



Joint-Stock Commercial Bank “Kapitalbank”

Unaudited interim condensed consolidated financial statements

for the 6 months ended June 30, 2024.

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Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

To the Shareholders and Supervisory Board of Joint-Stock Commercial Bank Kapitalbank

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Joint-Stock Commercial Bank Kapitalbank (the "Bank") and its subsidiary (the "Group") as at 30 June 2024, and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes to the interim condensed consolidated financial information (the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with 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 the International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim condensed consolidated 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.



Joint-Stock Commercial Bank "Kapitalbank"

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information as at 30 June 2024 and for the six - month period then ended is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Kouznetsov A. A.
Engagement Partner
AO "KPMG Audit" LLC

Qualification certificate of bank
auditor #35 issued 28 November 2023
by the Central Bank of
the Republic of Uzbekistan

Tashkent, Uzbekistan
29 August 2024

Saidov S. K.
General Director
AO "KPMG Audit" LLC



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF FINANCIAL POSITION

(in millions of UZS)

	Note	30 June 2024 (Unaudited)	31 December 2023
Assets			
Cash and cash equivalents	5	5 363 725	6 227 888
Amounts due from credit institutions	6	1 515 900	1 450 808
Loans to customers	7	29 890 836	29 748 994
Investment securities	8	3 246 911	1 947 739
Assets held for sale		65 097	26 548
Property and equipment and right-of-use assets		1 145 596	1 069 111
Intangible assets		197 161	286 661
Current income tax assets	9	32 327	8 204
Deferred income tax assets	9	29 685	55 325
Other assets		650 525	689 726
Total assets		42 137 763	41 511 004
Liabilities			
Amounts due to credit institutions	10	929 874	1 889 089
Amounts due to customers	11	34 408 957	33 520 477
Other borrowed funds	12	1 633 286	1 483 671
Other liabilities		325 476	479 055
Total liabilities		37 297 593	37 372 292
Equity			
Share capital		406 017	406 017
Additional paid-in capital		349 727	349 727
Revaluation reserve for property and equipment		99 450	99 554
Retained earnings		3 984 976	3 283 414
Total equity		4 840 170	4 138 712
Total liabilities and equity		42 137 763	41 511 004

Approved and signed on behalf of the Group's Management:

Mayevskiy K.L.
Chairman of the Management Board of the
Bank



Enikeeva E.A.
Deputy Chairman of the
Management Board of the Bank

29 August 2024

The accompanying notes on pages 10 to 33 form an integral part of these unaudited interim condensed consolidated financial statements

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

(in millions of UZS)

	Note	6 months ended 30 June 2024 (unaudited)	6 months ended 30 June 2023 (unaudited)
Interest income calculated using the effective interest rate	13	3 272 767	2 088 085
Interest expense	13	(1 935 671)	(960 077)
Net interest income		1 337 096	1 128 008
Allowance for expected credit losses	14	(202 601)	(59 346)
Net interest income after allowance for expected credit losses		1 134 495	1 068 662
Fee and commission income	15	464 134	405 584
Fee and commission expense	15	(255 057)	(157 661)
Net gains from foreign currencies		196 029	131 943
Net gain/(losses) on initial recognition of financial assets measured at amortised cost		1 512	(14 726)
Other income		8 333	6 273
Personnel and other administrative expenses	16	(607 602)	(575 593)
Profit before income tax expense		941 844	864 482
Income tax expense	9	(175 200)	(162 235)
Net profit from continuing operations		766 644	702 247
Net profit from discontinued operations	22	8 948	2 333
Net profit for the period		775 592	704 580
Total comprehensive income for the period		775 592	704 580

Approved and signed on behalf of the Group's Management:

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Chairman of the Management Board of the
Bank



Enikeeva E.A.
Deputy Chairman of the
Management Board of the Bank

29 August 2024

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of UZS)

<i>Note</i>	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Revaluation reserve for property and equipment</i>	<i>Retained earnings</i>	<i>Total equity</i>
As at 1 January 2023	406 017	349 727	81 001	1 617 302	2 454 047
Net profit for the year	–	–	–	1 673 644	1 673 644
Other comprehensive income for the year, net of tax	–	–	19 381	–	19 381
Total comprehensive income for the year, net of tax	–	–	19 381	1 673 644	1 693 025
Dividends declared to shareholders of the Bank	–	–	–	(8 360)	(8 360)
Depreciation of revaluation reserve for property and equipment	–	–	(828)	828	–
As at 31 December 2023	406 017	349 727	99 554	3 283 414	4 138 712
Net profit for the period	–	–	–	775 592	775 592
Total comprehensive income for the period, net of tax	–	–	–	775 592	775 592
Distribution between participants	22	–	–	(74 134)	(74 134)
Depreciation of revaluation reserve for property and equipment	–	–	(104)	104	–
As at 30 June 2024 (unaudited)	406 017	349 727	99 450	3 984 976	4 840 170

Approved and signed on behalf of the Group’s Management:

Mayevskiy K.L.
Chairman of the Management Board of the Bank



Enikeeva E.A.
Deputy Chairman of the Management Board of the Bank

29 August 2024

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of UZS)

<i>Note</i>	<i>6 months ended 30 June 2024 (unaudited)</i>	<i>6 months ended 30 June 2023 (unaudited)</i>
Cash flows from operating activities		
Interest received	3 263 204	2 042 055
Interest paid	(2 097 627)	(926 080)
Fees and commissions received	462 948	403 226
Fees and commissions paid	(256 359)	(155 335)
Realised gains less losses from foreign currencies	182 836	138 735
Other income received	3 027	5 880
Personnel expenses paid	(408 002)	(322 506)
Other operating expenses paid	(111 953)	(213 036)
Cash flows from operating activities before changes in operating assets and liabilities	1 038 074	972 939
<i>Net (increase)/ decrease in operating assets</i>		
Amounts due from credit institutions	(67 382)	(651 238)
Loans to customers	(281 729)	(6 692 568)
Other assets, including assets held for sale	(34 684)	38 691
<i>Net increase/ (decrease) in operating liabilities</i>		
Amounts due credit institutions	(961 943)	1 492 696
Amounts due to customers	876 310	1 581 945
Other liabilities	(85 258)	(8 950)
Cash flows from operating activities before income tax	483 388	(3 266 485)
Income tax paid	(171 984)	(137 000)
Net cash flow from operating activities (continuing operations)	311 404	(3 403 485)
Net cash flow from operating activities (discontinued operations)	(160 562)	65 731
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	(72 161)	(89 426)
Proceeds from sale of property and equipment	5 294	1 542
Purchase of investment securities	(2 912 070)	(1 212 190)
Proceeds from redemption of investment securities	1 624 614	2 750 838
Proceeds from disposal of subsidiary (less cash disposed)	39 233	-
Net cash flow from investing activities (continuing operations)	(1 315 090)	1 450 764
Net cash flow used in investing activities (discontinued operations)	(17 246)	(28 414)

The accompanying notes on pages 10 to 33 form an integral part of these unaudited interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in millions of UZS)

	<i>Note</i>	<i>6 months ended 30 June 2024 (unaudited)</i>	<i>6 months ended 30 June 2023 (unaudited)</i>
Cash flows from financing activities			
Proceeds from other borrowed funds	12	694 749	454 804
Repayment of other borrowed funds	12	(555 800)	(128 755)
Dividends paid to shareholders of the Bank		-	(8 360)
Net cash inflow from financing activities (continuing operations)		138 949	317 689
Net cash inflow from financing activities (discontinued operations)		165 658	(279)
Effect of expected credit losses on cash and cash equivalents	14	1 380	(2 598)
Effect of exchange rates changes on cash and cash equivalents		11 344	(1 145)
Net (decrease)/increase in cash and cash equivalents (continuing operations)		(864 163)	(1 601 737)
Cash and cash equivalents at the beginning of the reporting year		6 227 888	6 310 028
Cash and cash equivalents at the end of the reporting period	5	5 363 725	4 708 291

Approved and signed on behalf of the Group's Management:

Mayevskiy K.L.
Chairman of the Management Board of the
Bank



Enikeeva E.A.
Deputy Chairman of the
Management Board of the Bank

29 August 2024

The accompanying notes on pages 10 to 33 form an integral part of these unaudited interim condensed consolidated financial statements

(in millions of UZS)

1. Introduction

These interim condensed consolidated financial statements of Joint-Stock Commercial Bank “Kapitalbank” (hereinafter, the “Bank”) and its subsidiary (together, the “Group”) have been prepared in accordance with International Financial Reporting Standards (hereinafter, “IFRS”) for the period ended 30 June 2024

The Bank was established in the city of Tashkent, the Republic of Uzbekistan on 15 May 2000 in the form of a Private Open Joint-Stock Commercial Bank in accordance with the legislation of the Republic of Uzbekistan.

The Bank is registered in the Republic of Uzbekistan to carry out banking activities in accordance with the updated banking license No. 69 dated 25 December 2021, issued by the Central Bank of the Republic of Uzbekistan (hereinafter, the “CBU”).

Principal activities

The main activity of the Bank is to carry out commercial banking operations, transactions with securities, foreign currency, provision of loans and guarantees. The Bank accepts deposits from the public and issues loans, makes payments on the territory of the Republic of Uzbekistan and abroad, and also provides other banking services to legal entities and individuals.

As at 30 June 2024, the Bank carries out banking activities through its Head Office and has 16 branches, 4 bank services centres, 57 bank services offices, as well as 18 mini-banks in the Republic of Uzbekistan (2023: 16 branches, 4 bank services centres, 60 bank services offices and 18 mini-banks).

The legal and actual address of the Bank’s Head Office is: 7 Sayilgoh Street, 100047, Tashkent city, Republic of Uzbekistan.

The total number of the Bank’s personnel as at 30 June 2024 was 3 232 employees (2023: 3 215 employees).

The structure of the Bank’s shareholders is presented in the following table:

	30 June 2024	31 December 2023
Legal entities		
Finance TCI FE LLC	61.54	61.54
Continent ARM Investments FE LLC	38.46	38.46
Total legal entities	100.00	100.00

The parent company of Finance TCI FE LLC and Continent ARM Investments FE LLC is UZUM Holding Ltd. The ultimate controlling beneficiary of UZUM Holding Ltd is Djumaev Djasur Khurshidovich through Djuzum SPV Ltd and Monoceros SPV Ltd with a combined ownership share of 55.51%. Also major shareholders are Gubaidullin Alexey Faritovich, Abdusamadov Maxsud Abduvalievich and Abdusamadov Ravshan Abduvalievich, through KPB SPV Ltd, which owns 35.5% in UZUM Holding Ltd.

As at 30 June 2024, the ultimate controlling beneficiary of the Group was Djumaev Djasur Khurshidovich.

Subsidiaries

As at 30 June 2024, the consolidated financial statements of the Group comprise the Bank and its subsidiaries:

Name	Country of incorporation	The Bank’s share as at 30 June 2024 %	The Bank’s share as at 30 June 2023, %	Business activity
Uzum Bank JSC (formerly, Bank Apelsin JSC)	Uzbekistan	0	100	Banking
KPB Investments LLC	Uzbekistan	100	0	Financial services

In 2021, the Bank established a subsidiary, Bank Apelsin JSC. In 2022, the subsidiary was renamed to Uzum Bank JSC. The authorised share capital of Uzum Bank JSC equals UZS 200 000 million and, as at 31 December 2023, the authorised capital was fully formed. In April 2024, the Group sold its interest in Uzum Bank JSC, details on disposal of the subsidiary are disclosed in *Note 22*.

In March 2024, the Bank established KPB Investments LLC with the authorized capital of UZS 50 bln. The main activity of the company is provision of banking advisory and information services.

(in millions of UZS)

1. Introduction (continued)

Operating environment

Inflation and current economic conditions

The Group operates in the Republic of Uzbekistan. Accordingly, the Group's business is influenced by the economy and financial markets of the Republic of Uzbekistan, which have the characteristics of an emerging market. The legal, tax and administrative systems continue to evolve, but they are fraught with the risk of ambiguity in the interpretation of their requirements, which are also subject to frequent changes, which, together with other legal and fiscal barriers, creates additional problems for enterprises doing business in the Republic of Uzbekistan.

The financial condition of the Group and the results of its operating activities will continue to be influenced by political and economic transformations in the Republic of Uzbekistan, including the application of current and future legislation and tax regulation, which have a significant impact on the financial markets of the Republic of Uzbekistan and the economy as a whole. The Group's management is unable to predict all the transformations that could affect the banking sector in general and the financial position of the Group in particular.

In Uzbekistan, the following main economic indicators were observed for 6 months of 2024 (*source: cbu.uz*):

- inflation: 10.6% (2023: 8.8%);
- GDP growth: 5.4% (2023: 5.6%);
- refinancing rate of the CBU: 14.0% (the CBU reduced the rate on July 25, 2024 to 13.5%) (2023: 14.0%).

The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures in almost all economies around the world. High and rising energy prices have a negative impact on the cost of other goods and services, which leads to a significant increase in consumer prices in many countries. Prices for many goods remain high.

The Bank continues to assess the effect of these events and changes in economic conditions on its operations. Current inflationary pressures, macroeconomic and geopolitical uncertainties, including the consequences of the conflict in Ukraine, on assumptions and uncertainty of estimates related to the valuation of assets and liabilities.

After the reporting date, the Group has sufficient resources, diversified sources of liquidity and a stable funding base to ensure continuous operations and financing of customers, which is confirmed by the results of regular liquidity stress testing.

2. Basis of preparation

General

The interim condensed consolidated financial statements have been prepared in accordance with the historical cost accounting principle, except as noted in the section "*Significant accounting policies*". For example, derivative financial instruments and buildings were measured at fair value.

These interim condensed consolidated financial statements are presented in millions of Uzbek Soums (UZS), which is the functional and presentation currency of the Bank.

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group does not disclose information that substantially duplicates the information contained in the audited annual financial statements for the year ended December 31, 2023 prepared in accordance with IFRS, such as accounting policies and details of accounts, the amount and composition of which have not changed significantly. In addition, the Group has provided disclosures for which significant events have occurred subsequent to the issuance of the Group's annual financial statements for the period ended June 30, 2024 prepared in accordance with IFRS. The Group's management believes that the disclosures in these interim condensed consolidated financial statements are adequate to provide information that is not misleading when read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023 prepared in accordance with IFRS.

In the opinion of Management, these interim condensed consolidated financial statements reflect all adjustments necessary for a fair presentation of the Group's financial position, results of operations, statements of changes in equity and cash flows for the interim periods.

(in millions of UZS)

3. Significant accounting policies

In preparation of these interim condensed consolidated financial statements, the group has applied the same accounting policies and methods of computation as those applied in the Group’s annual financial statements for the year ended 31 December 2023. The Group is required to maintain its records and prepare its financial statements for regulatory purposes in Uzbek Soums in accordance with an accounting legislation of the Republic of Uzbekistan and related instructions. These interim condensed consolidated financial statements are based on the Group’s accounting records, which have been prepared in accordance with an accounting legislation of the Republic of Uzbekistan and have been adjusted and reclassified in order to comply with IFRS.

Disposal of subsidiaries, associates or joint ventures

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

Business combinations with parties under common control

The consolidated financial statements account for acquisitions and sales of subsidiaries with parties under common control using the predecessor entity valuation method. This involves recording the assets and liabilities of the subsidiary transferred between parties under common control at the carrying amounts determined by the predecessor entity. The predecessor entity is considered to be at the highest-level reporting entity at which the IFRS financial information of the subsidiary has been consolidated. The discrepancy between the carrying amount of net assets, including goodwill of the predecessor entity, and the consideration for the acquisition is recognised in these consolidated financial statements as an adjustment to retained earnings within equity.

4. Significant accounting judgments and estimates

Uncertainty of estimates

In the process of applying the Group's accounting policies, management has used the same judgments and estimates in determining the amounts recognised in the interim condensed consolidated financial statements as in the Group's annual financial statements for the year ended 31 December 2023.

(in millions of UZS)

5. Cash and cash equivalents

Cash equivalents include the following items:

	<i>30 June</i> <i>2024</i> <i>(unaudited)</i>	<i>31 December</i> <i>2023</i>
Cash on hand	1 674 253	1 514 510
Current accounts with the CBU rated BB-	1 525 539	2 343 682
Current accounts with other credit institutions:		
Rated from AA+ to AA-	961 488	16 104
Rated from A+ to A-	520 741	455 330
Rated from BBB+ to BBB-	34 912	16 576
Rated from BB+ to BB-	376 350	202 865
Rated from B+ to B-	47 968	23 979
Not rated	223 286	1 114 726
Total current accounts with other credit institutions	2 164 745	1 829 580
Term deposits with credit institutions up to 90 days:		
Rated from B+ to B-	–	61 694
Rated from BB+ to BB-	–	480 614
Total cash and cash equivalents before deduction of ECL	5 364 537	6 230 080
Less estimated allowance for ECL	(812)	(2 192)
Total cash and cash equivalents, net of allowance for ECL	5 363 725	6 227 888

As at 30 June 2024 and 31 December 2023 the Group has no counterparties, except for the CBU, with balances exceeding 10% of the Group’s capital.

As at 30 June 2024, amounts due from Russian counterparties represented by cash and cash equivalents in the amount of UZS 223 286 million were assigned to Stage 2 for ECL measurement purposes (as at 31 December 2023 in the amount of UZS 1 114 726 million (Stage 2)). Other balances of cash and cash equivalents relate to Stage 1.

An analysis of changes in the ECL allowances is as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 31 December 2023	324	1 868	–	2 192
Changes in ECL	(255)	(1 125)	–	(1 380)
As at 30 June 2024 (unaudited)	69	743	–	812
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 31 December 2022	97	2 683	559	3 339
Changes in ECL	(30)	1 784	851	2 605
As at 30 June 2023 (unaudited)	67	4 467	1 410	5 944

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<i>30 June</i> <i>2024</i> <i>(unaudited)</i>	<i>31 December</i> <i>2023</i>
Mandatory reserve with the CBU	547 144	483 753
Restricted cash A+ to A	122 772	282 085
Term deposits placed for a period of more than 90 days:		
Rated from AA+ to AA-	194 770	332 093
Rated from A+ to A	38 921	94 374
Rated from BB+ to BB-	473 632	219 841
Rated from B+ to B-	140 616	40 718
Total term deposits placed for a period exceeding 90 days	847 939	687 026
Total amounts due from credit institutions	1 517 855	1 452 864
Less estimated allowance for ECL	(1 955)	(2 056)
Total amounts due from credit institutions, net of allowance for ECL	1 515 900	1 450 808

(in millions of UZS)

6. Amounts due from credit institutions (continued)

The mandatory reserve in the CBU is represented by an interest-free cash deposit, the amount of which depends on the amount of funds raised. The Group’s ability to withdraw such deposit is limited by the legislation of the Republic of Uzbekistan. As at 30 June 2024, the balance of the mandatory reserve in the CBU amounted to UZS 547 144 million (31 December 2023: UZS 483 753 million).

Restricted cash is represented by amounts on correspondent accounts with foreign banks placed by the Group in respect of letters of credit and a deposit provided as collateral for a participant in the VISA International Service Association system.

As at 30 June 2024 the Group has no accounts and deposits with banks (31 December 2023: two banks), except for the CBU, that exceed 10% of the Group’s capital.

As at 30 June 2024 and 2023, all balances of amounts due from credit institutions are allocated to Stage 1 for ECL measurement purposes.

Below is an analysis of changes in allowances for ECL for the periods ended 30 June:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 31 December 2023	2 056	–	–	2 056
Changes in ECL	(101)	–	–	(101)
As at 30 June 2024 (unaudited)	1 955	–	–	1 955
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 31 December 2022	2 504	–	–	2 504
Changes in ECL	1 914	–	–	1 914
As at 30 June 2023 (unaudited)	4 418	–	–	4 418

7. Loans to customers

Loans to customers comprise:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Loans to individuals	18 938 191	19 392 511
Loans to small and medium-sized businesses	6 070 024	3 610 045
Loans to corporate customers	5 647 100	7 316 972
Total loans to customers	30 655 315	30 319 528
Less estimated allowance for ECL	(764 479)	(570 534)
Total loans to customers, net of allowance for ECL	29 890 836	29 748 994

The Group uses the following classification of loans by classes:

- loans to individuals - loans granted to individuals that include: car loans, mortgage loans, consumer loans and other;
- loans to corporate customers - loans granted to customers with an organizational and legal form of ownership of joint-stock companies and limited liability companies, as well as other types of ownership.
- loans to small and medium-sized entities - loans and finance leases granted to small and medium-sized entities, including individual entrepreneurs;

(in millions of UZS)

7. Loans to customers (continued)

The analysis of movements in gross carrying amount of loans and relevant ECL on loans for the period ended 30 June 2024 is presented below:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying amount as at 1 January 2024	28 744 108	1 074 216	501 204	30 319 528
Newly originated assets	9 473 603	–	–	9 473 603
Assets repaid	(8 757 906)	(296 673)	(111 236)	(9 165 815)
Transfers to Stage 1	325 206	(325 206)	–	–
Transfers to Stage 2	(1 196 600)	1 260 429	(63 829)	–
Transfers to Stage 3	(569 415)	(131 284)	700 699	–
Unwinding of discount	–	–	9 884	9 884
Write offs	–	–	(8 221)	(8 221)
Foreign exchange adjustments	17 228	5 221	3 887	26 336
As at 30 June 2024 (unaudited)	28 036 224	1 586 703	1 032 388	30 655 315
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2024	306 564	110 750	153 220	570 534
Newly originated assets	166 553	–	–	166 553
Assets repaid	(35 791)	(16 092)	(40 015)	(91 898)
Transfers to Stage 1	31 942	(31 942)	–	–
Transfers to Stage 2	(43 492)	67 573	(24 081)	–
Transfers to Stage 3	(47 090)	(20 036)	67 126	–
Impact on period end ECL of exposures transferred between stages and changes to models and inputs used for measuring ECL during the period	(84 955)	25 520	175 874	116 439
Unwinding of discount (recognised in interest revenue)	–	–	9 884	9 884
Write offs	–	–	(8 221)	(8 221)
Foreign exchange adjustments	1 064	1 148	(1 024)	1 188
As at 30 June 2024 (unaudited)	294 795	136 921	332 763	764 479

Below is an analysis of changes in gross carrying amount and relevant ECLs on loans for the period ended 30 June 2023:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying amount as at 1 January 2023	16 064 907	505 770	436 576	17 007 253
Newly originated assets	10 947 478	–	–	10 947 478
Assets repaid	(3 943 351)	(146 441)	(233 776)	(4 323 568)
Transfers to Stage 1	159 672	(102 777)	(56 895)	–
Transfers to Stage 2	(600 413)	614 948	(14 535)	–
Transfers to Stage 3	(170 764)	(31 059)	201 823	–
Unwinding of discount (recognised in interest revenue)	–	–	18 088	18 088
Write offs	–	–	(17 864)	(17 864)
Foreign exchange adjustments	28 224	14 362	3 350	45 936
As at 30 June 2023 (unaudited)	22 485 753	854 803	336 767	23 677 323

(in millions of UZS)

7. Loans to customers (continued)

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL as at 1 January 2023	261 009	63 009	166 470	490 488
Newly originated assets	191 762	–	–	191 762
Assets repaid	(28 529)	(8 229)	(52 723)	(89 481)
Transfers to Stage 1	28 706	(11 253)	(17 453)	–
Transfers to Stage 2	(43 616)	49 342	(5 726)	–
Transfers to Stage 3	(13 872)	(3 418)	17 290	–
Impact on period end ECL of exposures transferred between stages and changes to models and inputs used for measuring ECL during the period	(112 478)	7 068	64 426	(40 984)
Unwinding of discount (recognised in interest revenue)	–	–	1 554	1 554
Write offs	–	–	(1 288)	(1 288)
Foreign exchange adjustments	1 318	754	(1 724)	348
As at 30 June 2023 (unaudited)	284 300	97 273	170 826	552 399

Collateral and other means of improving credit quality

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

The main types of collateral obtained are as follows:

- commercial lending – collateral of real estate, transport, equipment and inventory;
- retail lending – collateral of transport and residential properties.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

The Group's management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment.

The tables below provide analysis of the current fair values of collateral held and credit enhancements for credit-impaired assets (Stage 3) used by the Group in ECL estimate.

As at 30 June 2024 (unaudited)	<i>Gross carrying amount of loans to customers</i>	<i>Fair value of collateral - for collateral estimated at the reporting date</i>	<i>Fair value at the date of recognition/ The fair value has not been determined</i>
Vehicles	636 656	636 656	–
Real estate	279 549	279 549	–
Insurance policies	78 710	78 710	–
Equipment	28 665	28 665	–
Warranties and guarantees	7 248	–	7 248
Other	1 560	–	1 560
Total	1 032 388	1 023 580	8 808

As at 31 December 2023	<i>Gross carrying amount of loans to customers</i>	<i>Fair value of collateral - for collateral estimated at the reporting date</i>	<i>Fair value at the date of recognition/ The fair value has not been determined</i>
Real estate	339 929	339 929	–
Vehicles	102 462	102 462	–
Equipment	34 546	34 546	–
Insurance policies	16 657	16 657	–
Warranties and guarantees	7 123	–	7 123
Other	487	–	487
Total	501 204	493 594	7 610

The tables above do not include overcollateralization.

(in millions of UZS)

7. Loans to customers (continued)

Concentration of loans to customers

As at 30 June 2024, the concentration of loans extended by the Group to the ten largest unrelated borrowers amounted to UZS 2 944 233 million or 10% of the total gross value of loans to customers (31 December 2023: UZS 5 649 150 million, 19% of the total gross value of loans to customers). Allowance for ECL on these loans is UZS 53 163. (31 December 2023: UZS 55 925 million).

The structure of the loan portfolio by type of customers is as follows:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Individuals	18 938 191	19 392 511
Trade and services	5 103 277	3 018 709
Industrial manufacturing	3 196 223	5 976 124
Transport and communications	2 061 469	735 190
Financial services	991 888	763 426
Construction	121 723	156 096
Agriculture	48 144	48 268
Textile production	8 166	11 433
Other	186 234	217 771
Total loans to customers	30 655 315	30 319 528

The quality of the loan portfolio

Loans to individuals carried at amortised cost as at 30 June 2024:

As at 30 June 2024 (unaudited)	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Non-overdue	15 461 327	205 315	9 070	15 675 712
Overdue for less than 30 days	1 415 871	80 030	2 104	1 498 005
Overdue for a period of 30-90 days	–	1 063 118	8 571	1 071 689
Overdue for a period of 91-180 days	–	–	538 712	538 712
Overdue for a period of 181-360 days	–	–	138 197	138 197
Overdue for more than 360 days	–	–	15 876	15 876
Total	16 877 198	1 348 463	712 530	18 938 191
Allowance for ECL	(175 790)	(105 377)	(263 563)	(544 730)
Carrying amount	16 701 408	1 243 086	448 967	18 393 461

Loans to individual customers carried at amortised cost as at 31 December 2023:

As at 31 December 2023	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Non-overdue	17 488 348	77 573	2 442	17 568 363
Overdue for less than 30 days	971 221	49 474	64	1 020 759
Overdue for a period of 30-90 days	–	670 394	–	670 394
Overdue for a period of 91-180 days	–	–	91 142	91 142
Overdue for a period of 181-360 days	–	–	41 481	41 481
Overdue for more than 360 days	–	–	372	372
Total	18 459 569	797 441	135 501	19 392 511
Allowance for ECL	(191 642)	(81 011)	(44 427)	(317 080)
Carrying amount	18 267 927	716 430	91 074	19 075 431

(in millions of UZS)

7. Loans to customers (continued)

Loans to customers, small and medium-sized businesses, carried at amortised cost as at 30 June 2024:

As at 30 June 2024 (unaudited)	Stage 1	Stage 2	Stage 3	Total
Non-overdue	5 647 540	15 801	3 312	5 666 653
Overdue for less than 30 days	246 848	7 823	917	255 588
Overdue for a period of 30-90 days	–	74 477	1 477	75 954
Overdue for a period of 91-180 days	–	–	28 403	28 403
Overdue for a period of 181-360 days	–	–	25 734	25 734
Overdue for more than 360 days	–	–	17 692	17 692
Total	5 894 388	98 101	77 535	6 070 024
Allowance for ECL	(72 047)	(11 482)	(26 571)	(110 100)
Carrying amount	5 822 341	86 619	50 964	5 959 924

Loans to customers, small and medium-sized businesses, carried at amortised cost as at 31 December 2023:

As at 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Non-overdue	3 426 009	46 966	4 829	3 477 804
Overdue for less than 30 days	22 133	4 052	4 248	30 433
Overdue for a period of 30-90 days	–	18 230	6 542	24 772
Overdue for a period of 91-180 days	–	–	31 290	31 290
Overdue for a period of 181-360 days	–	–	21 424	21 424
Overdue for more than 360 days	–	–	24 322	24 322
Total	3 448 142	69 248	92 655	3 610 045
Allowance for ECL	(49 451)	(7 738)	(38 650)	(95 839)
Carrying amount	3 398 691	61 510	54 005	3 514 206

The credit quality analysis of loans presented in the tables below is based on the borrowers' credit quality scale developed by the Group:

- "Low credit risk" - assets whose counterparties have a low probability of default and have a high ability to fulfill financial obligations on time;
- "Moderate credit risk" - assets whose counterparties have a moderate probability of default, demonstrate default, demonstrate an average ability to meet financial obligations on time and require more careful attention at the monitoring stage;
- "High credit risk" - assets whose counterparties have a higher probability of default require special attention at the monitoring stage;
- "Non-performing assets" are assets that have signs of impairment, meet the definition of default.

Loans to corporate customers carried at amortised cost as at 30 June 2024:

As at 30 June 2024 (unaudited)	Stage 1	Stage 2	Stage 3	Total
Low credit risk	5 257 831	–	–	5 257 831
Moderate credit risk	6 807	130 186	–	136 993
High credit risk	–	9 953	–	9 953
Non-performing assets	–	–	242 323	242 323
Total	5 264 638	140 139	242 323	5 647 100
Allowance for ECL	(46 958)	(20 062)	(42 629)	(109 649)
Carrying amount	5 217 680	120 077	199 694	5 537 451

Loans to corporate customers carried at amortised cost as 31 December 2023:

As at 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Low credit risk	6 833 075	–	–	6 833 075
Moderate credit risk	2 993	36 144	–	39 137
High credit risk	–	171 383	–	171 383
Non-performing assets	–	–	273 377	273 377
Total	6 836 068	207 527	273 377	7 316 972
Allowance for ECL	(65 471)	(22 001)	(70 143)	(157 615)
Carrying amount	6 770 597	185 526	203 234	7 159 357

(in millions of UZS)

8. Investment securities

In 2024, the Group actively participated in auctions for the placement of government securities (bonds) held by the CBU jointly with the Ministry of Finance of the Republic of Uzbekistan on the Uzbek Republican Currency Exchange. The maturity of the CBU bonds is 1-6 months, the interest rate range is from 16.3% to 17.6% per annum. The maturity of the bonds of the Ministry of Finance of the Republic of Uzbekistan ranges from 6 months to 10 years, the interest rate range is from 15.0% to 18.9% per annum.

The Group’s debt securities are as follows:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Bonds of the Ministry of Finance of the Republic of Uzbekistan	3 142 542	907 941
CBU bonds	97 253	1 020 984
Other securities	26 011	26 014
Total investment securities measured at amortised cost	3 265 806	1 954 939
Less the estimated allowance for ECL	(18 895)	(7 200)
Total investment securities measured at amortised cost less allowance for ECL	3 246 911	1 947 739

An analysis of ECL allowances in relation to debt securities at amortised cost is as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 31 December 2023	7 200	–	–	7 200
Changes in ECL	11 695	–	–	11 695
As at 30 June 2024 (unaudited)	18 895	–	–	18 895
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 31 December 2022	9 060	–	–	9 060
Changes in ECL	(3 675)	–	–	(3 675)
As at 30 June 2023 (unaudited)	5 385	–	–	5 385

9. Income tax

The income tax expense comprises:

	<i>6 months ended 30 June 2024 (unaudited)</i>	<i>6 months ended 30 June 2023 (unaudited)</i>
Current income tax charge	149 560	147 101
Reduction of deferred income tax – creation and reversal of temporary differences	25 640	15 134
Income tax expense	175 200	162 235

The Group prepares income tax calculations for the current period based on tax accounting data carried out in accordance with the requirements of the tax legislation of the Republic of Uzbekistan, which may differ from IFRS.

Differences between IFRS and the tax legislation of the Republic of Uzbekistan result in certain temporary differences between carrying amount of certain assets and liabilities for the purpose of the Group’s financial statements preparation and income tax calculation.

Income tax is accrued in accordance with the Tax Code of the Republic of Uzbekistan. The current income tax rate for banks in 2024 is 20% (2023 was 20%) of taxable profit.

(in millions of UZS)

9. Income tax (continued)

A reconciliation of the income tax expense based on statutory rates with factual income tax expense is as follows:

	<i>6 months ended</i> <i>30 June 2024</i> <i>(unaudited)</i>	<i>6 months ended</i> <i>30 June 2023</i> <i>(unaudited)</i>
Profit before income tax	941 844	864 482
Tax rate according to the legislation	20%	20%
Theoretical income tax expenses at the tax rate according to the legislation	(188 369)	(172 896)
Non-taxable income on government securities	37 698	39 039
Expenses on ECL, that do not reduce the tax base	(2 231)	(1 355)
Other non-deductible expenses	(22 298)	(27 023)
Income tax expenses	(175 200)	(162 235)

As at 30 June 2024, current income tax assets amounted to UZS 32 327 million (as at 31 December 2023: UZS 8 204 million).

Deferred taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount determined for tax purposes. Temporary differences as at 30 June 2024 and 2023 are mainly related to different methods of accounting for income and expenses, as well as the accounting value of certain assets.

Deferred tax assets and liabilities as at 30 June 2024 and 30 June 2023, and their movements for the respective years comprise the following:

	<i>31 December</i> <i>2023</i>	<i>Origination and reversal of temporary differences</i>	
		<i>In profit or loss</i>	<i>30 June 2024</i> <i>(unaudited)</i>
Tax effect of deductible temporary differences			
Loans to customers	29 493	(19 092)	10 401
Customer accounts	50 615	(38 836)	11 779
Investment securities	1 440	2 394	3 834
Other liabilities	46 541	(6 765)	39 776
Deferred tax asset	128 089	(62 299)	65 790
Tax effect of taxable temporary differences			
Property and equipment and right-of-use assets	(13 146)	1 594	(11 552)
Other assets	(55 837)	32 842	(22 995)
Assets held for sale	(3 781)	2 223	(1 558)
Deferred tax liability	(72 764)	36 659	(36 105)
Deferred tax asset	55 325	(25 640)	29 685
Tax effect of deductible temporary differences			
Loans to customers	51 425	(31 243)	20 182
Customer accounts	6 455	15 043	21 498
Investment securities	1 812	(717)	1 095
Other liabilities	(3 667)	2 211	(1 456)
Deferred tax asset	56 025	(14 706)	41 319
Tax effect of taxable temporary differences			
Property and equipment and right-of-use assets	(9 045)	17 411	8 366
Other assets	1 810	(20 064)	(18 254)
Assets held for sale	(509)	2 225	1 716
Deferred tax liability	(7 744)	(428)	(8 172)
Deferred tax asset	48 281	(15 134)	33 147

(in millions of UZS)

10. Amounts due to credit institutions

Amounts due to credit institutions include the following items:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Amounts due to banks of the Republic of Uzbekistan	753 025	1 099 083
Amounts due to foreign banks	174 056	773 283
Current accounts of foreign banks	–	2 619
Current accounts of banks of the Republic of Uzbekistan	2 793	14 104
Total amounts due to credit institutions	929 874	1 889 089

As at 30 June 2024, the Group has no balances exceeding 10% of the Bank's capital (as at 31 December 2023, the Group has balances of one bank in the amount of UZS 593 928 million).

Amounts due to the banks of the Republic of Uzbekistan include the balances of six banks as at 30 June 2024 (31 December 2023: four banks).

Amounts due to foreign banks are represented by balances payable to AKA Ausfuhrkredit Gesellschaft mbH. On 20th July 2020, the Group signed an agreement to open a credit line with AKA Ausfuhrkredit Gesellschaft mbH within a limit of EUR 10.6 million. During 2020-2023, the Group received loans with a term of 1-6 years. The annual interest rate on credit lines is EURIBOR+1.3%-1.65%. The purpose of the loan is to finance export contracts.

As at 30 June 2024, the balances payable to AKA Ausfuhrkredit- Gesellschaft mbH amounted to UZS 174 056 million (31 December 2023: UZS 196 375 million). As at 30 June 2024, Russian banks have a balance of UZS 24 911 million (31 December 2023: UZS 510 385 million).

11. Amounts due to customers

Amounts due to customers include the following items:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Legal entities		
Term deposits	10 798 372	12 878 366
Demand deposits	4 536 849	5 054 511
Individuals		
Term deposits	13 220 868	10 411 550
Demand deposits	5 852 868	5 176 050
Total amounts due to customers	34 408 957	33 520 477

As at 30 June 2024, the balance of funds held as collateral for letters of credit is UZS 802 028 million and UZS 6 878 million for guarantees (31 December 2023: UZS 2 284 674 million and UZS 11 347 million, respectively) *Note 17*.

In accordance with the legislation of the Republic of Uzbekistan, the Group is obliged to repay deposits at the first request of an individual depositor. In cases where the term deposit is returned to the depositor at his request before the expiration term, interest on the deposit is not paid or is paid at a significantly lower interest rate, depending on terms of an agreement.

As at 30 June 2024, the Group had four customers with the total amount of exceeding 10% of the Groups equity (31 December, 2023: four clients). The total balance of these customers amounted to UZS 5 694 218 million (31 December 2023: UZS 5 626 816 million).

(in millions of UZS)

11. Amounts due to customers (continued)

The accounts of the following customer categories are included in in amounts due to customers:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Individuals	19 073 736	15 587 600
Corporate customers	10 126 733	13 351 363
State and budget organisations	5 208 488	4 581 514
Total amounts due to customers	34 408 957	33 520 477

The breakdown of amounts due to customers by industry is provided below:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Individuals	19 073 736	15 587 600
Manufacturing	4 314 483	6 942 766
Social funds	3 969 760	3 746 195
Trade and other services	3 239 774	3 209 507
Transport and telecommunications	1 761 537	1 814 508
Construction	476 651	424 846
Investments in financial sector	354 470	306 615
Agriculture and food industry	200 296	192 419
Insurance	152 751	131 114
Other	865 499	1 164 907
Total amounts due to customers	34 408 957	33 520 477

12. Other borrowed funds

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Subordinated debt	1 375 625	1 169 980
Loans from the Government of the Republic of Uzbekistan	143 173	179 131
Loans from non-banking financial institutions	63 764	83 754
Bonds issued	50 724	50 806
Total other borrowed funds	1 633 286	1 483 671

Subordinated debt

As at 30 June 2024, subordinated debt is represented by loans from non-bank institutions with maturities in 2027-2032 and interest rates 14%-21% per annum in UZS and 5%-8% per annum in USD (as at 31 December 2023: in 2032-2037 and interest rates of 14%-24% per annum in UZS and 5% per annum in USD). Subordinated debt is represented by a long-term loan from 8 different counterparties in the amount of UZS 1 375 625 million as at 30 June 2024 (31 December 2023, UZS 1 169 980 million from 7 different counterparties).

Loans from the Government of the Republic of Uzbekistan

The funds received from the Government of the Republic of Uzbekistan are represented by a long-term interest-free loan from the Fund for Financing State Development Programs of the Republic of Uzbekistan with a maturity in 2024-2034 in the amount of UZS 26 169 million (31 December 2023: UZS 26 169 million) and a long-term loan from the Ministry of Finance of the Republic of Uzbekistan with a maturity in 2024-2035 with a nominal interest rate of 0%-10% per annum in the amount of UZS 117 004 million (31 December 2023 UZS 152 962 million).

(in millions of UZS)

12. Other borrowed funds (continued)

Interest-free loans from the Fund for Financing State Development Programs of the Republic of Uzbekistan and the Ministry of Finance of the Republic of Uzbekistan were received in accordance with the Decree of the President of the Republic of Uzbekistan "On measures for accelerated development of the service sector" for the issuance of subsidised loans for the establishment, construction, reconstruction, repair and equipping of non-governmental preschool educational organizations at interest rate of 1% per annum and a maturity of 15 years.

Loans from the Ministry of Finance of the Republic of Uzbekistan were received in accordance with the Decree of the President of the Republic of Uzbekistan "On additional measures to improve mortgage lending mechanisms" for issuance of mortgage loans to individuals.

Loans from non-bank financial institutions

The funds received from non-banking financial institutions are represented by loans received from Abu Dhabi Uzbek Investment LLC in the amount of 20 million USD, with a nominal interest rate of 5.5%-6.5% per annum, and maturity in 2024-2025. The funds were received to finance small and medium-sized businesses in the Republic of Uzbekistan. As at 30 June 2024, loans received from Abu Dhabi Investment LLC amounted to UZS 63 764 million (31 December 2023: UZS 83 754 million).

Bonds issued

As at 30 June 2024, the bonds issued are represented by bonds placed on the Republican Stock Exchange "Toshkent" with maturity in 2027 and an interest rate equal to the refinancing rate of the CBU+ 5% per annum (31 December 2023: in 2027 and an interest rate equal to the refinancing rate of the Central Bank of the Republic of Uzbekistan + 5% per annum).

Reconciliation of changes in other borrowed funds and cash flows from financing activities

	<i>6 months ended</i> <i>30 June 2024</i> <i>(unaudited)</i>	<i>6 months ended</i> <i>30 June 2023</i> <i>(unaudited)</i>
Carrying value at the beginning of the period	1 483 671	634 942
Receipts	694 749	454 804
Repayment	(555 800)	(128 755)
Exchange rate differences	9 554	(5 806)
Other	1 112	1 021
Carrying value at the end of the period	1 633 286	956 206

The item "Other" includes the effect of accrued but not yet paid interest on other borrowed funds. The Group classifies the interest paid as cash flows from operating activities.

13. Net interest income

Net interest income includes the following items:

	<i>6 months ended</i> <i>30 June 2024</i> <i>(unaudited)</i>	<i>6 months ended</i> <i>30 June 2023</i> <i>(unaudited)</i>
Loans to customers	3 001 090	1 912 520
Investment securities	228 410	164 511
Other interest income	43 267	11 054
Total interest income calculated using the effective interest rate	3 272 767	2 088 085
Amounts due to customers	1 691 992	819 632
Amounts due to credit institutions	107 911	58 102
Other borrowed funds	81 185	26 625
Accounts payable under repurchase agreements	54 583	55 718
Total interest expenses	1 935 671	960 077
Net interest income	1 337 096	1 128 008

(in millions of UZS)

14. Allowance for credit losses

The table below shows the ECL expenses on financial instruments reflected in the consolidated statement of profit or loss for the for the 6 months ended 30 June 2024:

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash and cash equivalents	5	255	1 125	–	1 380
Amounts due from credit institutions	6	101	–	–	101
Loans to customers	7	12 833	(25 023)	(178 904)	(191 094)
Investment securities	8	(11 695)	–	–	(11 695)
Loan commitments	17	(1 531)	–	–	(1 531)
Other financial assets		2 223	13	(1 998)	238
Total allowance for credit losses(unaudited)		2 186	(23 885)	(180 902)	(202 601)

The table below shows the ECL expenses on financial instruments reflected in the consolidated statement of profit or loss for the for the 6 months ended 30 June 2023:

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash and cash equivalents	5	30	(1 784)	(851)	(2 605)
Amounts due from credit institutions	6	(1 914)	–	–	(1 914)
Loans to customers	7	(21 973)	(33 510)	(5 814)	(61 297)
Investment securities	8	3 675	–	–	3 675
Loan commitments	17	4 319	–	–	4 319
Other financial assets		(1 818)	142	152	(1 524)
Total allowance for credit losses(unaudited)		(17 681)	(35 152)	(6 513)	(59 346)

15. Net fee and commission income

Net fee and commission income includes the following items:

	<i>6 months ended 30 June 2024 (unaudited)</i>	<i>6 months ended 30 June 2023 (unaudited)</i>
Transactions with plastic cards	241 888	210 764
International cash transfers	116 573	49 730
Settlement operations	51 952	104 881
Commission on letters of credit	15 871	3 509
Cash operations	11 469	21 149
Commission on Guarantees	1 173	1 757
Others	25 208	13 794
Fee and commission income	464 134	405 584
Transactions with plastic cards	168 525	117 747
Other operating expenses	34 414	8 413
Settlement operations	24 920	1 780
International cash transfers	13 826	10 704
Letters of credit	1 746	2 579
Others	11 626	16 438
Fee and commission expense	255 057	157 661
Net fee and commission income	209 077	247 923

(in millions of UZS)

16. Personnel and other administrative expenses

Personnel and other administrative expenses are presented as follows:

	<i>6 months ended</i> <i>30 June</i> <i>2024</i> <i>(unaudited)</i>	<i>6 months ended</i> <i>30 June</i> <i>2023</i> <i>(unaudited)</i>
Salaries and bonuses	369 129	301 164
Social security contributions	41 345	35 492
Total personnel expenses	410 474	336 656
Depreciation	85 174	66 986
Charity and sponsorship	24 253	23 255
Security	19 904	16 305
Rent	9 065	9 324
Taxes other than income tax	8 598	13 957
Repairs	7 971	9 678
Advertising	6 961	4 737
Stationery	6 893	22 278
Professional services	6 600	45 917
Communication	3 673	9 468
Other	18 036	17 032
Total other administrative expenses	197 128	238 937
Total personnel and other administrative expenses	607 602	575 593

17. Contingencies

Legal issues

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Tax legislation

Currently, in the Republic of Uzbekistan there is number of legislative acts regulating the system of taxes paid to the Republican and local state budgets. These taxes include value added tax, income tax, social taxes, and other taxes. The tax legislation of the Republic of Uzbekistan is subject to varying interpretations and subject to frequent changes. Often there are different opinions on the interpretation of legislative acts, both between different authorities and within one authority (i.e. the State Tax Committee and its various inspections), which creates uncertainty and grounds for various disputes. Tax returns and other legal obligations (for example, aspects of customs and currency regulation) are the subject to review and inspection by a number of agencies that, are entitled by law to impose significant administrative penalties (including fines and penalties) and may take a more assertive position in the interpretation of legislation and verification of tax calculations. As consequence, tax bodies can make a complaint on those deals and methods of the account on which earlier they did not show claims. This situation creates a greater probability of occurrence of tax risks in the Republic of Uzbekistan than, for example in other countries with more developed taxation systems. Tax audits may cover three calendar years of activity immediately preceding the year of the audit. Under certain conditions, earlier periods may also be subject to audit.

As at 30 June 2024, the Group's Management believes that it adheres to an adequate interpretation of the relevant legislation, and the Group's position on tax, currency and customs issues will be supported by regulatory authorities.

Credit related commitments

The main purpose of these instruments is to ensure that funds are available to customers as required. The total amount of guarantees liabilities, letters of credit and unused loan facilities does not necessarily represent future cash requirements, as the expiration or cancellation of these liabilities may be possible without providing the borrower with funds. Nevertheless, there is a potential risk, therefore, in the consolidated statement of financial position, among other obligations under guarantees, a provision was made for credit related commitments with respect to the guarantees provided, depending on the financial condition of the customer. With respect to commitments and unused credit lines, the Group is less exposed to the risk of losses, since in case of impairment of loans issued, the Group will not provide the remaining amounts, therefore, the provision for these credit related commitments is null.

(in millions of UZS)

17. Contingencies (continued)

Credit related commitments (continued)

The outstanding credit obligations are as follows:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Letters of credit		
With post-financing	171 263	20 887
Covered without post-financing	946 371	3 653 232
Guarantees		
Financial guarantees	48 974	68 198
Commitments to extend loans	1 952	–
Credit related commitments	1 168 560	3 742 317
ECL allowances for credit related commitments	5 123	3 592
Deposits held as security against letters of credit (<i>Note 11</i>)	802 028	2 284 674
Deposits held as security against guarantees (<i>Note 11</i>)	6 878	11 347

Below is an analysis of changes in allowances for ECL for the period ended 30 June 2024 and 2023 :

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 31 December 2023	3 592	–	–	3 592
Changes in ECL	1 531	–	–	1 531
As at 30 June 2024	5 123	–	–	5 123
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 31 December 2022	7 366	–	–	7 366
Changes in ECL	(4 319)	–	–	(4 319)
As at 30 June 2023	3 047	–	–	3 047

18. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

The outstanding balances of related party transactions as at the end of the reporting period are as follows:

	<i>30 June 2024 (unaudited)</i>			<i>As at 31 December 2023</i>		
	<i>Other share- holders</i>	<i>Entities under common control</i>	<i>Key mana- gement personnel</i>	<i>Other share- holders</i>	<i>Entities under common control</i>	<i>Key management personnel</i>
Assets						
Loans to customers	2 444	1 200 408	8 664	2 215	850 418	5 042
Liabilities						
Amounts due to customers	231 646	306 926	162 871	163 918	81 762	233 337

(in millions of UZS)

18. Related party transactions (continued)

The income and expense arising from related party transactions are as follows:

	<i>6 months ended 30 June 2024 (unaudited)</i>			<i>6 months ended 30 June 2023 (unaudited)</i>		
	<i>Other share-holders</i>	<i>Entities under common control</i>	<i>Key management personnel</i>	<i>Other share-holders</i>	<i>Entities under common control</i>	<i>Key management personnel</i>
Interest income calculated using the effective interest rate	321	42 394	701	756	23 098	445
Interest expenses	(17 057)	(3 776)	(7 065)	(8 138)	(1 380)	(1 845)
Allowance for credit losses	(31)	(14 327)	(106)	(89)	(7 787)	(127)

Loans to other shareholders, organizations under common control and key management personnel were provided with the maturity from 3 to 15 years, in UZS with an interest rate of 9% to 23% per annum, respectively. Amounts due to customers are presented by demand deposits and term deposits placed both in UZS and in foreign currency. Term deposits from the parent company, other shareholders and key management personnel in UZS were attracted at an interest rate of 17% to 23% per annum, in foreign currency the interest rate was from 3% to 5% per annum.

Remuneration of key management personnel comprised of the following:

	<i>6 months ended 30 June 2024 (unaudited)</i>	<i>6 months ended 30 June 2023 (unaudited)</i>
Salaries and other short-term employee benefits	38 221	27 355
Social security contributions	4 587	3 283
Total key management personnel remuneration	42 808	30 638

19. Fair value measurements

Fair value hierarchy

For the purpose of fair value disclosure, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability, and the level in the fair value hierarchy as at 30 June 2024 and 31 December 2023.

<i>As at 30 June 2024</i>	<i>Fair value measurement using inputs data</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets measured at fair value				
Property and equipment – buildings	–	–	438 848	438 848
Assets for which fair value is disclosed				
Cash and cash equivalents	1 674 252	3 689 473	–	5 363 725
Amounts due from credit institutions	–	1 487 328	–	1 487 328
Loans to customers	–	–	30 080 522	30 080 522
Investment securities	–	3 309 327	–	3 309 327
Other financial assets	–	–	126 364	126 364
Liabilities for which fair value is disclosed				
Amounts due to credit institutions	–	–	918 357	918 357
Amounts due to customers	–	–	34 408 957	34 408 957
Other borrowed funds	–	–	1 543 304	1 543 304
Other financial liabilities	–	–	323 621	323 621

(in millions of UZS)

19. Fair value measurements (continued)

<i>As at 31 December 2023</i>	<i>Fair value measurement using inputs data</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Assets measured at fair value				
Property and equipment – buildings	–	–	446 286	446 286
Assets for which fair value is disclosed				
Cash and cash equivalents	1 514 509	4 713 379	–	6 227 888
Amounts due from credit institutions	–	1 426 907	–	1 426 907
Loans to customers	–	–	30 445 457	30 445 457
Investment securities	–	1 975 244	–	1 975 244
Other financial assets	–	–	60 486	60 486
Liabilities for which fair value is disclosed				
Amounts due to credit institutions	–	–	1 879 274	1 879 274
Amounts due to customers	–	–	33 520 477	33 520 477
Other borrowed funds	–	–	1 388 183	1 388 183
Other financial liabilities	–	–	476 662	476 662

The Group classifies assets held for sale that are measured at fair value less costs to sell with a book value of UZS 65 097 million to level 3 for fair value measurement purposes (31 December 2023: UZS 26 548 million to level 3).

Set out below is a comparison by class of the carrying amounts and fair values of the Group’s financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	<i>30 June 2024 (unaudited)</i>			<i>31 December 2023</i>		
	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised gain/(loss)</i>
Financial assets						
Cash and cash equivalents	5 363 725	5 363 725	–	6 227 888	6 227 888	–
Amounts due from credit institutions (2024: 4%-16%, 2023: 4%-16%)	1 515 900	1 487 328	(28 572)	1 450 808	1 426 907	(23 901)
Loans to customers (2024: 8%-27%, 2023: 8%-24%)	29 890 836	30 080 522	189 686	29 748 994	30 445 457	696 463
Investment securities (2024: 18%, 2023: 18%)	3 246 911	3 309 327	62 416	1 947 739	1 975 244	27 505
Other financial assets	126 364	126 364	–	60 486	60 486	–
Financial liabilities						
Amounts due to credit institutions (2024: 5%-16%, 2023: 5%-16%)	929 874	918 357	11 517	1 889 089	1 879 274	9 815
Amounts due to customers	34 408 957	34 408 957	–	33 520 477	33 520 477	–
Other borrowed funds (2024: 5%-20%, 2023: 5%-20%)	1 633 286	1 543 304	89 982	1 483 671	1 388 183	95 488
Other financial liabilities	323 621	323 621	–	476 662	476 662	–
Total unrecognised change in fair value			325 029			805 370

Valuation techniques and assumptions

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

(in millions of UZS)

19. Fair value measurements (continued)

Assets for which fair value approximates carrying value

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

Investment securities

Investment securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data.

Financial assets and financial liabilities at amortised cost

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

20. Risk management

Details of this section are set out in the audited annual financial statements for the year ended 31 December 2023 prepared in accordance with IFRS.

Credit risk

Definition of default and cure

Treasury and interbank relationships

The Group’s treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges, and clearing-houses. To assess such relationships, the credit risk department of the Group analyses publicly available information, such as financial statements, and data from other external sources, such as external ratings.

<i>International external rating agency (Fitch) rating</i>	<i>Internal rating description</i>	<i>PD</i>
AA+ to AAA, A+ to AA-, A-	High rating	0-0.06%
BBB+	Standard rating	0.06-0.42%
BBB		
BBB-		
BB+		
BB- to BB		
B- to B+		
CCC	Sub-standard	0.42-34.50%
CCC-		
D	Impaired	100%

As at 30 June 2024, for the purposes of assessing the ECL the Group classified organizations registered in the Russian Federation, to Stage 2. For the purposes of determining the probability of default, the pre-default rating of international rating agencies was used. The level of losses in default was determined at 62%.

(in millions of UZS)

20. Risk management (continued)

Corporate lending

In the case of commercial lending, the borrowers are assessed by the Group’s Corporate Lending Department. The credit risk assessment is based on a credit scoring model that considers various historical, current, and forward-looking information.

The Group uses the following internal credit rating levels for loans to customers:

Number of overdue days	Internal rating description	PD
Not overdue	Standard rating	0-2%
Overdue less than 30 days	Standard rating	2-12%
Overdue 30-90 days	Sub-standard	12-100%
Overdue more than 91 days	Impaired	100%

Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the counterparty’s ability to increase its exposure while approaching default and potential early repayments too. To calculate EAD for Stage 1 loans, the Group estimates the probability of default within 12 months to estimate 12-month ECLs. For Stage 2 the exposure at default is considered for events over the lifetime of the instruments.

Loss given default

The Group estimates LGD indicators on the basis of information on the ratios of return of funds with respect to claims against counterparties that have defaulted on their obligations. LGD valuation models take into account the structure, type of collateral, seniority of the claim, the industry in which the counterparty operates, and the cost of recovering any collateral that is an integral part of a financial asset. For loans secured by real estate of individuals, the ratio between the loan amount and the value of collateral (LTV ratio) is the main parameter for determining the amount of loss in case of default. LGD indicators are calculated based on discounted cash flows using the effective interest rate as a discount factor.

Where appropriate, further recent data and forward-looking economic scenarios are used to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group.

LGD levels are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine how much it is necessary to create an estimated impairment reserve for an instrument or a portfolio of instruments (i.e. in the amount of 12-month ECL or ECL for the entire period), the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk for a financial instrument since initial recognition when contractual payments on a financial instrument are more than 30 days past due.

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

(in millions of UZS)

21. Capital management

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

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

- the minimum level of K1 is set at 13.0%;
- the minimum level of K2 is set at 10.0%, taking into account the capital conservation buffer of 3.0% of risk-weighted assets.

According to Amendment No. 2693-11 dated June 6, 2023, all banks of the Republic of Uzbekistan are required to increase the minimum amount of their share capital to UZS 200 billion by September 1, 2023 and from 1 April 2024 the minimum amount of bank charter capital was increased to UZS 350 billion.

As at 30 June 2024 and 31 December 2023, the Group met the regulatory capital requirements set by the Regulation.

The following table provides an analysis of the Bank’s regulatory capital calculated based on the CBU Regulation:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Tier I capital	4 686 955	3 828 702
Tier II capital	1 947 740	1 671 025
Total capital	6 634 695	5 499 727
Total amount of risk-weighted assets	41 512 132	34 410 090
K1	15.98%	15.98%
K2	11.29%	11.13%

(in millions of UZS)

22. Disposal of subsidiary

During 2024, the Group sold 100% of its share in Uzum Bank JSC, which generated the majority of fee and commission income from P2P transactions and plastic card transaction services within the Group's structure. The buyer Continent ARM Investments FE LLC acquired the subsidiary at par value of the shares for UZS 200 billion.

At the date of disposal of the subsidiary, the Bank's share in net assets was UZS 274 134 million. Loss on disposal of the subsidiary in the amount of UZS 74 134 million is recognised in the Group's equity as "Allocation between participants".

Uzum Bank JSC was not previously classified as held for sale or discontinued operations. The comparative figures in the interim condensed financial statements for profit or loss and other comprehensive income are shown separately.

The carrying amounts of assets and liabilities at the date of disposal are as follows:

	For the year 2024, prior to the date of disposal (unaudited)	For the 6 months ended 30 June 2023 (unaudited)
Results from discontinued operations		
Interest income calculated using the effective interest rate	4 396	2 189
Interest expense	(439)	(516)
Net interest income	3 957	1 673
Provision for expected credit losses	542	(311)
Net interest income after credit loss provision	4 499	1 362
Fee and commission income	61 368	112 429
Fee and commission expense	(30 396)	(92 933)
Net gains from foreign currencies	2 707	27 506
Net gain on initial recognition of financial assets measured at amortised cost	28	–
Other income	8	1
Personnel and other administrative expenses	(26 227)	(45 447)
Profit before income tax expense	11 987	2 918
Income tax expense	(3 039)	(585)
Net profit for the period	8 948	2 333
	4 April 2024 (unaudited)	31 December 2023
Assets		
Cash and cash equivalents	160 767	172 964
Amounts due from credit institutions	179 142	2 424
Loans to customers	49 627	49 950
Investment securities	–	36 710
Property and equipment	37 768	35 714
Prepayment of income tax	3 933	1 458
Intangible assets	168 908	127 549
Deferred income tax assets	660	698
Other assets	40 541	31 637
Total assets	641 346	459 104
Liabilities		
Amounts due to credit institutions	28 875	–
Amounts due to customers	90 303	66 373
Other liabilities	98 034	127 546
Total liabilities	217 212	193 919
Net identifiable assets and liabilities	424 134	265 185

(in millions of UZS)

23. Subsequent events

The following changes occurred in the period after the reporting date and up to the signature date of the financial statements:

a) Technical changes in the shareholder structure of the Bank: on 2 July 2024, Finance TCI FE LLC consolidated 100% of the Bank's shares by purchasing the share of Continent ARM Investments FE LLC on the stock exchange. On 5 July 2024 Finance TCI FE LLC was renamed to KPB Property Holding FE LLC.

The updated structure of the Bank's shareholders is presented in the table below:

Legal entities	<i>As of the signature date of the report</i>	<i>30 June 2024 (unaudited)</i>
KPB Property Holding FE LLC (formerly Finance TCI FE LLC)	100.00	61.54
Continent ARM Investments FE LLC	-	38.46
Total legal entities	100.00	100.00

b) based on the decision of the general meeting of the Bank's shareholders dated 27 June 2024, the Bank decided to issue 100 million ordinary shares with nominal value of 950 soums per share. The updated charter of the Bank was registered on 9 August 2024.

Additional issue of shares was carried out in order to follow the Resolution of the Central Bank of Uzbekistan № 2693-11 dated 6 June 2023. Starting from 2025, the authorised capital of banks should exceed UZS 500 billion.

c) in July 2024 the Bank established KPB Pro LLC with the authorised capital of UZS 60 billion. The main activity of the company is to provide banking consulting and information services.

d) in August 2024, the Bank established KAPITALBANK AKADEMY LLC with the authorised capital of UZS 500 million. The main activity of the company is to provide professional development services, including services for the Bank's employees.

Approved and signed on behalf of the Group's management:

Mayevskiy K.L.
Chairman of the Management Board of the
Bank



Enikeeva E.A.
Deputy Chairman of the
Management Board of the Bank

29 August 2024