999,719	14,999,719	14,666,621

Except as detailed in the above table, the management considers that the carrying values of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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

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

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

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(in millions of Uzbekistan Soums)

#### 34. Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Transactions between the Bank and its subsidiary, which is a related party to the Bank, have been eliminated on consolidation and are not disclosed in this note. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Transactions with related parties are settled on an arm's-length basis and recognized in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

Details of transactions between the Group and other related parties are disclosed below:

	31 December 2023		31 December 2022	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<b>Cash and cash equivalents</b>				
- entities under common control	969,584	1,964,087	1,348,431	2,046,066
<b>Due from other banks</b>				
- entities under common control	197,210	1,880,717	611,092	612,256
<b>Loans and advances to customers</b>				
- entities under common control	193,068	20,187,662	264,288	19,255,052
<b>Investment securities measured at amortised cost</b>				
- shareholders	1,369,124	1,486,963	1,053,058	1,246,670
- entities under common control	117,839	1,486,963	193,612	1,246,670
<b>Current income tax prepayment</b>				
- entities under common control	25,177	25,177	11,183	11,183
<b>Other assets</b>				
- entities under common control	4,101	101,321	283	35,904
<b>Due to other banks</b>				
- entities under common control	714,279	1,206,552	433,356	2,292,335
<b>Borrowings from government and international financial institutions</b>				
- shareholders	7,058,659	16,984,347	5,955,111	14,666,621
- entities under common control	1,075,210	16,984,347	897,177	14,666,621
<b>Customer accounts</b>				
- shareholders	195,270	5,916,366	1,021,880	4,911,716
- entities under common control	2,479,813	5,916,366	1,030,447	4,911,716
<b>Other liabilities</b>				
- shareholders	925,468	1,016,996	120	50,946
- entities under common control	4,690	1,016,996	4,241	50,946

## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

(in millions of Uzbekistan Soums)

	2023		2022	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<b>Interest income</b>				
- shareholders	225,168	3,362,389	117,843	2,613,455
- entities under common control	35,854	3,362,389	87,928	2,613,455
<b>Interest expense</b>				
- shareholders	(632,446)	(1,973,008)	(570,530)	(1,540,908)
- entities under common control	(368,948)	(1,973,008)	(244,641)	(1,540,908)
<b>Fee and commission income</b>				
- entities under common control	1,833	200,634	2,785	192,507
<b>Fee and commission expense</b>				
- entities under common control	(31,981)	(51,970)	(16,376)	(45,922)
<b>Operating expenses</b>				
- entities under common control	(8,404)	(808,135)	(21,945)	(786,747)
- key management personnel	(9,004)	(808,135)	(7,758)	(786,747)
<b>Income tax benefit/(expense)</b>				
- entities under common control	134,359	134,359	52,615	52,615

	2023		2022	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
<b>Key management personnel compensation:</b>				
- short-term employee benefits	9,004	489,559	7,758	494,927
<b>Total</b>	<b>9,004</b>	<b>489,559</b>	<b>7,758</b>	<b>494,927</b>



## JOINT-STOCK COMMERCIAL BANK “BUSINESS DEVELOPMENT BANK”

### Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

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#### 35. Subsequent Events

In accordance with the PD-366, the Fund for Reconstruction and Development of the Republic of Uzbekistan was obligated to issue USD 225 million as a subordinated debt for 15 years, including a five-year grace period with the interest rate at 5 percent per annum. On 4 December 2023, the Group signed the agreement on providing the subordinated debt with the UFRD. After the reporting period on 3 January 2024, the Group received the funds equivalent to UZS 2,389,502 million.

On 31 January 2024, under the PD-306, the Group increased its share capital based on received funds for capital injection in the form of ordinary shares from the Fund for Reconstruction and Development of the Republic of Uzbekistan in the amount of equivalents to UZS 931,800 million as per the agreement for the subscription of ordinary shares #2 dated 30 November 2023.

In accordance with the PD-306, the Ministry of Economy and Finance of the Republic of Uzbekistan was obligated to re-issue funds from credit lines allocated to “Qishloq Qurilish Bank” JSCB, with the total amount of UZS 544,000 million, to “Business Development Bank” JSCB as subordinated debt in accordance with the requirements of the Central Bank and IFRS. On 15 March 2024, the Group received partially obligated funds as subordinated debt equivalents to UZS 310,047 million.

The Group founded a new subsidiary named “BRB-TECH” LLC with 100% ownership via investing UZS 1,000 million for authorized capital in accordance with the Presidential Decree of the Republic of Uzbekistan No. PD-366 on 9 April 2024.

On 7 May 2024, under the PD-306, the Group increased its share capital based on partially received funds for capital injection in the form of ordinary shares from the Ministry of Economy and Finance of the Republic of Uzbekistan in the amount of equivalents to UZS 100,000 million as per the agreement for the subscription of ordinary shares #1 dated 27 February 2024. The Group expects to receive the remaining funds in the total amount of UZS 900,000 million for capital injection till the end of 2024.

As of the reporting date, the Group increased its investments into the Fund for the amount equivalent to UZS 938,766 million and plans to expand the share capital of the Fund up to UZS 1,000,000 million under the PD-306.

On 1 April 2024, the Group was provided with a waiver letter from Asian Development Bank (agreement #L3823-UZB only) in response to its non-compliance with certain financial covenants. The outstanding principal amount for this agreement was UZS 126,394 million.