



QISHLOQQURILISHBANK

**Interim Condensed Consolidated
Financial Information (Unaudited) For
The Six Months Ended 30 June 2023**

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL
OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (UNAUDITED)**

Management is responsible for the preparation of the interim condensed consolidated financial information that presents the consolidated financial position of JSCB "Qishloq Qurilish Bank" ("the Bank") and its subsidiary (collectively – "the Group") as at 30 June 2023, the results of its operations, changes in equity and cash flows for the six months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the interim condensed consolidated financial information, 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 IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group comply with IAS 34;
- maintaining accounting records in compliance with the legislation of the Republic of Uzbekistan;
- 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 interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 (unaudited) was authorized for issue by the Management Board on 26 January 2024.

On behalf of the Management Board:


Muratov Alisher Akmalovich
Acting First Deputy Chairman of
the Management Board

26 January 2024
Tashkent, Uzbekistan




Makhmudov Khurshid
Toshboboyevich
Chief Accountant

26 January 2024
Tashkent, Uzbekistan

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and the Council of Joint Stock Commercial Bank "Business Development Bank (former – JSCB Qishloq Qurilish Bank):

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Joint Stock Commercial Bank "Business Development Bank (former – JSCB Qishloq Qurilish Bank) and its subsidiary (the "Group") as of 30 June 2023 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Turgunboy Tokhirov, Qualified Auditor/Engagement Director

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



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

Turgunboy Tokhirov

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



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

26 January 2024
Tashkent, Uzbekistan

Erkin Ayupov
Director

Audit Organisation "Deloitte & Touche" LLC



Interim Condensed Consolidated Statement of Financial Position
as at 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums)

	Notes	30 June 2023 (unaudited)	31 December 2022
ASSETS			
Cash and cash equivalents	5	1,279,228	2,046,086
Due from other banks	6	279,010	612,256
Loans and advances to customers	7	19,552,851	19,255,052
Investment securities measured at amortised cost	8	1,280,544	1,246,670
Financial assets at fair value through other comprehensive income		30,923	21,284
Property and equipment	9	377,156	348,561
Intangible assets		19,209	22,817
Deferred income tax asset	19	421,107	293,160
Current income tax prepayment		45,184	11,183
Other assets	10	54,200	35,904
Assets classified as held for sale	11	36,990	63,489
TOTAL ASSETS		23,376,502	23,956,442
LIABILITIES AND EQUITY			
LIABILITIES			
Due to other banks	12	1,822,308	2,292,335
Customer accounts	13	4,510,174	4,911,716
Borrowings from government and international financial institutions	14	15,354,317	14,666,621
Debt securities in issue		124,403	104,496
Other liabilities		54,953	50,946
Liabilities associated with assets held for sale	11	-	26,281
Total liabilities		21,866,155	22,052,397
EQUITY			
Share capital		1,859,887	1,859,887
Share premium		942	942
Retained earnings		(352,911)	39,425
Investment revaluation reserve		2,429	3,791
Total equity		1,510,347	1,904,045
TOTAL LIABILITIES AND EQUITY		23,376,502	23,956,442

On behalf of the Management Board:

Muratov Alisher Akmalovich
Acting First Deputy Chairman of the
Management Board

26 January 2024
Tashkent, Uzbekistan



Makhmudov Khurshid
Toshboboyevich
Chief Accountant

26 January 2024
Tashkent, Uzbekistan

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums)

	Notes	For the six months ended	
		30 June 2023 (unaudited)	30 June 2022 (unaudited)
Interest income	16	1,821,038	1,200,275
Interest expense	16	(920,758)	(703,137)
NET INTEREST INCOME		700,281	497,138
Provision for expected credit losses	23	(935,209)	(295,993)
NET INTEREST (EXPENSE)/INCOME AFTER PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS		(234,928)	200,145
Fee and commission income	17	92,013	76,500
Fee and commission expense	17	(21,914)	(14,967)
Net gain on foreign exchange operations		1,597	14,190
Other income		4,584	2,216
Gain on disposal of subsidiary	20	14,389	-
Impairment losses on other operations	10, 11	(18,946)	(4,450)
Income from insurance operations		-	7,842
Expense from insurance operations		-	(6,213)
Change in insurance reserves, net		-	(7,885)
NET NON-INTEREST INCOME		71,701	67,233
OPERATING INCOME		(163,227)	267,378
Operating expenses	18	(334,568)	(318,847)
LOSS BEFORE INCOME TAX		(497,795)	(49,469)
Income tax benefit	19	105,459	12,645
LOSS FOR THE PERIOD		(392,336)	(36,824)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of equity instruments classified as FVTOCI		(1,703)	1,175
Income tax relating to the equity instruments classified as FVTOCI		341	(235)
Other comprehensive (loss)/Income for the period		(1,362)	940
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(393,698)	(35,884)
Basic and diluted loss per ordinary share (expressed in UZS per share)	21	(26)	(2)

On behalf of the Management Board:

Muratov Alisher Akmalovich
Acting First Deputy Chairman of the
Management Board

26 January 2024
Tashkent, Uzbekistan



Makhmudov Khurshid
Toshboboyevich
Chief Accountant

26 January 2024
Tashkent, Uzbekistan

Interim Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums)

	Share capital	Share premium	Retained earnings	Investment revaluation reserves	Total equity
31 December 2022	1,859,887	942	39,425	3,791	1,904,045
Loss for the period	-	-	(392,336)	-	(392,336)
Other comprehensive loss for the period	-	-	-	(1,362)	(1,362)
30 June 2023 (unaudited)	1,859,887	942	(352,911)	2,429	1,510,347

	Share capital	Share premium	Retained earnings	Investment revaluation reserve	Other reserves	Total equity
31 December 2021	1,859,887	942	244,828	481	125	2,106,253
Loss for the period	-	-	(36,824)	-	-	(36,824)
Other comprehensive income for the period, net of income tax	-	-	-	940	-	940
Change in other insurance reserves	-	-	(53)	-	53	-
Dividends declared - preference shares	-	-	(134)	-	-	(134)
30 June 2022 (unaudited)	1,859,887	942	207,817	1,421	178	2,070,245

On behalf of the Management Board:

Muratov Alisher Akmalovich
Acting First Deputy Chairman of the
Management Board

26 January 2024
Tashkent, Uzbekistan



Makhmudov Khurshid
Toshboboyevich
Chief Accountant

26 January 2024
Tashkent, Uzbekistan

Interim Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums)

	Notes	For the six months ended	
		30 June 2023 (unaudited)	30 June 2022 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		1,441,080	1,178,181
Interest paid		(903,626)	(662,513)
Fees and commission received		103,915	69,569
Fees and commission paid		(21,914)	(14,967)
Income received from trading in foreign currencies		2,244	17,693
Income from insurance operations received		-	7,842
Expense from insurance operations paid		-	(6,213)
Other income received		2,061	1,333
Staff costs paid		(202,464)	(190,304)
Operating expenses paid		(112,536)	(91,022)
Income tax paid		(56,148)	(46,088)
Cash flows from operating activities before changes in operating assets and liabilities		252,812	263,511
Net (increase)/decrease in:			
- due from other banks		337,024	80,626
- loans and advances to customers		(1,056,688)	(1,421,485)
- other assets		(24,327)	(4,193)
Net increase/(decrease) in:			
- due to other banks		(512,767)	(353,658)
- debt securities		20,000	(10,000)
- customer accounts		(364,397)	176,313
- other liabilities		10,931	9,666
Net cash used in operating activities		(1,367,612)	(1,259,220)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(53,050)	(65,519)
Proceeds from sale of property and equipment		1,187	927
Acquisition of financial assets at fair value through other comprehensive income		(11,342)	-
Acquisition of investment securities measured at amortised cost		(357,974)	(719,459)
Proceeds from disposal of investment securities measured at amortised cost		329,403	571,940
Proceeds from disposal of subsidiary		51,597	-
Dividend income received		2,089	632
Net cash used in investing activities		(38,090)	(211,479)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		-	(4)
Proceeds from borrowings from government and international financial institutions	15	1,359,267	2,914,187
Repayment of borrowings from government and international financial institutions	15	(741,327)	(1,560,991)
Net cash from financing activities		617,940	1,353,192
Effect of changes in foreign exchange rate on cash and cash equivalents		19,392	3,108
Effect of changes in expected credit losses		1,532	(3,703)
Net decrease in cash and cash equivalents		(788,838)	(118,102)
CASH AND CASH EQUIVALENTS at the beginning of the period	5	2,046,066	1,311,121
CASH AND CASH EQUIVALENTS at the end of the period	5	1,279,228	1,193,019

On behalf of the Management Board:

Muratov Alisher Akmalovich
 Acting First Deputy Chairman of the
 Management Board

26 January 2024
 Tashkent, Uzbekistan



Makhmudov Khurshid
 Toshboboyevich
 Chief Accountant

26 January 2024
 Tashkent, Uzbekistan

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums, unless otherwise indicated)

1. Introduction

Joint-Stock Commercial Bank "Qishloq Qurilish Bank" ("the Bank") was incorporated on 30 March 2009 in Tashkent, the Republic of Uzbekistan under the Resolution of the President of the Republic of Uzbekistan dated 30 March 2009. The Bank was established on the base of the former OJSC "Gallabank", which was incorporated on 2 August 1994 in Tashkent, the Republic of Uzbekistan. The Bank is state controlled as a significant portion of its equity is owned by the Agency for Strategic Reforms under the President of the Republic of Uzbekistan ("the Agency") and the Uzbekistan Fund for Reconstruction and Development ("UFRD").

Subsequent to the reporting date, a new Joint-Stock Commercial Bank "Business Development Bank" was created on the basis of the Joint-Stock Commercial Bank "Qishloq Qurilish Bank", as disclosed in Note 28.

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

Principal activity. The Bank's principal activity is commercial and retail banking operations within the Republic of Uzbekistan, as well as foreign exchange dealing on international foreign currency markets. The Bank was granted a banking license #77 issued by the Central Bank of the Republic of Uzbekistan ("the CBU") on 25 December 2021.

A significant portion of the Bank's activities is 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.

The Bank participates in the state deposit insurance scheme, introduced by Uzbekistan Law #360-II "Guarantees for the protection of deposits of individuals in banks" dated 5 April 2002. To implement the purpose of this Law, the State Deposit Insurance Fund was formed to guarantee repayment of 100% of individuals' deposits regardless of the deposit amount and in case of withdrawal of a license.

The Bank operates through its Head Office in Tashkent, the Republic of Uzbekistan, 41 Banking Service Offices (BSOs) (previously referred as "branches") and two Banking Service Centres (BSCs) within Uzbekistan (31 December 2022: 43 branches).

As at 30 June 2023, the Bank's registered address was: 18A, Navoi str., Tashkent, 100011, the Republic of Uzbekistan.

On 20 February 2023, the Bank founded a new subsidiary named "Green-Energy-Service-Group" LLC with 100% ownership via investing UZS 15,000 million for authorized capital in accordance with the Presidential Decree #PD-57 dated 16 February 2023 "On measures to accelerate the implementation of renewable energy sources and energy saving technologies in 2023".

As at 30 June 2023 (unaudited), the company was a single subsidiary of the Bank.

On 17 March 2023, the Group sold its previously owned 100% shares of its subsidiary named JSC "Perfect insurance" for UZS 51,597 million (Notes 11 and 20).

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

JOINT-STOCK COMMERCIAL BANK "QISHLOQ QURILISH BANK"

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums, unless otherwise indicated)

As at 30 June 2023 (unaudited) and 31 December 2022, the following shareholders owned issued shares of the Bank:

	30 June 2023 (unaudited)	31 December 2022
Shareholders:		
The Agency for Strategic Reforms under the President of the Republic of Uzbekistan	74.45%	-
Ministry of Economy and Finance of the Republic of Uzbekistan ("MOF" or "the Ministry of Finance")	-	74.45%
Uzbekistan Fund for Reconstruction and Development	23.89%	23.89%
Others (Individually holding less than 5% of the share capital of the Bank)	1.66%	1.66%
Total	100.00%	100.00%

On 14 March 2023, 11,562,390,268 ordinary shares, or 74.45% of the total ordinary shares of the Bank owned by the Ministry of Economy and Finance were transferred to the Agency for Strategic Reforms under the President of the Republic of Uzbekistan in accordance with the Presidential Decree #PD-83 "On measures to accelerate the processes of reforming the State participated enterprises".

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

The primary activities of the Group are deposit taking, lending, providing payments and settlement services, transactions with foreign currencies and securities, providing finance leases and activities in financial services and insurance. The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year. However, since the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the year ending 31 December 2023.

2. Operating environment of the Group

Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political, social, 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 the six months ended 30 June 2023 (unaudited), the LBMA gold price was subject to significant fluctuations with the average price of 1,931.5 USD per troy ounce (31 December 2022: 1,800.8 USD per troy ounce). In addition, Uzbekistan's gross domestic product ("GDP") grew by 5.6% (31 December 2022: 5.7%).

In accordance with the decision of the CBU dated 16 March 2023, the base rate was decreased to 14% per annum ensuring that relatively tight monetary conditions are maintained in the downward dynamics of the inflation forecast (31 December 2022: 15%). Global inflation continued to moderate during the six months ended 30 June 2023 (unaudited), in addition to tighter monetary policies of key central banks, the increased demand for safe assets in the context of recent bank run episodes in the international banking sector raises the volatility on financial and commodity markets.

In addition, interventions on the currency market were performed to support the Uzbekistan Soums exchange rate against foreign currencies.

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

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 operations for the foreseeable future.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums, unless otherwise indicated)

3. Significant accounting policies

Basis of preparation.

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2022 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information is adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

Interim measurement period. Income tax expense is recognized in this condensed interim consolidated financial information based on the management's best estimate of the weighted average effective annual income tax rate expected for the full financial year. Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

The following amended standards and interpretations became effective for the Group from 1 January 2023, but did not have any material impact on the Group's interim condensed consolidated financial information for the six months ended 30 June 2023 (unaudited).

- *IFRS 17 Insurance Contracts*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*
- *Definition of Accounting Estimates – Amendments to IAS 8*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*
- *International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12*

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are not yet effective.

Going concern. This interim condensed consolidated financial information has 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. The financial position and the results of the Group continue to be significantly impacted by the reforms of the new government, including those directed at increasing living standards, incomes, and job opportunities in rural regions.

The Group had a net loss of UZS 392,336 million for the period ended 30 June 2023 (unaudited). This mainly resulted due to creation of additional allowance for expected credit losses in the amount of UZS 935,209 million which was primarily driven by the higher probability of default and payment delays in loans and advances to customers. As a result, the Group has accumulated a loss in retained earnings account.

For the six months ended 30 June 2023 (unaudited), the Group had a cash outflow from operating activities mainly as a result of on-lending the funds received from international financial institutions and the government to finance state and investment projects increasing the loans and advances to customers by UZS 2,718,940 million or 12.3% of total gross loans and advances to customers (30 June 2022 (unaudited): UZS 4,459,674 million or 23.2%) as disclosed in Note 23. Cash flows stemming from the borrowings from government and international financial institutions has been disclosed as a part of financing activity whereas loans and advances to customers considered part of operating activities in the consolidated statements of

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums, unless otherwise indicated)

cash flows of the Group as well as outflow in customer accounts and due to other banks, which lead to negative cash flows in operating activities of the Group as a whole. As a result, the Group had operating cash outflow in the amount of UZS 1,367,612 million.

As at 30 June 2023 (unaudited), 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), Asian Development Bank (ADB) provided through the Ministry of Economy and Finance of the Republic of Uzbekistan, International Fund for Agricultural Development (IFAD) via MOF, Banka Kombetare Tregtare SH.a, International Islamic Trade Finance Corporation (ITFC) and KfW IPEX BANK, and classified these loans in the total amount of UZS 1,350,598 million as "Up to 1 month" category, as a result of the non-compliance with the covenants the cumulative liquidity gap up to 30 days comprised UZS 1,112,687 million, as discussed in detail in Notes 14 and 23.

As the Group is ultimately controlled by the government and the Group's main activities are related to its role as a government agent in improving the living conditions of the rural population and financing construction in villages, accelerating the development of the industrial and social infrastructure in the rural areas by issuing long-term mortgage loans to residents living in such areas, financing projects of small businesses and providing them with comprehensive services. These activities suggest that the Group does not prioritize profit seeking activities. 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 considered as a government bank with the Agency for Strategic Reforms under the President of the Republic of Uzbekistan and Uzbekistan Fund for Reconstruction and Development as key stakeholders, jointly holding 97.96% interest in the charter capital. The Group is a strategic financial institution of the Republic of Uzbekistan in rural development and small business. Hence, the Group is extensively engaged by the State in implementing key social and economic welfare improvement projects, in particular, narrowing the rural-urban income disparities through constructing affordable and modern housing for the rural population throughout the country (low-income families, military servants and others), setting up related infrastructure, and expanding opportunities for entrepreneurs to develop business in rural areas. As a result, management is expecting the government to continue to support the Group and considers that all operations will proceed in the normal course of business, with the State retaining the strategic control for the foreseeable future.
- The Bank plays a vital role as a government arm/vehicle to channel the government funds to the strategic sectors of the economy of Uzbekistan. Demand deposits stand at 24% of the total customer balance as at 30 June 2023 (unaudited). 44% of these demand deposits are placed by government-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 the first half of 2023, the Group has attracted additional short-term and long-term financing from the government and international financial institutions for the total amount of equivalent to UZS 1,359,267 million in domestic and foreign currencies as disclosed in the consolidated statement of cash flows.
- Continued support by the government of the Republic of Uzbekistan, subsequent to the reporting date, on 29 September 2023, a new Joint-Stock Commercial Bank "Business Development Bank" was created on the basis of the 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, #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 obliged to create 14 small business assistance centres in the Republic of Karakalpakstan, regions and Tashkent city, responsible for facilitating the development, financing and implementation of business projects of small businesses, as well as providing them with consulting services. To support this, the Ministry of Economy and Finance of the Republic of Uzbekistan is obliged to renew the agreement on previously issued funds to the JSCB "Qishloq Qurilish Bank" in the total amount of UZS 544,000 million with the JSCB "Business Development Bank" as a subordinated debt and gradually increase the share capital of the JSCB "Business Development Bank" to UZS 3,000,000 million through the government capital injection within the period from 1 October 2023 till the end of 2024, in accordance with the Presidential Decree of the Republic of Uzbekistan #PD-306 dated 14 September 2023 "On measures of financial and institutional support for small business development".

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- On 30 November 2023, the Group received subscription funds for capital injection in the form of ordinary shares from UFRD in the amount equivalent to USD 75 million (UZS 922,341 million) as per the agreement for the subscription of ordinary shares #2 dated 30 November 2023 signed between JSCB "Business Development Bank" and UFRD, under the Presidential Decree of the Republic of Uzbekistan #PD-306 dated 14 September 2023 as disclosed in Note 28.
- During July-November 2023, the Group received long-term funds in the total amount of equivalent to UZS 404,798 million from Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, the CBU and the Mortgage Refinancing Company and its shareholder UFRD with the interest rates ranging from 2% to 15% per annum as disclosed in Note 28.
- During July-October 2023, the Group received additional long-term funds in the total amount equivalent to UZS 86,403 million from the International Bank for Reconstruction and Development for the development of the horticultural sector in the Republic of Uzbekistan with the interest rate of 4.4 percent per annum as disclosed in Note 28.
- The Management regularly assesses the stability of its customer accounts funding base, in particular with respect to that of non-state entities, based on past performance and analysis of the events subsequent to the reporting date. Management believes that the customers intend to hold their term deposits with the Group, and that this source of funding will remain at a similar level for the foreseeable future.
- The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap.
 - Attraction of long-term deposits of State funds under the Ministry of Finance - Pension Fund, State Deposit insurance funds and others;
 - Attraction of budgetary funds up to one year through weekly electronic bidding platform run by State Treasury under the Ministry of Finance;
 - Utilization of the CBU's short-term liquidity loans;
 - Attraction of deposits from inter-bank money markets within the limits set by local commercial banks;
 - Attraction of additional government capital injections in form of ordinary shares;
 - Attraction of government subordinated debts.

As at 30 June 2023 (unaudited), the Group was in compliance with all prudential requirements set by the CBU as disclosed in Note 14.

The Management of the Group is engaged to improve its compliance with prudential requirements set by the CBU by increasing the quality of its assets and attracting new subordinated debts and capital injections from government.

4. Critical accounting judgments and key sources of estimation uncertainty

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2022 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2022.

5. Cash and cash equivalents

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Cash on hand	688,130	508,339
Cash balances with the CBU (other than mandatory reserve deposits)	235,184	844,871
Correspondent accounts and overnight placements with other banks	356,801	289,966
Placements with other banks with original maturities of less than three months	-	405,315
Total cash and cash equivalents, gross	1,280,121	2,048,491
Less – Provision for expected credit losses	(893)	(2,425)
Total cash and cash equivalents	1,279,228	2,046,066

JOINT-STOCK COMMERCIAL BANK "QISHLOQ QURILISH BANK"

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums, unless otherwise indicated)

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

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Stage 1 (12 month ECL)		
Cash on hand	688,136	508,339
A1	15,192	8,406
B+	5,581	8,546
Ba3	319,116	-
B1	-	488,172
B	-	134,706
BB-	2,268	860,292
B2	118,431	2,594
B3	130,000	33,693
Total stage 1, gross	1,278,724	2,044,748
Stage 3 (Lifetime ECL)		
Not rated	1,397	3,743
Total stage 3, gross	1,397	3,743
Total cash and cash equivalents, gross	1,280,121	2,048,491
Less: Provision for expected credit losses	(893)	(2,425)
Total cash and cash equivalents	1,279,228	2,046,066

All cash and cash equivalents balances are neither past due nor impaired.

For the balances with the 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 six months ended 30 June 2023 (unaudited) are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

6. Due from other banks

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Short term placements with other banks with original maturities of more than three months	12,519	384,611
Long term placements with other banks	184,287	144,664
Mandatory reserve deposit held with CBU	81,938	84,180
Restricted cash	1,764	1,283
Total due from other banks, gross	280,508	614,738
Less: Provision for expected credit losses	(1,498)	(2,482)
Total due from other banks	279,010	612,256

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.

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Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
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The analysis of credit quality and credit ratings of due from other banks is presented in the table below:

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Stage 1 (12 month ECL)		
Ba3	150,429	-
BB-	127,151	520,953
B1	50	90,116
B+	2,304	571
B	-	2,486
B3	-	50
Not rated	-	562
Total stage 1, gross	279,934	614,738
Stage 3 (Lifetime ECL)		
Not rated	574	-
Total stage 3, gross	574	-
Total due from other banks, gross	280,508	614,738
Less: Provision for expected credit losses	(1,498)	(2,462)
Total due from other banks	279,010	612,276

For the balances with the 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 due from other banks during the six months ended 30 June 2023 (unaudited) are disclosed in Note 23. The information on related party balances is disclosed in Note 27.

7. 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.

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Loans to legal entities	11,526,053	10,416,909
Mortgages under the Program	5,656,592	5,898,080
Loans to individuals	4,803,580	4,475,410
Net investment in financial lease	91,894	102,018
Total loans and advances to customers, gross	22,078,119	20,892,417
Less: Provision for expected credit losses	(2,525,168)	(1,637,365)
Total loans and advances to customers	19,552,951	19,255,052

Information on related party balances is disclosed in Note 27.

As at 30 June 2023 (unaudited), the Group had a single borrower with the aggregate gross carrying amount of loans comprising UZS 327,690 million (31 December 2022: UZS 220,433 million).

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
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As at 30 June 2023 (unaudited), Mortgages under the Program included loans and advances to customers that were pledged as collateral against borrowings from the JSC "Mortgage Refinancing Company of Uzbekistan" in the gross amount UZS 235,874 million (31 December 2022: UZS 216,845 million) (Note 14).

NPLs are loans in which the borrower is in default due to the fact that they have not made the scheduled payments for 90 days or more. The following table presents information about NPLs as at 30 June 2023 (unaudited) and 31 December 2022:

	30 June 2023 (unaudited)	31 December 2022
Non-performing loans (in millions of Uzbekistan Soums)	2,766,424	1,985,517
Non-performing loans ratio (Non-performing loans balance divided by the gross loan portfolio)	12.53%	9.50%
NPL coverage ratio (total allowance for expected credit losses on loans and advances to customers divided by non-performing loans balance)	91%	82%

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

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)		31 December 2022	
	Amount	%	Amount	%
Individuals	10,460,172	48	10,373,490	50
Manufacturing	3,809,159	17	3,449,546	17
Trade	2,448,493	11	2,278,280	11
Construction	1,994,429	9	1,836,458	9
Agriculture	1,558,339	7	1,231,186	6
Services	1,049,844	5	1,030,963	5
Transport and communication	463,450	2	424,537	2
Other	298,233	1	267,939	-
Total loans and advances to customers, gross	22,078,119	100	20,892,417	100

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:

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Stage 1 (12-month ECL)	14,241,377	14,957,332
Stage 2 (Lifetime ECL)	2,905,280	2,411,808
Stage 3 (Lifetime ECL)	4,931,462	3,523,277
Total loans and advances to customers, gross	22,078,119	20,892,417
Less: Provision for expected credit losses	(2,525,168)	(1,637,365)
Total loans and advances to customers	19,552,951	19,255,052

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
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The table below summarizes the carrying value of loans and advances to customers analysed by type of collateral obtained by the Group:

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Unsecured loans:	257,498	712,291
Loans collateralised by pledge of:		
Real estate	17,120,216	16,192,143
Guarantees of third parties	1,983,089	1,903,886
Insurance policies	1,188,698	663,760
Vehicles	794,773	783,528
Equipment	620,670	528,640
Inventories	111,851	109,264
Cash deposit	411	290
Other	21,113	18,595
Total loans and advances to customers, gross	22,078,119	20,892,417
Less: Provision for expected credit losses	(2,525,168)	(1,637,365)
Total loans and advances to customers	19,552,951	19,255,052

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:

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Unsecured loans	27,259	148,863
Loans collateralised by pledge of:		
Real estate	3,138,135	2,212,731
Guarantees of third parties	764,019	581,605
Vehicles	268,267	230,185
Insurance policies	410,392	176,138
Equipment and inventory	323,310	175,915
Cash deposit	80	28
Other	-	12
Total Stage 3 (Lifetime ECL) loans and advances to customers, gross	4,931,462	3,623,277
Less: Provision for expected credit losses	(1,881,662)	(1,163,586)
Total Stage 3 (Lifetime ECL) loans and advances to customers	3,049,800	2,359,691

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Analysis of credit quality of loans and advances to customers outstanding as at 30 June 2023 (unaudited) is as follows:

In millions of Uzbekistan Soums	Mortgages under the Program	Loans to legal entities	Loans to individuals	Net investment in financial lease	Total
Collectively assessed					
Stage 1 (12-month ECL)					
Not past due	4,034,876	5,317,632	3,661,760	78,851	13,093,139
up to 30 days	651,288	308,926	190,024	-	1,148,238
Total collectively assessed stage 1 (12-month ECL), gross	4,686,164	5,624,558	3,851,804	78,851	14,241,377
Stage 2 (Lifetime ECL)					
Not past due	40,693	597,006	23,598	-	661,297
up to 30 days	97,965	125,742	204,462	3,101	431,290
31 to 60 days	324,501	740,178	304,737	1,833	1,371,249
61 to 90 days	143,831	229,462	68,151	-	441,444
Total collectively assessed stage 2 (Lifetime ECL), gross	606,990	1,592,388	600,968	4,934	2,905,280
Stage 3 (Lifetime ECL)					
Not past due	5,929	229,584	23,831	1	259,145
up to 30 days	1,888	44,921	17,474	-	64,283
31 to 60 days	2,184	21,695	11,539	-	35,418
61 to 90 days	1,193	45,502	6,521	-	53,216
91 to 180 days	172,426	424,450	77,719	2,715	677,310
Over 180 days	179,818	1,283,624	213,974	5,393	1,682,759
Total collectively assessed stage 3 (Lifetime ECL), gross	363,438	2,049,776	350,908	8,109	2,772,131
Total collectively assessed, gross	5,656,592	9,366,722	4,803,580	91,894	19,918,788
Individually impaired					
Stage 3 (Lifetime ECL)					
Not past due	-	1,338,523	-	-	1,338,523
up to 30 days	-	158,992	-	-	158,992
31 to 60 days	-	128,468	-	-	128,468
61 to 90 days	-	126,993	-	-	126,993
91 to 180 days	-	195,273	-	-	195,273
Over 180 days	-	211,082	-	-	211,082
Total individually impaired stage 3 (Lifetime ECL), gross	-	2,159,331	-	-	2,159,331
Total loans and advances to customers, gross	5,656,592	11,526,053	4,803,580	91,894	22,078,119
Provision for expected credit losses assessed on a collective basis stage 1 (12-month ECL)	(28,845)	(224,418)	(33,281)	(3,049)	(289,593)
Provision for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(42,579)	(264,481)	(46,071)	(782)	(353,913)
Provision for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	(101,380)	(1,242,213)	(111,619)	(6,738)	(1,461,930)
Provision for expected credit losses determined on an individual basis stage 3 (Lifetime ECL)	-	(419,732)	-	-	(419,732)
Total provision for expected credit losses	(172,794)	(2,150,844)	(190,971)	(10,569)	(2,524,168)
Total loans and advances to customers	5,483,808	9,375,209	4,612,609	\$1,325	19,552,951

As at 30 June 2023 (unaudited), loans to legal entities include restructured loans during the six months period in the gross amount of UZS 1,143,016 million (31 December 2022: UZS 2,205,646 million).

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

<i>In millions of Uzbekistan Soums</i>	Mortgages under the Program	Loans to legal entities	Loans to individuals	Net investment in financial lease	Total
Collectively assessed Stage 1 (12-month ECL)					
Not past due	4,432,828	5,813,489	3,852,928	89,609	13,788,852
up to 30 days	660,031	222,597	282,118	3,734	1,168,480
Total collectively assessed stage 1 (12-month ECL), gross	5,092,857	5,836,086	3,935,046	93,343	14,957,332
Stage 2 (Lifetime ECL)					
Not past due	60,230	969,245	74,217	939	1,054,631
up to 30 days	35,343	58,814	30,038	-	118,183
31 to 60 days	283,742	415,189	181,544	-	880,475
61 to 90 days	115,969	206,767	35,773	-	358,509
Total collectively assessed stage 2 (Lifetime ECL), gross	495,284	1,638,015	277,570	939	2,411,808
Stage 3 (Lifetime ECL)					
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	88,458	3,978	622,177
Over 180 days	159,917	850,970	137,650	3,753	1,152,290
Total collectively assessed stage 3 (Lifetime ECL), gross	309,939	1,415,229	262,724	7,736	1,995,698
Total collectively assessed, gross	5,898,080	8,889,330	4,475,410	102,018	19,364,938
Individually impaired Stage 3 (Lifetime ECL)					
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
Total individually impaired stage 3 (Lifetime ECL), gross	-	1,527,579	-	-	1,527,579
Total loans and advances to customers, gross	5,898,080	10,416,909	4,475,410	102,018	20,892,417
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)	(29,336)	(223,174)	(21,090)	(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)
Total provision for expected credit losses	(126,049)	(1,375,271)	(128,444)	(7,592)	(1,637,365)
Total loans and advances to customers	5,772,032	9,041,638	4,346,966	94,426	19,255,052

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

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Amounts receivable under finance leases		
Less than one year	31,880	48,893
Year 1	18,472	31,059
Year 2	14,458	21,305
Year 3	13,326	17,446
Year 4	12,593	15,057
Year 5	11,020	12,709
Onwards	-	3,774
Minimum lease payments	101,749	150,243
Less: unearned finance income	(9,855)	(48,225)
Net investment in finance lease (before impairment)	91,894	102,018
Recoverable within 12 months	27,558	-
Recoverable after 12 months	64,336	102,018
Net investment in finance lease (before impairment)	91,894	102,018
Less: Provision for expected credit losses	(10,569)	(7,592)
Net investment in finance lease	81,325	94,426

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.

8. Investment securities measured at amortised cost

<i>In millions of Uzbekistan Soums</i>	Currency	Annual coupon/ interest rate %	Maturity date month/year	30 June 2023 (unaudited)	31 December 2022
Government bonds	USD-UZS	5.4%-19%	Jul 2023-Jul 2032	1,288,847	1,060,895
CBU Bonds	UZS	14%	Jan-Feb 2023	-	193,817
Total investment securities measured at amortised cost, gross				1,288,847	1,254,712
Less: Provision for expected credit losses				(8,303)	(7,842)
Total investment securities measured at amortised cost				1,280,544	1,246,870

As at 30 June 2023 (unaudited), government bonds from the Ministry of Economy and Finance of the Republic of Uzbekistan include a gross amount of UZS 357,974 million purchased during the six months period ended 30 June 2023.

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)*(in millions of Uzbekistan Soums, unless otherwise indicated)***9. Property and equipment**

As at 30 June 2023 (unaudited), the Group's additions comprise from acquisition of office and computer equipment amounting of UZS 55,890 million. A significant part of the acquisition is represented as follows:

- ATM machines and video recording devices for ATM machines used for security reasons in the amount of UZS 12,111 million;
- Banknote sorters and banknote counters in the amount of UZS 11,000 million;
- Solar panels and batteries in accordance with the Presidential Decree #PD-57 dated 16 February 2023 "On measures to accelerate the implementation of renewable energy sources and energy-saving technologies in 2023" in the amount of UZS 11,367 million;
- Firewalls used for the network security devices in the amount of UZS 10,273 million.

As at 30 June 2023 (unaudited), fully depreciated assets amounted to UZS 44,150 million (31 December 2022: UZS 35,870 million)

As at 30 June 2023 (unaudited) and 31 December 2022, the Group did not pledge premises, equipment and intangible assets as collateral.

10. Other assets

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Other financial assets:		
Receivables on money transfers	17,709	1,975
Commissions receivable from customers	1,297	12,841
Receivables on post-financing arrangements	1,218	2,530
Receivable from employees	385	174
Receivables from sold properties on deferred terms	5,040	-
Other receivables	4,832	458
Total other financial assets, gross	30,481	17,988
Less: Provision for expected credit losses	(6,167)	(3,122)
Total other financial assets	25,314	14,866
Other non-financial assets:		
Reposessed collateral	12,818	-
Prepayments	11,010	18,851
Prepayment for construction services	3,111	1,435
Other	1,947	752
Total other non-financial assets	28,886	21,038
Total other assets	54,200	35,904

As at 30 June 2023 (unaudited), the prepayment for construction services represents a renovation and refurbishment of the Banking Service Offices (BSOs).

As at 30 June 2023 (unaudited), reposessed collateral comprises buildings and equipment with a carrying value of UZS 14,578 million obtained from ten written-off loans issued to customers in a total gross carrying value of UZS 16,031 million the six months ended 30 June 2023 (unaudited). Additionally, during the period, the Group recognised impairment adjustment in the total amount of UZS 1,760 million for the recognition at fair value less cost to sell.

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

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Stage 2 (Lifetime ECL)	25,242	13,873
Stage 3 (Lifetime ECL)	5,239	4,115
Total other financial assets, gross	30,481	17,988
Less: Provision for expected credit losses	(5,167)	(3,122)
Total other financial assets	25,314	14,866

The analysis by credit quality of other financial assets outstanding at 30 June 2023 (unaudited) is as follows:

<i>In millions of Uzbekistan Soums</i>	Commissions receivable from customers	Receivables on post-financing arrangements	Receivables on money transfers	Receivable from employees	Receivables from sold properties on deferred terms	Other receivables	Total
Collectively assessed Stage 2 (Lifetime ECL)							
Not past due	-	-	14,674	-	5,040	455	20,169
up to 30 days	571	-	-	258	-	4,078	5,035
31 to 60 days	45	-	-	1	-	-	46
61 to 90 days	22	-	-	-	-	-	22
Total collectively assessed stage 2 (Lifetime ECL), gross	738	-	14,674	259	5,040	4,531	25,242
Stage 3 (Lifetime ECL)							
Not past due	-	-	3,035	-	-	-	3,035
Over 180 days	559	1,218	-	126	-	301	2,204
Total collectively assessed stage 3 (Lifetime ECL), gross	559	1,218	3,035	126	-	301	5,239
Total other financial assets, gross	1,297	1,218	17,709	385	5,040	4,832	30,481
Provision for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(71)	-	(1,412)	(25)	(58)	(391)	(1,957)
Provision for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	(252)	(933)	(1,861)	(58)	-	(86)	(3,210)
Total provision for expected credit losses	(323)	(933)	(3,293)	(83)	(58)	(477)	(5,167)
Total other financial assets	974	285	14,416	302	4,982	4,355	25,314

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

In millions of Uzbekistan Soums	Commissions receivable from customers	Receivables on post-financing arrangements	Receivables on money transfers	Receivable from employees	Other receivables	Total
Collectively assessed Stage 2 (Lifetime ECL)						
Not past due	9,850	-	-	2	-	9,852
Up to 30 days	805	-	1,975	44	468	3,282
31 to 60 days	130	-	-	125	-	255
61 to 90 days	474	-	-	-	-	474
Total collectively assessed stage 2 (Lifetime ECL), gross	11,259	-	1,975	171	468	13,873
Stage 3 (Lifetime ECL)						
91 to 180 days	786	2,530	-	-	-	3,296
Over 180 days	816	-	-	3	-	819
Total collectively assessed stage 3 (Lifetime ECL), gross	1,582	2,530	-	3	-	4,115
Total other financial assets, gross	12,841	2,530	1,975	174	468	17,988
Provision for expected credit losses assessed on a collective basis stage 2 (Lifetime ECL)	(618)	-	(123)	(6)	(25)	(773)
Provision for expected credit losses assessed on a collective basis stage 3 (Lifetime ECL)	(519)	(1,830)	-	(1)	-	(2,349)
Total provision for expected credit losses	(1,137)	(1,830)	(123)	(7)	(25)	(3,122)
Total other financial assets	11,704	700	1,852	167	443	14,866

11. Assets classified as held for sale

In millions of Uzbekistan Soums	30 June 2023 (unaudited)	31 December 2022
Assets of subsidiary insurance business classified as held for sale		
Non-current assets	n/a	10,448
Current assets	n/a	53,041
Total assets of subsidiary insurance business classified as held for sale	-	63,489
Repossessed assets received as collateral from loans and advances to customers		
Real estate	32,118	n/a
Vehicles	4,872	n/a
Total repossessed assets classified as held for sale	36,990	-
Total assets classified as held for sale	36,990	63,489
Total liabilities directly associated with assets classified as held for sale	-	26,281
Net assets classified as held for sale	36,990	37,208

As at 30 June 2023 (unaudited), the carrying value of the repossessed assets received as collateral from loans and advances to customers comprise UZS 54,578 million. During the six months ended 30 June 2023 (unaudited), the Group approved the plan to sell the repossessed assets and actively marketed in different local market platforms. As at 30 June 2023 (unaudited), the assets were classified related assets as Assets classified as held for sale. The Group recognised as lower of carrying amount and fair value less costs to selling in the amount of UZS 17,188 million as impairment losses on other operations.

On 17 March 2023, the Group sold its 100% shares of JSC "Perfect Insurance" as disclosed in Note 20.

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12. Due to other banks

In millions of Uzbekistan Soums	30 June 2023 (unaudited)	31 December 2022
Short term placements of other banks	1,182,218	1,696,845
Long term placements of other banks	640,090	596,490
Total due to other banks	1,822,308	2,292,335

As at 30 June 2023 (unaudited), term deposits in the amount of UZS 896,073 million were provided by 3 domestic banks (31 December 2022: UZS 398,723 million – 2 domestic banks), and UZS 915,149 million were provided by 2 Russian banks (31 December 2022: UZS 1,858,979 million were provided by 2 Russian banks).

13. Customer accounts

In millions of Uzbekistan Soums	30 June 2023 (unaudited)	31 December 2022
State and public organizations		
- Current/settlement accounts	474,154	500,974
- Term deposits	1,329,977	1,551,353
Other legal entities		
- Current/settlement accounts	342,506	571,007
- Term deposits	540,300	686,123
Individuals		
- Current/settlement accounts	254,269	289,852
- Term deposits	1,568,968	1,312,607
Total customer accounts	4,510,174	4,911,716

Economic sector concentration is as follows:

In millions of Uzbekistan Soums	30 June 2023 (unaudited)		31 December 2022	
	Amount	%	Amount	%
Analysis by economic sector/customer type:				
Individuals	1,823,237	41	1,602,259	33
State and public organisations	1,804,131	40	2,052,327	43
Finance sector	256,217	6	514,638	10
Construction	228,294	5	386,761	7
Services	176,597	4	105,338	2
Trade	97,686	2	117,115	2
Manufacturing	88,553	2	123,090	3
Transport and communication	21,255	-	13,924	-
Agriculture	8,932	-	14,534	-
Others	5,272	-	1,721	-
Total customer accounts	4,510,174	100	4,911,716	100

As at 30 June 2023 (unaudited) and 31 December 2022, the Group had 10 customers with the total balance of UZS 2,032,381 million and UZS 1,920,226 million, respectively.

As at 30 June 2023 (unaudited) and 31 December 2022, customer accounts amounting to UZS 9,884 million and UZS 2,548 million, respectively, were used as collateral for letters of credit and other similar products issued by the Group disclosed in Note 25.

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14. Borrowings from government and international financial institutions

In millions of Uzbekistan Soums	Currency	Nominal interest rate	30 June 2023 (unaudited)	31 December 2022
Ministry of Finance of the Republic of Uzbekistan (MOF)	USD, UZS	5.25-5.875%, 0-14%	6,644,525	5,311,402
Asian Development Bank (ADB) via MOF	USD, UZS	3%, 3-15% (CIBU rate)	1,859,317	1,842,219
Islamic Development Bank via MOF	UZS	4%	1,740,204	1,797,870
International Bank of Reconstruction and Development (IBRD) via MOF	USD, UZS	2.1-7.2%, 14-15%	1,491,929	1,378,252
Uzbekistan Fund for Reconstruction and Development (UFRD)	USD, UZS	0-2.7%, 7-10%	763,887	643,619
Saudi Fund for Development via MOF	UZS	4-7%	579,689	583,287
European Investment Bank via Entrepreneurship Development Agency under the Ministry of Economic Development and Poverty Reduction	USD	6.032% + SOFR 6m	406,024	333,434
KfW IPEX BANK	EUR	Eurobor + 1.25%-3%	375,112	227,147
Borrowings from Government	USD, UZS	2-4.5%, 3-13%	324,798	293,492
JSC "AK BARS"	USD	4.55-5.25%	287,016	8,492
Japan International Cooperation Agency (JICA)	USD	5%	218,106	213,139
National Bank for Foreign Economic Activity of Uzbekistan (NBU)	UZS	10-18%	208,541	216,052
International Development Association (IDA) via MOF	USD, UZS	Libor 6 m + 4.3%, 15%	201,534	204,862
Islamic Corporation for the Development of the Private Sector (ICD)	USD	-	174,938	185,686
JSC "Uzbekistan mortgage refinancing company"	UZS	12.5-13%	174,401	175,488
JSC JSCB International Financial Club (IFC Bank)	EUR, USD	3.3%, 4.75%	150,774	312,547
International Fund for Agricultural Development (IFAD) via MOF	USD, UZS	2.5-3.5%, 15%	147,345	135,162
JSC KDB Bank Uzbekistan	USD	6%	99,247	102,137
French Development Agency via State Committee for Veterinary and Livestock Development	UZS	15% (CIBU rate)	89,562	89,609
China Eximbank via NBU	USD	Libor 6 m + 4%	79,521	115,686
Banka Kombitars Treglare S.H.a	USD	Libor 6 m + 4.1% 1.5-5.78%, 5.04-	50,743	72,808
COMMERZBANK AG	EUR, USD	6.75%	47,742	47,094
JSCB "Asaka Bank"	UZS	3-10%	44,001	49,923
JSCMB "Ipoteka Bank"	UZS	10%	35,212	40,371
JSCB "Aloqabank"	UZS	10%	32,731	38,120
JSCB "Uzbek Industrial and Construction Bank"	UZS	10%	32,175	32,558
Landesbank Hessen-Thüringen Girozentrale	EUR	8%	27,100	-
JSCB "Turonbank"	UZS	10%	24,018	28,092
International Islamic Trade Finance Corporation (ITFC)	USD	-	22,428	60,953
JSCB "Mikrokreditbank"	UZS	10%	16,736	16,895
JSCB "Agrobank"	UZS	10%	4,988	5,586
International Bank for Economic Co-operation	EUR	4.3%	-	4,151
Total borrowings from government and international financial institutions			15,354,317	14,666,621

As at 30 June 2023 (unaudited), the Group was not in compliance with certain financial covenants stipulated in the following loan agreements.

- Borrowings from the Islamic Corporation for the Development of the Private Sector (ICD). As a result of the non-compliance, the Group recognised liability of the outstanding principal amount of

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- equivalent to UZS 174,938 million to ICD within the Borrowings from government and international financial institutions. The Group was in breach of a financial covenant of a "ratio of bad and doubtful loans to the aggregate of all loans in the Bank's loan portfolio (equivalent to NPLs ratio disclosed in Note 7)".
- Borrowings from the International Islamic Trade Finance Corporation (ITFC). As a result of the non-compliance, the Group recognised liability in the outstanding principal amount of equivalent to UZS 22,428 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 (stage 3 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 610,607 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 "non-performing loans ratio (i.e. debts requiring 100% loan-loss provisioning as defined by the CBU)".
 - 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 119,637 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 (NPLs - a percentage of outstanding balance of all loans with a payment over 90 days late to gross amount of all loans as per accounting policies set by the CBU) 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.
 - Borrowings from Kombetare Treglare SH.a provided through the Ministry of Economy and Finance represent long-term loan with the total outstanding principal amount of equivalent to UZS 49,235 million, maturing in January 2024. The Group was in breach of covenant of non-performing loans to total loans ratio (the aggregate outstanding principal amount of all loans, leasing operations, advances and other receivables made by the Group that at such time are overdue by more than 90 days, or such shorter period as may be required from time to time by the CBU).
 - Non-compliance has triggered cross default clauses stipulated in the credit facility agreement signed between the Bank and KfW IPEX BANK in the outstanding principal amount of equivalent to UZS 373,703 million. 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.

As at 30 June 2023 (unaudited), in accordance with IFRS, the Group classified the long-term borrowings from these financial institutions as "Up to 1 month" in the total principal amount of equivalent to UZS 1,350,588 million.

The Group is proactively communicating with all above-mentioned financial institutions and the Ministry of Economy and Finance and establishing a new strategic action plan in relation to financial years 2023-2027 with a view of ensuring compliance with the covenants in the future.

The Group is proactively communicating with other financial institutions in order to obtain waiver letters and agree action plan for future cooperation.

The Group believes that the non-compliance with the abovementioned financial covenants is not expected to result in a cash outflow for the Group (Note 3).

Subsequent to the reporting period, JSC "AK BARS" appeared in the sanction list (SDN) as disclosed in note 28.

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15. Net debt reconciliation

In millions of Uzbekistan Soums	1 January 2023	Net financing cash flows	Interest paid	Interest accrued (Note 16)	Non-cash changes		30 June 2023 (unaudited)
					Off balance sheet liabilities derecognised (Note 14)	Foreign exchange rate adjust- ments	
Borrowings from government and international financial institutions (note 14)	14,666,621	617,940	(528,010)	541,559	(481,273)	105,480	15,354,317

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

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

16. Net interest income

In millions of Uzbekistan Soums	For the six months ended	
	30 June 2023 (unaudited)	30 June 2022 (unaudited)
Interest income comprises:		
Interest on loans and advances to customers	1,483,330	1,120,906
Interest income on investment securities measured at amortised cost	112,232	63,981
Interest on balances due from other banks	24,873	14,804
Interest on cash and cash equivalents	604	784
Total interest income	1,621,039	1,200,275
Interest expense comprises:		
Interest on borrowings from government and international financial institutions	(541,559)	(377,539)
Interest on term deposits of state and other legal entities	(152,830)	(147,502)
Interest on term deposits of individuals	(135,163)	(80,240)
Interest on term deposits of other banks	(49,885)	(69,683)
Interest on debt securities in issue	(20,935)	(9,334)
Other interest expenses	(10,386)	(18,839)
Total interest expense	(920,758)	(703,137)
Net interest income	700,281	497,138

The total interest income calculated using an effective interest rate ("EIR") method for financial assets measured at amortized cost. The interest income on net investment in finance lease included in interest on loans and advances to customers.

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17. Fee and commission income and expense

<i>In millions of Uzbekistan Soums</i>	For the six months ended	
	30 June 2023	30 June 2022
	(unaudited)	(unaudited)
Fee and commission income:		
Settlements	68,143	58,249
International money transfers	14,316	8,163
Guarantees and letters of credit	4,730	5,780
SMS and internet banking	2,573	2,698
Foreign exchange operations	152	507
Other	2,099	1,103
Total fee and commission income	92,013	76,500
Fee and commission expense:		
Settlements	(14,825)	(7,806)
Fee and commission expenses to other banks	(2,945)	(4,185)
Cash collection services	(2,480)	(2,401)
Other	(1,664)	(575)
Total fee and commission expense	(21,914)	(14,867)
Net fee and commission income	70,099	61,633

18. Operating expenses

<i>In millions of Uzbekistan Soums</i>	For the six months ended	
	30 June 2023	30 June 2022
	(unaudited)	(unaudited)
Staff costs	194,605	195,061
Depreciation and amortisation (Note 9)	33,455	27,679
Taxes other than income tax	27,804	23,968
Security services	21,666	18,793
Charity and sponsorship	11,871	10,823
Membership fees	11,155	7,088
Repair and maintenance	5,329	3,829
Professional services	4,317	11,873
Stationery and supplies	4,192	4,760
Business trip and travel expenses	3,011	2,885
Advertising and Publicity	2,557	1,728
Rent expenses	1,793	1,774
Utilities	1,646	1,469
Postage, telephone and fax	1,553	1,115
Fuel	919	862
Fines and penalties incurred	44	-
Other operating expenses	8,851	3,140
Total operating expenses	334,568	316,847

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19. 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:

<i>In millions of Uzbekistan Soums</i>	For the six months ended	
	30 June 2023	30 June 2022
	(unaudited)	(unaudited)
Current income tax expense	22,147	62,003
Deferred tax benefit	(127,606)	(74,648)
Income tax benefit	(105,459)	(12,645)
Income tax relating to the equity instruments classified as FVTOCI	(341)	235

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 30 June 2023 (unaudited) and 30 June 2022 (unaudited) 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 the six months ended 30 June 2023 (unaudited) and 30 June 2022 (unaudited) are explained as follows:

<i>In millions of Uzbekistan Soums</i>	For the six months ended	
	30 June 2023	30 June 2022
	(unaudited)	(unaudited)
IFRS loss before tax	(497,795)	(49,469)
Theoretical tax recovery at the applicable statutory rate - 20%	(99,559)	(9,894)
- Non-deductible expenses (employee compensation, representation and other non-deductible expenses)	4,047	2,710
- Tax law change for allowances for assets	12,880	5,010
- Tax exempt income	(24,098)	(10,993)
- Other	1,271	522
Income tax benefit	(105,459)	(12,645)
Income tax relating to the equity instruments classified as FVTOCI	(341)	235
Total income tax benefit	(105,800)	(12,410)

According to the 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 six months 30 June 2023 (unaudited) and 30 June 2022 (unaudited), the income in the amount of UZS 112,232 million and UZS 63,981 million, respectively, derived from the purchase of bonds of the government and the CBU.

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Temporary differences as at 30 June 2023 (unaudited) comprise:

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	Credited to Other compre hensive income	(Debited)/ credited to profit or loss	31 December 2022
Tax effect of deductible/(taxable) temporary differences				
Cash and cash equivalents	179	-	(306)	485
Due from other banks	300	-	(196)	496
Loans and advances to customers	413,587	-	126,507	267,080
Investment securities measured at amortised cost	662	-	(1,552)	2,214
Financial assets at fair value through other comprehensive income	(606)	341	-	(947)
Property and equipment	767	-	164	603
Intangible assets	41	-	(24)	65
Other assets	446	-	152	294
Assets classified as held for sale	3,438	-	3,438	-
Other liabilities	3,746	-	(631)	4,377
Borrowings from government and international financial institutions	(1,453)	-	54	(1,507)
Net deferred income tax asset	421,107	341	127,606	293,160
Recognised deferred tax asset	423,166	-	130,315	294,107
Recognised deferred tax liability	(2,059)	341	(2,709)	(947)
Net deferred income tax asset	421,107	341	127,606	293,160

Temporary differences as at 30 June 2022 (unaudited) comprise:

<i>In millions of Uzbekistan Soums</i>	30 June 2022 (unaudited)	Debited to Other compre hensive income	(Debited)/ credited to profit or loss	31 December 2021
Tax effect of deductible/(taxable) temporary differences				
Cash and cash equivalents	741	-	741	-
Due from other banks	540	-	(194)	734
Loans and advances to customers	215,533	-	76,628	138,904
Investment securities measured at amortised cost	1,750	-	-	1,750
Financial assets at fair value through other comprehensive income	(355)	(235)	-	(120)
Property and equipment	497	-	(81)	578
Intangible assets	6	-	(1)	7
Other assets	1,139	-	(4,643)	5,782
Other liabilities	2,979	-	1,761	1,218
Due to other banks	325	-	325	-
Borrowings from government and international financial institutions	(1,384)	-	111	(1,495)
Net deferred income tax asset	221,771	(235)	74,648	147,358
Recognised deferred tax asset	223,510	-	79,567	148,973
Recognised deferred tax liability	(1,739)	(235)	(4,919)	(1,615)
Net deferred income tax asset	221,771	(235)	74,648	147,358

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20. 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:

	For the six months ended	
	17 March 2023 (unaudited)	30 June 2022 (unaudited)
Consideration received in cash and cash equivalents	51,597	-
Net assets disposed of	(37,208)	-
Gain on disposal	14,389	-

Assets and liabilities disposed of

<i>In millions of Uzbekistan Soums</i>	17 March 2023 (unaudited)
Non-current assets	
Property and equipment	1,898
Due from other banks	6,500
Investment securities measured at amortised cost	2,050
Total non-current assets	10,448
Current assets	
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
Total current assets	53,041
Total assets	63,489
Non-current liabilities	
Unearned premium reserve	22,086
Reserves for incurred but not reported losses	2,247
Reported but not settled	1,536
Total non-current liabilities	25,869
Current liabilities	
Other current liabilities	412
Total current liabilities	412
Total liabilities	26,281
Net assets disposed of	37,208

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Net cash inflow on disposal of subsidiary

	For the six months ended	
	17 March 2023 (unaudited)	30 June 2022 (unaudited)
Consideration received in cash and cash equivalents	51,597	n/a
Less: cash and cash equivalent balances disposed of	(595)	n/a
Total net consideration received in cash and cash equivalents	51,002	n/a

21. 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 period, 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:

<i>In millions of Uzbekistan Soums</i>	For the six months ended	
	30 June 2023 (unaudited)	30 June 2022 (unaudited)
Profit for the period attributable to preference shares	268	268
Loss for the period attributable to ordinary shareholders	(392,604)	(37,082)
Loss for the period attributable to the owners	(392,336)	(36,814)
Weighted average number of preference shares in issue (millions)	9	9
Weighted average number of ordinary shares in issue (millions)	15,548	15,024
Basic and diluted losses per ordinary share (expressed in UZS per share)	(25)	(2)

22. 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.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
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23. Financial risk management

Risk management is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit risk, liquidity risk and market/currency risk.

The Group's significant policies and procedures related to financial risk management has not changed during six months ended 30 June 2023 (unaudited) and are disclosed in the annual consolidated financial statements for the year ended 31 December 2022.

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.

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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 six months ended 30 June 2023 (unaudited):

	Cash and cash equivalents (Note 5)			Loans and advances to customers (Note 7)			Investment securities measured at amortised cost (Note 8)			Other financial assets (Note 10)			Credit related commitments (Note 25)			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	Stage 1 Lifetime ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
in millions of Uzbekistan Soums																
Gross carrying amount as at																
31 December 2022	2,044,748	-	3,743	914,735	-	-	14,847,332	2,411,808	3,523,277	1,254,612	13,873	4,115	288,227	-	-	25,118,473
Changes in the gross carrying amount																
- Transfer from stage 1	(719)	719	-	(567)	567	-	12,043,222	2,649,232	-	-	-	-	-	-	-	-
- Transfer from stage 2	-	(719)	719	-	(567)	567	533,714	(2,823,948)	1,990,172	-	(1,824)	1,824	-	-	-	-
- Transfer from stage 3	-	-	-	-	-	-	549,774	549,774	(649,714)	-	5	(5)	-	-	-	-
- Changes in EAD*	36,120	-	(3,066)	(12,807)	-	12	(1,097,681)	59,609	255,031	15,883	1,617	1,968	(11,756)	-	(144,110)	-
New assets issued or acquired	121,354	-	-	12,519	-	-	2,718,940	-	-	357,974	11,787	-	319,404	-	-	3,732,003
Retired or reclassified assets (losses for write off)	1952,207	-	(9)	(336,764)	-	-	(600,022)	(65,632)	(182,457)	(398,725)	118,851	(2,618)	(258,333)	-	-	(2,713,673)
Written off assets	-	-	-	-	-	-	-	-	(54,154)	-	-	-	-	-	-	(54,154)
Foreign exchange differences	19,392	-	-	2,813	-	-	85,126	24,335	53,407	281	535	140	2,492	-	-	199,527
Gross carrying amount as at																
30 June 2023	1,278,724	-	1,397	279,934	-	574	14,241,377	2,965,280	4,831,463	1,263,847	25,242	5,228	582,095	-	-	25,556,171
Loss allowance as at																
30 June 2023	(28)	-	(865)	(1,200)	-	(288)	(289,593)	(353,913)	(1,881,862)	(8,303)	(3,957)	(3,210)	(9,864)	-	-	(2,550,937)

*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 six months ended 30 June 2023 (unaudited), and transfers of new issued financial assets measured at amortised cost between stages.

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(in millions of Uzbekistan Soums, unless otherwise indicated)

	Cash and cash equivalents (Note 5)			Due from other banks (Note 6)			Loans and advances to customers (Note 7)			Investment securities measured at amortised cost (Note 8)		Other financial assets (Note 10)		Credit related commitments (Note 26)		Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1
	12-month ECL	Lifetime ECL	Lifetime ECL	12-month ECL	Lifetime ECL	Lifetime ECL	12-month ECL	Lifetime ECL	Lifetime ECL	12-month ECL	Lifetime ECL	Lifetime ECL	Lifetime ECL	12-month ECL	Lifetime ECL	12-month ECL
In millions of Uzbekistan Soums																
Loss allowance for ECL as at 31 December 2022	45	-	2,380	2,482	-	-	200,025	273,754	1,163,595	7,842	773	2,349	773	3,804	1,656,840	
Changes in the gross carrying amount																
- Transfer from stage 1	(446)	446	-	(11)	11	-	(48,706)	48,706	-	-	-	-	-	-	-	-
- Transfer from stage 2	-	(446)	446	-	(11)	11	87,961	(248,361)	160,400	-	(184)	184	-	-	-	-
- Transfer from stage 3	-	-	-	-	-	-	-	140,333	(140,333)	-	-	-	-	-	-	-
- Changes in EAD*	1	-	(1,955)	(1,001)	-	287	(39,775)	141,205	808,108	(1,260)	1,305	1,980	1,305	1,246	910,141	
New assets issued or acquired	458	-	-	15	-	-	100,543	-	-	2,250	631	-	631	7,415	111,281	
Matured or derecognized assets (except for write off)	(28)	-	(6)	(289)	-	-	(10,858)	(5,893)	(64,201)	(529)	(632)	(1,406)	(632)	(2,400)	(26,213)	
Recovery / write off	-	-	-	-	-	-	-	-	(54,154)	-	-	-	-	-	(54,154)	
Foreign exchange differences	-	-	-	3	-	-	1,434	3,169	8,256	-	24	103	24	23	13,022	
Loss allowance for ECL as at 30 June 2023 (unaudited)	28	-	860	1,200	-	288	288,583	353,913	1,381,852	8,303	1,957	3,210	1,957	9,808	2,650,917	

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. The information on transfers above reflects the migration of financial assets measured at amortised cost from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the financial assets measured at amortised cost could be assigned to throughout the reporting period.

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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 six months ended 30 June 2022 (unaudited):

	Cash and cash equivalents		Due from other banks		Loans and advances to customers		Investment securities measured at amortised cost		Other financial assets		Credit related commitments		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	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
In millions of Uzbekistan Soums													
Gross carrying amount as at 31 December 2021	1,311,122	-	-	386,000	-	9,800	14,300,107	1,329,325	1,953,178	9,543	14,528	339,484	20,810,726
Changes in the gross carrying amount													
- Transfer from stage 1	(21,921)	21,921	-	-	(5,520)	-	12,131,501	2,131,501	-	-	-	-	-
- Transfer from stage 2	-	(21,921)	21,921	-	5,520	-	511,998	(2,027,937)	1,214,529	14,255	-	-	-
- Transfer from stage 3	-	-	-	-	-	(3,320)	-	508,285	(508,285)	(247)	247	-	-
- Changes in EAD*	(24,031)	-	(15,970)	40,190	-	1	(1,184,105)	181,340	246,152	(1,709)	22,489	99,213	(637,151)
New assets issued or acquired	188,559	-	9	5,703	-	-	4,459,274	-	-	-	25,071	125,719	5,530,154
Matured or derecognised assets (except for write off)	(255,474)	-	-	(133,556)	-	-	(1,700,124)	(207,587)	(207,795)	(7,250)	(208,454)	(1,890)	(3,470,840)
Foreign exchange differences	9,108	-	-	2,752	-	-	(29,901)	(4,804)	(6,934)	-	2,715	224	(30,833)
Gross carrying amount as at 30 June 2022 (unaudited)	1,190,753	-	3,909	286,290	-	289	14,723,687	1,912,543	2,596,025	14,948	43,808	253,178	21,581,947
Loss allowance as at 30 June 2022 (unaudited)	(55)	-	(3,849)	(2,521)	-	(178)	(128,793)	(99,798)	(932,310)	(4,031)	(2,601)	(1,275)	(1,207,770)

*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 the period ended 30 June 2022 (unaudited), and transfers of new issued financial assets measured at amortised cost between stages.

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		Cash and cash equivalents		Due from other banks		Loans and advances to customers		Investment securities measured at amortised cost		Other financial assets		Credit related commitments		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	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
In millions of Uzbekistan Soums														
Loss allowance for ECL as at														
31 December 2021	1	-	-	15	145,049	65,169	660,864	3,628	926	6,286	3,255	1,206	912,366	
Changes in the gross carrying amount														
- Transfer from stage 1	(1)	-	-	-	429,359	29,609	-	-	-	-	-	-	-	-
- Transfer from stage 2	-	(1)	3,476	(3,476)	68,861	(101,483)	32,622	-	411,632	11,632	-	-	-	-
- Transfer from stage 3	-	-	-	3,476	-	117,134	(17,134)	-	50	150	-	-	-	-
- Changes in EAD*	48	-	3,642	(1,438)	(119,577)	428	468,605	-	2,111	35	455	-	349,681	
New assets issued or acquired	15	-	5	92	83,370	-	-	3,214	12,040	-	334	-	99,071	
Matured or derecognised assets (except for write off)	-	-	-	(4)	(16,868)	(11,368)	(108,107)	(2,411)	(837)	(8,185)	(2,773)	(1,206)	(151,759)	
Foreign exchange difference	-	-	-	-	(83)	(71)	(1,440)	-	-	-	4	-	(1,589)	
Loss allowance for ECL as at														
30 June 2022	55	-	3,649	2,321	128,793	98,708	952,516	4,631	2,661	11,669	1,273	-	1,207,770	
(unaudited)														

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. The information on transfers above reflects the migration of financial assets measured at amortised cost from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the financial assets measured at amortised cost could be assigned to throughout the reporting period.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)*(in millions of Uzbekistan Soums, unless otherwise indicated)*

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 at 30 June 2023 (unaudited) is set out below:

<i>In millions of Uzbekistan Soums</i>	Uzbekistan	OECD	non-OECD	Total
FINANCIAL ASSETS				
Cash and cash equivalents	1,263,506	15,449	273	1,279,228
Due from other banks	276,732	-	278	278,010
Loans and advances to customers	19,552,951	-	-	19,552,951
Investment securities measured at amortised cost	1,280,544	-	-	1,280,544
Financial assets at fair value through other comprehensive income	30,923	-	-	30,923
Other financial assets	12,426	1,839	11,040	25,314
TOTAL FINANCIAL ASSETS	22,419,082	17,288	11,600	22,447,970
FINANCIAL LIABILITIES				
Due to other banks	902,769	-	919,539	1,822,308
Customer accounts	4,510,174	-	-	4,510,174
Borrowings from government and international financial institutions	8,214,660	2,761,176	4,376,481	15,354,317
Debt securities in issue	124,403	-	-	124,403
Other financial liabilities	10,064	689	15,442	26,195
TOTAL FINANCIAL LIABILITIES	13,762,070	2,761,865	5,313,462	21,837,397
NET POSITION	8,657,012	(2,744,577)	(5,301,862)	

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

<i>In millions of Uzbekistan Soums</i>	Uzbekistan	OECD	non-OECD	Total
FINANCIAL ASSETS				
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
TOTAL FINANCIAL ASSETS	23,184,022	10,198	1,974	23,196,194
FINANCIAL LIABILITIES				
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
TOTAL FINANCIAL LIABILITIES	12,380,289	2,702,962	6,909,354	21,992,616
NET POSITION	10,803,723	(2,692,764)	(6,907,380)	

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)

(in millions of Uzbekistan Soums, unless otherwise indicated)

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.

The presentation of balances below is based upon the information provided internally to key management personnel of the entity as at 30 June 2023 (unaudited):

<i>In millions of Uzbekistan Soums</i>	Up to 1 month	1 month to 6 months	6 months to 1 year	Over 1 year	Maturity undefined	Total
FINANCIAL ASSETS						
Cash and cash equivalents	129,991	-	-	-	-	129,991
Due from other banks	-	146,466	7,832	124,618	-	278,916
Loans and advances to customers	768,765	2,108,822	2,187,828	13,788,805	346,491	19,198,711
Investment securities measured at amortised cost	56,430	202,569	435,306	549,198	-	1,243,503
Total interest-bearing financial assets	975,186	2,455,857	2,630,966	14,442,621	346,491	20,851,121
Cash and cash equivalents	1,149,237	-	-	-	-	1,149,237
Due from other banks	94	-	-	-	-	94
Loans and advances to customers	26,718	57,572	54,232	211,851	3,867	354,240
Investment securities measured at amortised cost	4,658	32,383	-	-	-	37,041
Financial assets at fair value through other comprehensive income	30,923	-	-	-	-	30,923
Other financial assets	19,806	-	87	5,421	-	25,314
Total financial assets	2,208,822	2,545,812	2,685,285	14,658,893	350,358	22,447,970
FINANCIAL LIABILITIES						
Due to other banks	-	1,181,015	186,767	443,441	-	1,811,223
Customer accounts	621,133	1,789,888	813,018	584,937	-	3,808,976
Borrowings from government and international financial institutions	1,153,232	675,046	917,573	12,089,179	-	14,835,030
Debt securities in issue	-	46,800	27,500	50,000	-	124,100
Total interest-bearing financial liabilities	1,774,365	3,692,549	1,944,858	13,167,557	-	20,578,329
Due to other banks	11,085	-	-	-	-	11,085
Customer accounts	701,198	-	-	-	-	701,198
Borrowings from government and international financial institutions	358,259	61,814	5,106	86,108	-	519,287
Debt securities in issue	303	-	-	-	-	303
Other financial liabilities	26,195	-	-	-	-	26,195
Credit related commitments	449,904	105,567	16,631	221	-	572,323
Total financial liabilities	3,318,309	3,859,930	1,968,595	13,263,886	-	22,408,720
Interest sensitivity gap	(798,179)	(1,236,892)	686,108	1,275,064	346,491	271,792
Cumulative interest sensitivity gap	(798,179)	(2,035,671)	(1,349,763)	(74,699)	271,792	
Liquidity gap	(1,112,687)	(1,314,118)	718,690	1,396,007	350,358	38,250
Cumulative liquidity gap	(1,112,687)	(2,426,805)	(1,708,115)	(312,108)	38,250	

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)

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The negative cumulative liquidity gap above between financial assets and liabilities up to 1 year is caused due to classification of certain loans provided by the government and international financial institutions and credit related commitments as "Up to 1 month" category as discussed below:

- As at 30 June 2023 (Unaudited), the Group was not in compliance with certain financial covenants stipulated in loan agreements ICD, ITFC, ADB, IFAD, Banka Kombetare Tregtare SH.a, and KfW IPEX BANK, and classified these loans including their accrued interest in the total amount of UZS 1,350,598 million as "Up to 1 month" category (31 December 2022: UZS 2,211,928 million) as a result of the non-compliance
- As at 30 June 2023 (unaudited) and 31 December 2022, guarantees issued in USD in the amount of equivalent to UZS 57,181 million and UZS 87,264 million, and the commitments on unused credit lines in the amount of equivalent to UZS 22,331 million and UZS 22,232 million are assumed to be due immediately in all cases, respectively.
- Loans and advances to customers and borrowings from government and international financial institutions disclosed as non-interest-bearing financial assets and liabilities represent the accrued interest during the year, including zero rate educational loans and zero rate borrowings received from the government under the Presidential Decree #PP 3651 dated 5 April 2018, respectively.
- The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap
 - Attraction of budgetary funds up to one year through weekly electronic bidding platform run by State Treasury under the Ministry of Finance;
 - Utilization of the CBU's short-term liquidity loans;
 - Attraction of deposits from inter-bank money markets within the limits set by local commercial banks;
 - Attraction of additional Government capital injections in form of ordinary shares;
 - Attraction of Government subordinated debts.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2023 (unaudited)
(in millions of Uzbekistan Soums, unless otherwise indicated)

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

<i>In millions of Uzbekistan Soums</i>	Up to 1 month	1 month to 6 months	6 months to 1 year	Over 1 year	Maturity undefined	Total
FINANCIAL ASSETS						
Cash and cash equivalents	474,509	180,344	-	-	-	654,853
Due from other banks	1,809	389,685	9,756	126,102	-	527,354
Loans and advances to customers	639,041	2,140,989	2,142,019	13,600,391	101,805	18,684,245
Investment securities measured at amortised cost	121,277	256,155	162,240	675,425	-	1,215,103
Total interest-bearing financial assets	1,236,636	2,967,173	2,314,023	14,461,918	101,805	21,081,555
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
Total financial assets	2,805,442	3,083,208	2,392,307	14,862,679	112,558	23,196,194
FINANCIAL LIABILITIES						
Due to other banks	7,051	1,744,661	126,579	401,324	-	2,279,715
Customer accounts	524,472	1,111,402	1,652,537	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
Total interest-bearing financial liabilities	2,584,296	3,374,682	2,304,411	12,200,418	-	20,463,807
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	86,827	-	548,916
Debt securities in issue	396	-	-	-	-	396
Other financial liabilities	17,445	-	-	-	-	17,445
Credit related commitments	167,868	113,029	1,278	-	-	282,175
Total financial liabilities	4,055,805	3,545,336	2,376,104	12,297,545	-	22,274,790
Interest sensitivity gap	(1,347,660)	(407,509)	9,612	2,261,500	101,805	617,748
Cumulative interest sensitivity gap	(1,347,660)	(1,755,189)	(1,745,557)	515,943	617,748	
Liquidity gap	(1,250,363)	(482,128)	16,203	2,505,134	112,558	921,404
Cumulative liquidity gap	(1,250,363)	(1,712,491)	(1,696,288)	806,846	921,404	

Market risk. Market risk is 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.

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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. The Treasury Department performs daily monitoring of the Group's open currency position based on daily reports and information with the aim to match the requirements of the Central Bank of the Republic of Uzbekistan.

The Group's exposure to foreign currency exchange rate risk at 30 June 2023 (unaudited) is presented in the table below:

<i>In millions of Uzbekistan Soums</i>	UZS	USD	EUR	Other	Total
FINANCIAL ASSETS					
Cash and cash equivalents	621,104	625,476	29,395	3,253	1,279,228
Due from other banks	215,658	840	62,512	-	279,010
Loans and advances to customers	14,367,139	4,720,113	465,699	-	19,552,951
Investment securities measured at amortised cost	1,269,374	11,170	-	-	1,280,544
Financial assets at fair value through other comprehensive income	30,923	-	-	-	30,923
Other financial assets	10,364	14,950	-	-	25,314
TOTAL FINANCIAL ASSETS	16,514,562	5,372,549	657,606	3,253	22,447,970
FINANCIAL LIABILITIES					
Due to other banks	-	1,820,950	-	1,358	1,822,308
Customer accounts	3,882,060	621,209	6,201	704	4,510,174
Borrowings from government and international financial institutions	11,012,753	3,459,669	594,879	287,016	15,354,317
Debt securities in issue	124,403	-	-	-	124,403
Other financial liabilities	20,328	5,867	-	-	26,195
TOTAL FINANCIAL LIABILITIES	15,039,544	5,907,695	601,080	289,078	21,837,397
NET BALANCE SHEET POSITION	1,475,018	(535,146)	(43,474)	(285,825)	

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

<i>In millions of Uzbekistan Soums</i>	UZS	USD	EUR	Other	Total
FINANCIAL ASSETS					
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	306,810	-	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
TOTAL FINANCIAL ASSETS	16,846,023	5,945,582	386,422	18,167	23,196,194
FINANCIAL LIABILITIES					
Due to other banks	-	2,286,080	-	6,275	2,292,355
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
TOTAL FINANCIAL LIABILITIES	15,149,847	6,404,885	424,393	13,490	21,992,615
NET BALANCE SHEET POSITION	1,696,176	(459,303)	(37,971)	4,677	

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:

<i>In millions of Uzbekistan Soums</i>	For the six months ended 30 June 2023 (unaudited)	For the year ended 31 December 2022
	Impact on profit or loss	Impact on profit or loss
US Dollars strengthening by 15% (2022: 15%)	(80,272)	(68,895)
US Dollars weakening by 15% (2022: 15%)	80,272	68,895
Euro strengthening by 15% (2022: 15%)	(6,521)	(5,696)
Euro weakening by 15% (2022: 15%)	6,521	5,696

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.

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 Group's exposure to interest rate risks presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the maturity dates.

As at 30 June 2023 (unaudited), if interest rates at that date had been 165 basis points lower (31 December 2022: 165 basis points lower) with all other variables held constant, profit for the period would have been UZS 18,363 million higher (profit for the year ended 31 December 2022: UZS 15,740 million higher).

If interest rates had been 165 basis points higher (31 December 2022: 165 basis points higher), with all other variables held constant, profit would have been UZS 18,363 million lower (profit for the year ended 31 December 2022: UZS 15,740 million lower).

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24. Management of capital

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

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

		Prescribed minimum level	30 June 2023 (unaudited)	31 December 2022 (unaudited)
Regulatory capital ratio	Ratio of regulatory capital to risk weighted assets	0.13	0.140	0.139
Capital adequacy ratio	Ratio of Bank's tier 1 capital to risk weighted assets	0.1	0.127	0.110
Capital adequacy ratio	Ratio of Bank's main tier 1 capital to risk weighted assets	0.08	0.126	0.110
Leverage ratio	Ratio of Bank's tier 1 capital to total assets less intangibles	0.06	0.114	0.098

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

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022 (unaudited)
Tier 1 capital	2,923,978	2,487,346
Tier 2 capital	314,066	666,159
Total regulatory capital	3,238,044	3,153,505
Risk - weighted assets	23,102,178	22,678,855

25. 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 authorizing 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 authorizations 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.

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As at 30 June 2023 (unaudited) and 31 December 2022, the nominal or contract amounts were:

<i>In millions of Uzbekistan Soums</i>	30 June 2023 (unaudited)	31 December 2022
Guarantees issued	243,961	237,029
Commitments on unused credit lines	22,331	22,232
Letters of credit and other transaction related contingent obligations	665	2,023
Letters of credit, post-financing with commencement after reporting period end	325,136	27,043
Total credit related commitments, gross	592,095	288,327
Cash coverage	(9,884)	(2,548)
Less: Provision for expected credit losses	(9,888)	(3,604)
Total credit related commitments	572,323	282,176

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.

26. Fair value of financial instruments

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

Fair value measurements are 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.

(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.

<i>In millions of Uzbekistan Soums</i>	Fair value as at 30 June 2023 (unaudited)	Fair value as at 31 December 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Signifi- cant unobserv- able input(s)	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income (equity instruments)	30,923	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

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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.

(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:

In millions of Uzbekistan Soums	30 June 2023 (unaudited)				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	-	20,325,688	20,325,688	18,552,901	-	19,576,028	19,576,028	19,255,052
Due from other banks	-	260,639	260,639	279,013	-	594,084	594,084	612,256
Investment securities measured at amortised cost	-	1,163,634	1,163,634	1,280,544	-	1,163,634	1,163,634	1,246,670
Due to other banks	-	1,849,768	1,849,768	1,822,308	-	2,321,703	2,321,703	2,282,335
Customer accounts	4,524,513	-	4,524,513	4,510,174	4,937,007	-	4,937,007	4,811,716
Borrowings from government and international financial institutions	-	15,956,867	15,956,867	15,354,317	-	14,989,719	14,989,719	14,686,621

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 30 June 2023 (unaudited) and 31 December 2022, the Group determined fair value for some of its financial assets and liabilities using the discounted cash flow model by applying statistical bulletin prepared by the CBU, which became open to public starting 2018. Such financial instruments were categorised as Level 2.

For those financial instruments where interest rates were not directly available in the 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.

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27. 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 recognised 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:

	For the six months ended 30 June 2023 (unaudited)		31 December 2022	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<i>In millions of Uzbekistan Soums</i>				
Cash and cash equivalents				
- entities under common control	320,711	1,279,228	1,348,431	2,046,066
Due from other banks				
- entities under common control	265,498	278,010	611,092	612,256
Loans and advances to customers				
- key management personnel	-	19,552,951	-	19,255,052
- entities under common control	204,706	19,552,951	264,298	19,255,052
Investment securities measured at amortised cost				
- shareholders	-	1,280,544	1,053,068	1,246,670
- entities under common control	1,280,544	1,280,544	193,612	1,246,670
Current income tax prepayment				
- entities under common control	45,184	45,184	11,183	11,183
Other assets				
- entities under common control	9,785	54,200	283	35,904
Due to other banks				
- entities under common control	841,838	1,822,308	433,356	2,292,335
Borrowings from government and international financial institutions				
- shareholders	763,867	15,354,317	5,955,111	14,666,621
- entities under common control	6,506,892	15,354,317	897,177	14,666,621
Customer accounts				
- shareholders	-	4,510,174	1,021,880	4,911,716
- key management personnel	-	4,510,174	-	4,911,716
- entities under common control	1,804,131	4,510,174	1,030,447	4,911,716
Other liabilities				
- shareholders	38	54,953	120	50,946
- entities under common control	4,365	54,953	4,241	50,946

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	For the six months ended 30 June 2023 (unaudited)		For the six months ended 30 June 2022 (unaudited)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<i>In millions of Uzbekistan Soums</i>				
Interest income				
- shareholders	-	1,521,039	42,958	1,200,275
- entities under common control	147,838	1,621,039	88,722	1,200,275
Interest expense				
- shareholders	(29,256)	(920,758)	(195,169)	(703,137)
- entities under common control	(448,186)	(920,758)	(187,664)	(703,137)
Fee and commission income				
- entities under common control	776	92,013	695	76,500
Fee and commission expense				
- entities under common control	(6,891)	(21,914)	(3,864)	(14,967)
Operating expenses				
- entities under common control	(21,945)	(334,568)	(41,008)	(316,847)
- key management personnel	(7,758)	(334,568)	(4,911)	(316,847)
Income tax benefit				
- entities under common control	108,337	108,337	12,645	12,645

28. Subsequent events

- On 18 August 2023, 11,582,390,268 ordinary shares, or 74.45% of the total ordinary shares of the Bank owned by the Agency for Strategic Reforms under the President of the Republic of Uzbekistan were retransferred to the Ministry of Economy and Finance in accordance with the Presidential Decree #PD-283 "On additional measures to improve the mechanism for reforming enterprises and commercial banks with state participation" dated 18 August 2023
- On 29 September 2023, a new Joint-Stock Commercial Bank "Business Development Bank" was created on the basis of the 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, #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 was obliged to create 14 small business assistance centres in the Republic of Karakalpakstan, regions and Tashkent city, responsible for facilitating the development, financing and implementation of business projects of small businesses, as well as providing them with consulting services.
- The Ministry of Economy and Finance is obliged to renew the agreement on previously issued funds to the JSCB "Qishloq Qurilish Bank" in the total amount of UZS 544,000 million with the JSCB "Business Development Bank" as a subordinated debt with the terms of the CBU rules and IFRSs and gradually increase the share capital of the JSCB "Business Development Bank" to UZS 3,000,000 million through the capital injection within the period from 1st October 2023 till the end of 2024, in accordance with the Presidential Decree of the Republic of Uzbekistan #PD-306 dated 14 September 2023 "On measures of financial and institutional support for small business development"
- On 30 November 2023, the Group received subscription funds for capital injection in the form of ordinary shares from UFRD in the amount equivalent to USD 75 million (UZS 922,341 million) as per the agreement for the subscription of ordinary shares #2 dated 30 November 2023 signed between JSCB "Business Development Bank" and UFRD, under the Presidential Decree of the Republic of Uzbekistan #PD-306 dated 14 September 2023.
- On 4 December 2023, an agreement for the provision of a subordinated loan is signed between the Fund for Reconstruction and Development of the Republic of Uzbekistan and JSCB "Business Development Bank" (former - JSCB "Qishloq Qurilish Bank") in order to finance projects under the

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Comprehensive Program (in accordance with #PD-306 dated 14 September 2023 "On measures of financial and institutional support for small business development") of Continuous Support for Small Businesses provided for in this agreement. In accordance with the agreement, the Bank received 225,000,000 USD, equivalent to 2,779,425 UZS million subsequently as at 3 January 2024.

- During July-November 2023, the Group received further short-term funds with maturities up to one year in the total amount of USD 14 million (UZS 168,706 million) from Export Promotion Agency under the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, in accordance with the Presidential Decree #PD-4069 dated 20 December 2018 "On measures to strengthen export support and promotion" with the interest rate of 2 percent per annum.
- During July-November 2023, the Group received long-term funds in the total amount of UZS 58,633 million from the CBU in accordance with the CBU Decree dated 4 July 2023 for financing solar panel energy loans with the interest of 15 percent per annum.
- During September-October 2023, the Group attracted further long-term funds in the total amount of UZS 60,650 million from the Mortgage Refinancing Company, in accordance with the Presidential Decree #PD-5715 dated 13 May 2019, for the development of mortgage sector with the interest rate of 13 percent per annum.
- During July-November 2023, the Group received additional long-term funds in the total amount of UZS 55,934 million from its shareholder the UFRD, in accordance with the Presidential Decree of the Republic of Uzbekistan dated 19 April 2022 #PD 212 "On measures to further expand mechanisms for financing entrepreneurial projects in the regions", with the interest of 10 percent per annum.
- During July-October 2023, the Group received additional long-term funds in the total amount equivalent to UZS 86,403 million from the International Bank for Reconstruction and Development for the development of the horticultural sector in the Republic of Uzbekistan with the interest rate of 4.4 percent per annum.
- The Group entered into a loan agreement for trade financing with JSC "AK BARS" on 18 October 2018. Under the agreement, additional funds were received through the SWIFT message on 9 June 2023 in the amount of AED 91,055,459 equivalent to UZS 283 487 million for the period from 13 June 2023 to 11 June 2024. Subsequently after the reporting period JSC "AK BARS" appeared in the SDN list as of 14 September 2023. The Office of Foreign Assets Control (OFAC) issued a license to JSC "AK BARS" that allows transactions with sanctioned banks until 13 December 2023. On 6 December 2023, the Bank and JSC "AK BARS" agreed to the assignment of rights through Kama Commercial Bank LLC. Kama Commercial Bank LLC is not included in OFAC list.
- JSCB "Business Development Bank" was granted a new banking license #93 issued by the Central Bank of Uzbekistan on 30 September 2023.