



**JOINT STOCK COMMERCIAL BANK
"SMART BANK"**

**Financial Statements and
Independent Auditor's Report
for the year ended 31 December 2023**

Joint Stock Commercial Bank "Smart bank"

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Independent Auditor's Report

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Independent Auditor's Report

To the Shareholder and Supervisory Board of the Joint Stock Commercial Bank "Smart bank":

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Joint Stock Commercial Bank "Smart bank" (the "Bank") as at 31 December 2023, and the Bank's financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.



Suhrab Azimov
General Director/Certified Auditor

Audit Organization "PricewaterhouseCoopers" LLC
88A, prospekt Mustaqillik, Mirzo-Ulugbek district, Tashkent 100000, Republic of Uzbekistan
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Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

A blue ink signature of Suhrab Azimov, written in a cursive style, is positioned above a horizontal orange line.

Suhrab Azimov
General Director/Certified Auditor

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Report of findings from procedures performed in accordance with the requirements of the Law No. 580, dated 5 November 2019, On Banks and Banking Activity

Management is responsible for the Bank's compliance with prudential ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Central Bank of the Republic of Uzbekistan.

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

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

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

We have not performed any procedures on the accounting records maintained by the Bank, other than those which we considered necessary to enable us to express an opinion as to whether the Bank's financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Our findings from the procedures performed are reported below.

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

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

- As at 31 December 2023, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.
- The frequency of reports prepared by the Bank's internal audit function during 2023 was in compliance with the requirements of the Central Bank of the Republic of Uzbekistan. The reports were approved by the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems.



Suhrab Azimov
General Director/Certified Auditor

- As at 31 December 2023 the Bank has the established Information security function as required by the Central Bank of the Republic of Uzbekistan, and the information security policy was approved by the Bank's Management Board. Information security function was subordinated to, and reported directly to, the Chairman of the Management Board.
- Reports by the Bank's Information security function to the Chairman of the Management Board during 2023 included assessment and analysis of information security risks, and results of actions to manage such risks.
- The Bank's internal documentation, effective on 31 December 2023, establishing the procedures and methodologies for identifying and managing the Bank's significant risks: external-internal fraud risk, process management risk, business disruptions and system failures/IT risk, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.
- As at 31 December 2023, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank capital to the Central Bank of the Republic of Uzbekistan.
- The frequency of reports prepared by the Bank's risk management and internal audit functions during 2023, which cover the Bank's significant risks management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the Bank's significant risks, risk management system and recommendations for improvement.
- As at 31 December 2023, the Supervisory Board and Executive Management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2023, the Supervisory Board and Executive Management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

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



Suhrab Azimov
General Director/Certified Auditor

Certificate of auditor No. 05338
dated 7 November 2015 issued by
the Ministry of Economy and
Finance of Uzbekistan

Certificate of auditor No. 28
dated 25 August 2023 issued by
the Central Bank of Uzbekistan



Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC

Tashkent, Uzbekistan

26 August 2024

Joint Stock Commercial Bank "Smart bank",
Statement of Financial Position
(in thousands of Uzbek soums)

	Notes	31 December 2023
ASSETS		
Cash and cash equivalents	7	30,444,927
Due from other banks	8	188,580,012
Other assets	9	291,686
TOTAL ASSETS		219,316,625
LIABILITIES		
Customer accounts	10	10,003,584
Deferred income tax liabilities	16	675,061
Current income tax liabilities	16	714,059
Other liabilities	11	261,504
TOTAL LIABILITIES		11,654,208
EQUITY		
Share capital	12	200,000,000
Retained earnings		7,662,417
TOTAL EQUITY		207,662,417
TOTAL LIABILITY AND EQUITY		219,316,625

On behalf of the Management Board:

Turaev A.Sh.

26 August 2024
Tashkent, Uzbekistan



Utamurotov O.T.
Chief Accountant

26 August 2024
Tashkent, Uzbekistan

Joint Stock Commercial Bank "Smart bank",
Statement of Profit or Loss and Other Comprehensive Income
(in thousands of Uzbek soums)

	Notes	2023
Fee and commission income	13	123,386
Fee and commission expense	13	(259,249)
Gains less losses from 'due from other banks' at fair value through profit or loss	14	16,043,717
Provision for expected credit losses on other financial assets and credit related commitments		(645)
Administrative and other operating expenses	15	(6,236,059)
Profit before tax		9,671,150
Income tax expense	16	(2,008,733)
NET PROFIT FOR THE YEAR		7,662,417
Other comprehensive income for the year		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,662,417

On behalf of the Management Board:

Turaev A.Sh.

26 August 2024
Tashkent, Uzbekistan



Utamurotov O.T.
Chief Accountant

26 August 2024
Tashkent, Uzbekistan

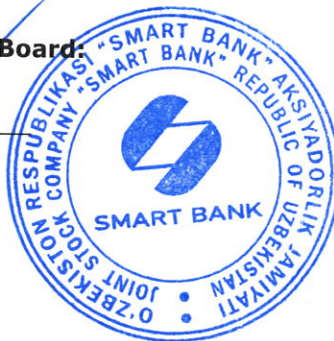
Joint Stock Commercial Bank "Smart bank"
Statement of Changes in Equity
(in thousands of Uzbek soums)

	Notes	Share capital	Retained earnings	Total equity
1 January 2023		-	-	-
Net profit for the year		-	7,662,417	7,662,417
Other comprehensive income		-	-	-
Total comprehensive income for 2023		-	7,662,417	7,662,417
Shares issued	12	200,000,000	-	200,000,000
31 December 2023		200,000,000	7,662,417	207,662,417

On behalf of the Management Board:

Turaev A.Sh.

26 August 2024
Tashkent, Uzbekistan



Utamurotov O.T.
Chief Accountant

26 August 2024
Tashkent, Uzbekistan

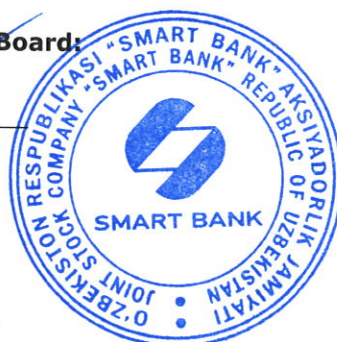
Joint Stock Commercial Bank "Smart bank"
Statement of Cash Flows
(in thousands of Uzbek soums)

	Notes	2023
Cash flows from operating activities		
Fee and commission received	13	123,386
Fee and commission paid	13	(182,032)
Other income received	14	11,637,542
Staff costs paid	15	(4,492,526)
Administrative and other operating expenses paid	15	(1,447,204)
Income tax paid	16	(619,613)
Cash flows from operating activities before changes in operating assets and liabilities		5,019,553
<i>Net (increase) / decrease in:</i>		
- due from other banks	8	(184,173,843)
- other assets	9	(301,588)
<i>Net increase / (decrease) in:</i>		
- customer accounts	10	10,003,584
- other liabilities	11	(102,138)
Net cash used in operating activities		(169,554,432)
Cash flows from financing activities		
Issue of share capital	12	200,000,000
Net cash from financing activities		200,000,000
Effect of expected credit loss	7	(641)
Net increase in cash and cash equivalents		30,444,927
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year		30,444,927

On behalf of the Management Board:

Turaev A.Sh.

26 August 2024
Tashkent, Uzbekistan



Utamurotov O.T.
Chief Accountant

26 August 2024
Tashkent, Uzbekistan

Joint Stock Commercial Bank "Smart bank"
Notes to Financial Statements for the year ended 31 December 2023
(in thousands of Uzbek soums)

1. Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards") for the year ended 31 December 2023 for JSC Smart Bank (the "Bank").

The Bank is a Joint Stock Company set up in accordance with Uzbekistan legislation.

The Bank was established in 2022 under the laws of the Republic of Uzbekistan and has operated under the banking license № 89 issued by the Central Bank of Uzbekistan ("CBU") on 24 December 2022 and it was updated subsequently on 6 February 2024.

As of 31 December 2023, the Bank's parent company was "Leader Finance" Limited Liability Company, and the Bank was ultimately controlled by the Government of Uzbekistan.

Principal activity. The Bank's principal activities are commercial banking, retail banking, operations with securities, foreign currencies. The Bank accepts deposits from legal entities and individuals, transfers payments within Uzbekistan and abroad.

The Bank participates in the state deposit insurance scheme introduced by the Uzbek Law №360-II "Insurance of Individual Bank Deposit" dated 5 April 2002. On 28 November 2008, the President of the Republic of Uzbekistan issued Decree No. UP-4057, according to which in case of the withdrawal of a license of a bank, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

Registered address and place of business. The Bank's registered address is: 2a, B.Zokirov Street, Tashkent, Uzbekistan.

Presentation currency. These financial statements are presented in Uzbek Soums ("UZS"), unless otherwise stated.

Abbreviations. A glossary of various abbreviations used in this document is included in Note 23.

2. Operating Environment

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

The future economic direction of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the regulatory, and political environment.

Because Uzbekistan produces and exports gold in large volume, its economy is sensitive to the price of gold on the world market.

During 2023, the gold price was subject to significant fluctuations with the average price of 1,940.54 USD per troy ounce (2022: 1,800.8 USD per troy ounce). For the year ended 31 December 2023, Uzbekistan's gross domestic product ("GDP") grew by 5.5%. In 2023, inflation amounted to 8.77%, which is the lowest official inflation rate since August 2016 (in 2022, inflation was 11.45% per annum).

In March 2023, the Central Bank of the Republic of Uzbekistan decreased the base rate to 14% per annum ensuring that relatively tight monetary conditions are maintained in the downward dynamics of the inflation forecast. In addition, interventions on the currency market were performed to support the Uzbekistan Soum exchange rate against foreign currencies. However, there is uncertainty related to the future developments of geopolitical risks and their impact on the economy of the Republic of Uzbekistan.

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

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

3. Material accounting policy information

Statement of compliance. These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards").

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

Basis of preparation. The material accounting policy information applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5).

The Bank is required to maintain its records and prepare its financial statements for regulatory purposes in Uzbekistan Soums in accordance with Uzbekistan Accounting Legislation and related instructions. These financial statements are based on the Bank's Uzbekistan Accounting Legislation books and records, adjusted and reclassified in order to comply with IFRS Accounting Standards.

These financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the material accounting policy information below.

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

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

Gains less losses from 'due from other banks' at fair value through profit or loss (income on profit sharing agreements with other banks)

This policy applies to all amounts due from other banks under profit share agreements within the organization.

Initial Recognition. Amounts due from other banks under profit share agreements shall be recognized when the Bank becomes a party to the contractual provisions of the financial instrument. These amounts shall be measured initially at fair value, because these financial assets fails the SPPI test.

Subsequent Measurement. After initial recognition, amounts due from other banks under profit share agreements shall be measured at fair value through profit or loss (FVTPL).

Fair value is determined using market data and appropriate valuation techniques as at the reporting date. Any changes in the fair value of amounts due from other banks under profit share agreements shall be recognized in profit or loss.

Income Statement Presentation. Gains and losses arising from changes in the fair value of amounts due from other banks under profit share agreements shall be presented in the income statement. The relevant line item in the income statement shall be "Gains less losses from due from other banks at fair value through profit or loss."

Disclosure. The organization shall disclose the valuation techniques and inputs used to determine the fair value of amounts due from other banks under profit share agreements.

Any significant assumptions made in the valuation process shall also be disclosed.

The organization shall provide a reconciliation of the carrying amount of these financial assets at the beginning and end of the period, showing the changes in fair value recognized in profit or loss.

Financial assets impairment – credit loss allowance for ECL. When determining the international credit rating to assess the probability of default for a bank that has been assigned an international credit rating, the Bank adheres to the following rules:

3. Material accounting policy information (Continued)

1) In the presence of:

- Two different international credit ratings of the debtor bank - the rating of the rating agency that is lower is considered;
- Three different international credit ratings of the debtor bank - the rating of the rating agency that is the lowest among the two highest is considered.

2) If a debtor bank, which has not been assigned international credit ratings, is a branch/subsidiary of the main bank of a banking group that has been assigned international credit ratings, then the rating of such a debtor bank is determined based on the values of:

- The ratings of the country where the debtor bank is located;
- The international credit ratings of the main bank of the banking group to which the debtor bank belongs.

The rating of the debtor bank is determined as follows:

- The rating of the country of the debtor bank is determined - from two different ratings of the country of the debtor bank, the rating of the rating agency that is lower is considered; from three different ratings of the country of the debtor bank, the rating of the rating agency that is the lowest among the two highest is considered;
- The lower value is selected from the two possible values: either the rating of the country of the debtor bank or the international credit rating assigned by the respective rating agency to the group (main bank) of the debtor bank, based on the principle that the determined rating of the debtor bank cannot exceed the value of the international rating of the country of its location and simultaneously the international credit rating assigned to the group (main bank of the group) to which the debtor bank belongs.

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

Financial assets – write-off. BNPL and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Financial liabilities – classification, subsequent assessment and profit and loss. Financial liabilities are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign currency gains and losses are recognized in profit or loss. Any gain or loss arising on derecognition is also recognized in profit or loss.

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, amounts due from the CBU (excluding obligatory reserves) and amounts due from credit institutions that mature within 90 days of the date of origination and are free from contractual encumbrances.

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

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

Share capital. Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are recorded as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized share premium.

3. Material accounting policy information (Continued)

Fees and commission. Fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognized as the related services are performed. If a BNPL commitment is not expected to result in the draw-down of a BNPL, then the related BNPL commitment fee is recognized on a straight-line basis over the commitment period.

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

Taxation. The current income tax charge is calculated in accordance with the regulations of the Republic of Uzbekistan and the cities in which the Bank has offices, branches and subsidiaries. Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, the Bank management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate.

The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement. In making this judgement, the Bank considers:

- Contingent events that would change the amount and timing of cash flows,
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to the cash flows from specified assets (e.g. non-recourse financing);
- Features that modify consideration of the time value of money element (e.g. periodical reset of interest rates);

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a financial asset allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, ie instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The financial assets that failed the SPPI test are measured at FVTPL.

Forward-looking information incorporated in the ECL models. The allowances for ECL of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank incorporates forward-looking information into a measurement of ECL when there is a statistically proven correlation between the macro-economic variables and the NPL. As at the reporting date, statistical tests have not established a significant correlation, and therefore ECL across all BNPL portfolios has been adjusted for forward-looking information using the management judgement. The Management updates its statistical tests for correlation as at each reporting date. For the carrying amount of the allowance for ECL of other assets, cash and cash equivalents, due from other banks and contingencies and commitments refer to the respective Notes.

The Bank has analyzed and documented key drivers of credit risk and credit losses and, using an analysis of historical data, has assessed relationships between macro-economic variables, credit risk and credit losses. While GDP, import and export growth rates were identified as key factor. However, the analysis did not show a significant dependency of the portfolio default rate on any of these macro variables. Hence, the management used expert judgment in the assessment of forward-looking information.

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

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

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

Key sources of estimation uncertainty. The below are listed key estimations that the management have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default.

The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

Loss Given Default. LGD is an estimate of the loss arising on default. LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch, Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated, sovereign.

5. Application of new and revised Standards

The following amendments became effective from 1 January 2023:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 with amendments issued on 25 June 2020 and 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The adoption of the standard did not have a material impact on these financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments resulted in changes in presentation of these financial statements, primarily by removing accounting policies that do not represent material accounting policy information.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The adoption of the amendments did not have a material impact on these financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

The amendment did not have a material impact on these financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). The amendment did not have a material impact on these financial statements.

The application of the amendments had no significant impact on the Bank's financial statements.

6. New Accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Bank has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The Bank is currently assessing the impact of the amendments on its financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). The Bank is currently assessing the impact of the amendments on its financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). The Bank is currently assessing the impact of the amendments on its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). The Bank is currently assessing the impact of the amendments on its financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027). The Bank is currently assessing the impact of the amendments on its financial statements.

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6. New Accounting pronouncements (Continued)

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank's financial statements.

7. Cash and cash equivalents

	31 December 2023
Cash balances with the CBU	30,442,303
Correspondent accounts and overnight placements with other banks	3,265
Less: ECL provision	(641)
Total cash and cash equivalents	30,444,927

The credit quality of cash and cash equivalents, excluding cash on hand and ECL provision balances is summarized as follows as at 31 December 2023:

	Cash balances with the CBU	Correspondent accounts and overnight placements with other banks	Total
<i>Neither past due nor impaired</i>			
- Ba3 (Moody's)	30,442,303	3,265	30,445,568
Less: ECL provision	(641)	(0)	(641)
Total cash and cash equivalents, excluding cash on hand, net	30,441,662	3,265	30,444,927

Due to absence of credit rating of CBU, the Bank used sovereign rating. As at 31 December 2023, for the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1.

8. Due from other banks

	31 December 2023
Due from other banks balances measured at FVPL	188,406,173
Mandatory reserve with CBU	173,843
Less: ECL provision	(4)
Total due from other banks	188,580,012

Mandatory deposits with the CBU include non-interest-bearing reserves against client deposits. The Bank does not have the right to use these deposits for the purpose of funding its own activities. Profit sharing agreements (overnight and 1-year deposits) are presented as 'Due from other banks' at fair value through profit or loss - DFB at FVPL. In DFB at FVPL include overnight and 1 year deposits amount, Payable profit amount as of 31-Dec-23 to Smart bank and calculated Fair value gain. The credit quality of amounts due from other banks as at 31 December 2023:

	Mandatory reserve with CBU	Total
<i>Neither past due nor impaired</i>		
- Ba3 (Moody's)	173,843	173,843
Less: ECL provision	(4)	(4)
Total due from other banks, gross	173,839	173,839

Amounts due from other banks are not collateralised. Refer to Note 20 for the estimated fair value of due from other banks. Information on related party balances is disclosed in Note 21.

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9. Other assets

	31 December 2023
Other financial assets	
Commission receivable	281,785
Total other financial assets	281,784
Other non-financial assets	
Prepayments for inventory and services	9,901
Total other non-financial assets	9,901
Total other assets	291,686

As at 31 December 2023, for the purpose of ECL measurement, other financial assets are all included in Stage 1.

10. Customer accounts

	31 December 2023
- Current/settlement accounts - Individuals	10,003,574
- Term deposits	10
Total customer accounts	10,003,584

Refer to Note 20 for the disclosure of the fair value of customer accounts. Information on related party transactions is disclosed in Note 21.

11. Other liabilities

	31 December 2023
Other financial liabilities	
Other financial liabilities	102,229
Total other financial liabilities	102,229
Other non-financial liabilities	
Taxes other than income tax payable	159,275
Total other non-financial liabilities	159,275
Total other liabilities	261,504

12. Share capital

	Number of outstanding shares (thousands)	Ordinary shares (UZS)	Share capital (UZS)	Total
As at 31 December 2022	-	-	-	-
Issue of new shares	-	200,000,000	200,000,000	200,000,000
As at 31 December 2023	-	200,000,000	200,000,000	200,000,000

As at 31 December 2023, the total authorized number of ordinary shares is 200,000,000 with a per value of UZS 1,000 per share. All issued ordinary shares were fully paid.

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13. Fee and commission income and expense

	2023
Fee and commission income	
BNPL – fees and commission income from special consideration	119,808
Settlement transactions	3,578
Total fee and commission income	123,386
Fee and commission expense	
Main fee and commission expense	(240,277)
Settlement transactions	(18,972)
Total fee and commission expense	(259,249)

14. Gains less losses from 'due from other banks' at fair value through profit or loss

	2023
Gains less losses from 'due from other banks' at fair value through profit or loss	14,530,338
Total other operating income	14,530,338

Source of operating income came from due from other banks. Source of operating income came from overnight placements with other banks amount of 135 billion and deposits 49 billion. Revenue from the profit-sharing agreement is recognized in accordance with IFRS 9 and IFRS 13 principles, ensuring that the income is recognized when it is probable that economic benefits will flow to JSC Smart bank and the amount can be reliably measured.

Revenue is recognized based on the actual profits reported by another Bank, adhering to the agreed-upon 70% share. The profit-sharing income is measured based on reports and statements provided by another Bank, detailing the profits generated from the international money transfer operations.

15. Administrative and other operating expenses

	2023
Staff costs	4,492,526
Security expenses	530,271
Business trip expenses	254,944
Membership fees	918,836
Rent expenses	33,268
Postage, Telephone and fax expenses	148
Other	6,066
Total administrative and other operating expenses	6,236,059

Staff costs include state pension contributions amounting UZS 4,492,526 thousand for the periods ended 31 December 2023.

16. Income taxes

(a) Components of income tax expense

Income tax expense comprises the following:

	2023
Current tax charge	1,333,672
Deferred tax expense	675,061
Income tax expense for the year	2,008,733

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16. Income taxes (Continued)

(b) Reconciliation between tax expense and profit or loss multiplied by applicable tax rate

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2023 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 Bank pays income tax on a basis as a single taxpayer at a rate of 20%.

Reconciliation between the expected and the actual taxation charge is provided below:

	2023
Profit before tax	9,671,150
Theoretical tax charge at the applicable statutory rate - 20%	1,934,230
- Nondeductible expenses	74,503
- Tax exempt income	-
Income tax expense for the year	2,008,733

Non-deductible expenses in the table include 20% of the statutory ECL charge for UZS 74,503 thousand.

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Uzbekistan give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements on these temporary differences is detailed below and is recorded at the rate of 20%.

	31 December 2023	(Debited)/ credited to profit or loss
Tax effect of deductible/(taxable) temporary differences		
Cash and cash equivalents	(367,872)	(367,872)
Due from other banks	(302,675)	(302,675)
Other assets	(4,514)	(4,514)
Net deferred tax asset/(liability)	(675,061)	(675,061)

17. Financial risk management

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

The Bank 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 Bank's internal credit rating system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

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

17. Financial risk management (Continued)

Bank's internal ratings scale:

Standard	1	Timely repayment of "standard" financial assets is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all-existing obligations, including present debt. When assessing the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) is taken into consideration.
Sub-standard	2	As a whole, the financial position of a borrower is stable, but some unfavorable circumstances or tendencies are present, which, if not disposed of, raise some doubts about the borrower's ability to repay on time. "Standard" financial assets with insufficient information in the credit file or missing information on collateral could be also classified as "Substandard" financial assets.
Unsatisfactory	3	The primary source of repayment is not sufficient, and the Bank has to seek additional financial assets repayment sources. The financial position of a borrower or forecasted cash flows is not sufficient to settle obligations. The value of collateral is not exceeding or equal to outstanding financial assets amount.
Doubtful	4	"Doubtful" are financial assets which, in addition to having the characteristics of "Unsatisfactory" financial assets, have additional shortcomings, which make it doubtful that the financial assets will be repaid in full under the existing circumstances. There is a probability of partial repayment of the financial assets in the near terms.
Hopeless	5	Financial assets classified as "hopeless" are considered uncollectible and have lower value that continuing to list them as assets is unwarranted. This classification does not mean that the financial assets have absolutely no likelihood of recovery, but rather means that the Bank should cease recognizing such financial assets and make every effort to liquidate such debts through selling of collateral or collection of the outstanding financial assets.

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

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

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

	Uzbekistan	Total
Financial assets		
Cash and cash equivalents	30,444,927	30,444,927
Due from other banks	188,580,012	188,580,012
Other financial assets	281,784	281,784
Total financial assets	219,306,723	219,306,723
Financial liabilities		
Customer accounts	10,003,584	10,003,584
Other financial liabilities	102,229	102,229
Total financial liabilities	10,105,813	10,105,813
Net balance sheet position as at 31 December 2023	209,200,910	209,200,910

17. Financial risk management (Continued)

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, guarantees and from margin and other calls on cash settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Treasury Department.

The Bank seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and debt securities. The Bank invests the funds in inter-bank placements of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratios are calculated using figures based on National Accounting Standards

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

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities.

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

The Bank monitors liquidity based on expected maturities of financial assets and liabilities as follows at 31 December 2023:

	Demand less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Financial assets					
Cash and cash equivalents	30,444,927	-	-	-	30,444,927
Due from other banks	137,109,455	25,034,970	26,435,587	-	188,580,012
Other financial assets	281,784	-	-	-	281,784
Total financial assets	167,836,166	25,034,970	26,435,587	-	219,306,723
Financial liabilities					
Customer accounts	10,003,584	-	-	-	10,003,584
Other financial liabilities	102,229	-	-	-	102,229
Total financial liabilities	10,105,813	-	-	-	10,105,813
Net liquidity surplus based on expected maturities	157,730,353	25,034,970	26,435,587	-	209,200,910
Cumulative liquidity surplus at 31 Dec 2023	157,730,353	182,765,323	209,200,910	209,200,910	

18. 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 Bank's Chairman and Chief Accountant.

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18. Management of capital (Continued)

Total capital is based on the Bank's reports prepared under Uzbekistan Accounting Legislation and related instructions and comprises:

	31 December 2023 (unaudited)
Tier 1 capital	200 000 000
Share capital	200 000 000
Tier 2 capital	4 535 571
Net profit of the current year	2 685 578
Provision for standart assets	1 849 993
Total regulatory capital	204 535 571
Tier 1 capital ratio	108,54%
Regulatory capital ratio	111%

Regulatory capital consists of Tier 1 capital, which comprises share capital. The other component of regulatory capital is Tier 2 capital, which includes current year profit. The Bank have complied with all externally imposed capital requirements throughout 2023.

19. Contingencies and commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and both internal and external professional advice Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation. Uzbekistan tax, currency and customs legislation is subject to varying interpretations can occur frequently. Management's interpretation of legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities. Recent events within Uzbekistan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2023 no provision for potential tax liabilities had been recorded. The Bank estimates that it has no potential obligations from exposure to other than remote tax risks.

20. 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 analyzed 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 categorizing 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.

The Bank 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 volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on the statement of financial position, as well as, the related profit or loss reported on the statement of profit or loss, could be material.

20. Fair value of financial instruments (Continued)

(a) Fair value of the Bank's financial assets that are measured at fair value on a recurring basis.

Fair value of debt securities measured at fair value through profit or loss was determined using cash flow discount model due to absence of an active market for similar instruments. The management of the Bank classified these operations as Level 3 fair value hierarchy.

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

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

The fair value of financial assets and financial liabilities at 31 December 2023 is as follows:

Financial Assets/ Liabilities	Carrying value	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Due from other banks	188,580,012	188,580,012	Level 3	Discounted cash flow model	Discount factor	The greater discount- the smaller fair value
Customer accounts	10,003,584	10,003,584	Level 3	Discounted cash flow model	Discount factor	The greater discount- the smaller fair value

As at 31 December 2023, the Bank determined fair value for some of its financial assets and liabilities using the discounted cash flow model by applying CBU statistical bulletin which became open to public starting 2019.

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.

21. Related party transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Bank applies a disclosure exemption regarding Government-related entities, where the same Government has control or joint control of, or significant influence over, both the Bank and the other entities, disclosed as "entities under common control".

"Significant shareholders" – legal entities-shareholders which have a significant influence to the Bank through Government;

"Key management personnel" – members of the Management Board and the Council of the Bank (2023: 4 members);

"Government related entities" – entities that are controlled, jointly controlled or significantly influenced by the Government.

Key management compensation is presented below:

	2023
Salaries and other short-term benefits	1 361 390
Social security contribution	163 367
Pension contribution	1 361
Total	1 526 118

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21. Related party transactions (Continued)

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

	Government related entities	Key management personel	Total
Cash and cash equivalents	30,442,303	-	30,442,303
-credit loss allowance	(641)		(641)
Due from other banks	188,580,016	-	188,580,016
balances measured at FVPL			
-allowance for probabale loss	(4)		(4)
Customer accounts	-	224 409	224 409

22. Subsequent events

Subsequent to the reporting date, from January to August 2024, the Bank issued ordinary shares in the total amount of UZS 150,000,0000 with a per value of UZS 1,000 per share.

23. Abbreviations

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

Abbreviation	Full name
AC	Amortised Cost
BNPL	Buy now pay later products – financial assets
CBU	The Central Bank of the Republic of Uzbekistan
EAD	Exposure at Default
ECL	Expected Credit Loss
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
IFRS	International Financial Reporting Standard
LGD	Loss Given Default
PD	Probability of Default
POCI financial assets	Purchased or Originated Credit-Impaired financial assets
SICR	Significant Increase in Credit Risk
SME	Small and Medium-sized Enterprises