

JOINT STOCK COMPANY “AVO BANK”

Financial Statements and Independent
Auditor's Report For the Year Ended 31
December 2024

JOINT STOCK COMPANY "AVO BANK"

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JOINT STOCK COMPANY "AVO BANK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Management is responsible for the preparation of financial statements that present fairly, in all material respects, the financial position of Joint-Stock Company "AVO bank" ("the Bank") as at 31 December 2024, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements of the Bank for the year ended 31 December 2024 were approved by the Management Board on 2 June 2025.

On behalf of the Management Board:

A.A. Popov
Chairman of the Management Board



D.S. Musienko
Deputy Chairman of the Management Board

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and the Supervisory Board of Joint Stock Company "AVO Bank"

Opinion

We have audited the financial statements of Joint Stock Company "AVO Bank" (the "Bank"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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 are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 3 to the financial statements which describes the restatements and reclassifications of corresponding figures for the year ended 31 December 2023. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Bank for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 4 April 2024.

As part of our audit of the financial statements for the year ended 31 December 2024, we also audited the adjustments described in Note 3 that were applied to amend the corresponding figures for the year ended 31 December 2023. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2023, other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended 31 December 2023, taken as a whole.

Erkin Ayupov, Qualified Auditor/Engagement Partner

Наименование «Делойт» относится к одному либо любому количеству юридических лиц (включая их аффилированные лица), входящих в «Делойт Туш Томацу Лимитед» (далее — «ДТТЛ») и совместно именуемых как «организация Делойт». Компания «ДТТЛ», также именуемая как международная сеть «Делойт», все фирмы — участники «ДТТЛ» и каждое из их аффилированных лиц являются самостоятельными и независимыми юридическими лицами, которые не вправе принимать от имени друг друга обязательства в отношении третьих лиц. Компания «ДТТЛ», а также каждая фирма — участник «ДТТЛ» и каждое аффилированное лицо несут ответственность только в отношении собственных действий и упущений, а не в отношении действий и упущений друг друга. Компания «ДТТЛ» не предоставляет услуги клиентам напрямую. Более подробную информацию можно получить на сайте www.deloitte.com/about.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, 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.

Those charged with governance are 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 skepticism 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.

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

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

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

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

- the Bank's compliance with prudential ratios as at 31 December 2024 set by the Central Bank;
- whether the elements of the Bank's internal control and organization of risk management systems comply with Central Bank requirements.

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

Our findings from the procedures performed are as follows.

Based on our procedures with respect to the Bank's compliance with prudential ratios set by the Central Bank, we found that the Bank's prudential ratios, as at 31 December 2024, were within the limits set by the Central Bank.

We have not performed any procedures on the underlying accounting data of the Bank, other than those which we considered necessary to enable us to express an opinion as to whether the Bank's financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the IASB.

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

- in accordance with Central Bank requirements and recommendations, as at 31 December 2024, the Bank's internal audit function was subordinated and accountable to the Supervisory Board, and the risk management function of the Bank was not subordinated and accountable to subdivisions assuming corresponding risks;
- the frequency of reports prepared by the Bank's internal audit function during 2024 complied with Central Bank requirements. The reports were approved by the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2024 the Bank has an information security function in place as required by the Central Bank, and an information security policy was approved by the Bank's Management Board. The information security function was subordinated to and reported directly to the Chairman of the Management Board;
- Reports by the Bank's information security function to the Chairman of the Management Board during 2024 included an assessment and analysis of information security risks, and the results of actions to manage such risks;
- the Bank's internal documentation, effective as at 31 December 2024, that sets out methodologies to identify and manage the Bank's significant risks, and carry out stress-testing, was approved by the Bank's authorised management bodies in accordance with Central Bank requirements and recommendations;
- as at 31 December 2024, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank's capital;

- the frequency during 2024 of reports prepared by the Bank's risk management functions, and which cover the Bank's management of significant risks, was in compliance with the Bank's internal documentation. Those reports included observations made by the Bank's risk management functions as to their assessment of the Bank's significant risks;
- as at 31 December 2024, the Supervisory Board and the Management Board of the Bank had responsibility to monitor the Bank's compliance with risk and capital adequacy limits set by Bank internal documentation. To exercise control over the effectiveness of the Bank risk management procedures and their consistent application during 2024, the Supervisory Board and Management of the Bank regularly discussed the reports prepared by the risk management and internal audit functions of the Bank, and considered proposed measures to eliminate weaknesses.

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

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



2 June 2025
Tashkent, Uzbekistan

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

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

Director,
Audit Organisation "Deloitte & Touche" LLC

JOINT STOCK COMPANY "AVO BANK"
Statement of Financial Position as at 31 December 2024


	Notes	31 December 2024	31 December 2023 (restated)*
<i>In thousands of Uzbekistan Soums</i>			
ASSETS			
Cash and cash equivalents	5	186,614,916	122,947,685
Mandatory reserves in CBU		-	281,581
Loans and advances to customers	7	201,619,742	345,622
Investment securities at amortized cost	8	3,941,880	-
Premises, equipment and intangible assets	9	55,164,349	26,228,529
Deposits with banks and payment systems	6	21,751,743	2,727,525
Deferred tax asset	18	-	1,965,266
Other assets	11	24,051,750	8,372,505
Non-current assets held for sale	10	6,394,660	7,486,610
TOTAL ASSETS		499,539,040	170,355,323
LIABILITIES			
Customer accounts	12	8,546,783	702,280
Other liabilities	13	26,502,809	29,525,033
TOTAL LIABILITIES		35,049,592	30,227,313
EQUITY			
Share capital	14	692,891,531	205,151,531
Share premium		2,383,608	2,383,608
Retained earnings		(230,785,691)	(67,407,129)
TOTAL EQUITY		464,489,448	140,128,010
TOTAL LIABILITIES AND EQUITY		499,539,040	170,355,323

*Comparative information has been restated as described further in Note 3.

Approved for issue and signed on behalf of the Management Board on 2 June 2025.

A.A. Popov
Chairman of the Management Board




D.S. Musienko
Deputy Chairman of the Management Board

JOINT STOCK COMPANY "AVO BANK"**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2024**

<i>In thousands of Uzbekistan Soums</i>	Notes	2024	2023 (restated)*
Interest income	15	106,206,701	3,792,901
Interest expense	15	(3,021,284)	(3,350,223)
Net interest income		103,185,417	442,678
(Charge) / Recovery of a provision for expected credit losses on loans and advances to customers	7	(119,771,125)	25,391,838
Net interest income after (provision for) / recovery of expected credit losses on loans and advances to customers		(16,585,708)	25,834,516
Fee and commission income	16	47,542,099	69,668
Fee and commission expense	16	(30,737,788)	(236,380)
Net (loss) / gain from foreign currency operations and revaluation of foreign currency		(109,630)	307,059
Provision for expected credit losses on other financial assets and credit related commitments	19	(11,050,840)	(415,576)
Provision for impairment on assets held for sale	10	-	(12,109,867)
Other operating income		126,802	660
Administrative and other operating expenses	17	(150,598,231)	(42,039,631)
Loss before tax		(161,413,296)	(28,589,551)
Income tax expense	18	(1,965,266)	(669,557)
NET LOSS FOR THE YEAR		(163,378,562)	(29,259,108)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(163,378,562)	(29,259,108)

*Comparative information has been restated as described further in Note 3.

Approved for issue and signed on behalf of the Management Board on 2 June 2025.

A.A. Popov
Chairman of the Management Board



D.S. Musienko
Deputy Chairman of the Management Board

The notes set out on pages 10 to 48 form an integral part of these financial statements.

JOINT STOCK COMPANY "AVO BANK"
Statement of Changes in Equity for the year ended 31 December 2024

<i>In thousands of Uzbekistan Soums</i>	Share capital	Share premium	Retained earnings*	Total equity
1 January 2023	70,937,581	2,383,608	(38,148,021)	35,173,168
Net loss for the year	-	-	(29,259,108)	(29,259,108)
Total comprehensive loss for the year	-	-	(29,259,108)	(29,259,108)
Ordinary shares issued	134,213,950	-	-	134,213,950
31 December 2023	205,151,531	2,383,608	(67,407,129)	140,128,010
Net loss for the year	-	-	(163,378,562)	(163,378,562)
Total comprehensive loss for the year	-	-	(163,378,562)	(163,378,562)
Ordinary shares issued	487,740,000	-	-	487,740,000
31 December 2024	692,891,531	2,383,608	(230,785,691)	464,489,448

*Comparative information has been restated as described further in Note 3.

Approved for issue and signed on behalf of the Management Board on 2 June 2025.



A.A. Popov
Chairman of the Management Board

D.S. Musienko
Deputy Chairman of the Management Board

JOINT STOCK COMPANY "AVO BANK"
Statement of Cash Flows for the year ended 31 December 2024

	2024	2023* (restated)
<i>In thousands of Uzbekistan Soums</i>		
Cash flows from operating activities		
Interest received	74,210,983	3,246,564
Interest paid	(2,369,333)	(3,456,280)
Fee and commission received	45,971,534	69,668
Fee and commission paid	(30,737,788)	(236,380)
Net income from operations in foreign currency	(109,630)	307,058
Other operating income	126,802	660
Staff costs	(35,649,892)	(12,617,956)
Other operating expenses	(122,669,195)	(29,610,499)
Income tax paid	-	-
Cash flows from operating activities before changes in operating assets and liabilities	(71,226,519)	(42,297,165)
<i>Net (increase) / decrease in operating assets</i>		
Mandatory reserves in CBU	281,581	(281,581)
Deposits with banks and payment systems	(20,089,568)	(2,411,986)
Loans and advances to customers	(296,784,861)	12,880,075
Non-current assets held for sale	1,091,950	-
Other assets	(1,521,899)	(8,074,110)
<i>Net increase / (decrease) in operating liabilities</i>		
Customer accounts	14,697,224	6,828,308
Other liabilities	(1,010,656)	12,631,297
Net cash used in operating activities	(374,562,748)	(20,725,162)
Cash flows from investing activities		
Investment securities purchased	(327,069,221)	-
Repayment of investment securities at maturity	323,718,082	17,912,123
Acquisition of fixed assets and intangible assets	(45,031,041)	(16,577,838)
Proceeds from disposal of fixed assets and intangible assets	18,679	3,378
Net cash (used in) / from investing activities	(48,363,501)	1,337,663
Cash flows from financing activities		
Issue of ordinary shares	487,740,000	134,213,950
Repayment of lease liabilities	(512,875)	-
Net cash from financing activities	487,227,125	134,213,950
The effect of changes in exchange rates on cash and cash equivalents	(343,453)	149,784
The effect of expected credit losses on cash and cash equivalents	(290,192)	446,312
Net change in cash and cash equivalents	63,667,231	115,422,547
Cash and cash equivalents at the beginning of the year	122,947,685	7,525,138
Cash and cash equivalents at the end of the year	186,614,916	122,947,685

Non-cash transactions

Written off loans	28,662,297	-
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*Comparative information has been restated as described further in Note 3.

Approved for issue and signed on behalf of the Management Board on 2 June 2025.

A.A. Popov
Chairman of the Management Board



D.S. Musienko
Deputy Chairman of the Management Board

The notes set out on pages 10 to 48 form an integral part of these financial statements.

JOINT STOCK COMPANY “AVO BANK”

Notes to the Financial Statements for the year ended 31 December 2024

1. Principal activities

Joint-stock company "AVO bank" (formerly Joint-Stock Commercial Bank "Uzagroexportbank") (hereinafter referred to as "the Bank") was initially established on the basis of the Resolution of the President of the Republic of Uzbekistan "On the formation of the joint-stock commercial bank "Uzagroexportbank" No. PP-2740 dated 24 January 2017. After the acquisition of the Bank by its current shareholder in 2023, the Bank changed the focus from financing of companies exporting the fruits and vegetables to retail banking with an emphasis on credit card products.

Registered address and place of business. The Bank's registered address is: Afrosiab Street 14/2, Tashkent, 100013, Uzbekistan. The Bank carries out banking activities through its head office and has no branches as at 31 December 2024.

The Bank is registered in the Republic of Uzbekistan to carry out banking activities under the banking license No. 83 dated 8 June 2024.

The total number of employees as at 31 December 2024 was 240 people (31 December 2023: 113 people).

Shareholder. As at 31 December 2024 and 2023, 100% of the Bank's shares belong to FC LLC "AVO.UZ" (Uzbekistan), the sole founder of which is Ruslan Adilbaev.

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, while tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Uzbekistan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Uzbekistan produces and exports gold in large volume, its economy is sensitive to the global gold price, which fluctuated significantly in 2024, averaging 2,388.00 US Dollar per troy ounce (2023: 1,943.00 US Dollar per troy ounce).

The military and political conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises. Since a significant portion of remittances to Uzbekistan comes from Russia, fluctuations in their flow depend on the nature of the sanctions imposed, their impact on the Russian economy, and the devaluation of the Russian ruble. Because these factors change from year to year, the exact impact on Uzbekistan's financial environment remains uncertain and difficult to predict.

Uzbekistan is currently taking significant steps to join the World Trade Organization, which may significantly change market rules for local players and open up new opportunities to participants from outside of Uzbekistan. The process may require significant changes in national legislation.

At the end of 2024, Uzbekistan's gross domestic product ("GDP") grew by 6.5% (2023: 6.0%). Inflation in the country increased to 9.8% per annum in 2024 (2023: 8.8%). In July 2024, the Central Bank of the Republic of Uzbekistan reduced base rate to 13.5% per annum compared to 14% per annum at the beginning of the year. However, uncertainty still exists related to the future development of geopolitical risks and their impact on the economy 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.

2. Basis of preparation

Statement of compliance. These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board. The Bank maintains its accounting records in accordance with the respective laws of the Republic of Uzbekistan. These financial statements have been prepared from statutory accounting records and have been adjusted to conform to IFRS Accounting Standards. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassification of certain assets and liabilities, income and expenses to appropriate financial statement caption.

JOINT STOCK COMPANY “AVO BANK”

Notes to the Financial Statements for the year ended 31 December 2024

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Presentation and functional currency. These financial statements are presented in thousands of Uzbekistan Soums (“UZS thousands”). Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (“the functional currency”). The functional currency of the Bank is UZS.

Going concern

The accompanying financial statements of the Bank have been prepared on a going concern basis, which assumes the Bank will continue its operations for the foreseeable future, at least the next 12 months. In assessing this basis, the Management Board has considered the following factors:

Current financial position and performance

The Bank’s financial results for the year ended 31 December 2024, including a net loss in the amount of UZS 163,378,562 thousand and negative operating cash flows in the amount of UZS 374,562,748 thousand, reflect execution of its strategic business plan developed following its repositioning into retail banking under the new ownership. These results reflect deliberate investments in:

- expansion of the loan portfolio, particularly credit card offerings, to capture market share in the consumer lending sector;
- customer acquisition initiatives including targeted marketing and products incentives to expand the retail customer base;
- technological infrastructure including digital banking solutions, cybersecurity, and credit assessment tools to enhance operational efficiency, customer experience, and scalability.

The Management Board finds these expenditures as integral to establishing the foundation for long-term profitability, with returns expected to materialize as the loan portfolio matures and customer engagement deepens.

Profitability outlook

The Management Board anticipates the Bank to become profitable starting from 2025, supported by revenue generation from twofold expansion of its customer base, and from gradual maturity of current investments and operational scaling initiatives outlined in the business plan. Notably, as of the date of these financial statements, the Bank’s year-to-date financial performance is ahead of budgeted expectations, demonstrating effective execution of its strategy. The Bank also plans to enhance its product offerings with the launch of a new deposit product in the second quarter of 2025. These initiatives reflect the Bank’s commitment to sustaining its operational growth and financial performance.

Funding strategy and liquidity position

As part of its funding strategy, the Bank’s capital structure remains predominantly equity-financed with approximately 93% of total assets funded by shareholder’s equity and 7% financed by liabilities. This reflects the Bank’s deliberate approach to prioritize stability and reduce reliance on traditional deposit-taking during initial investment phase. Also, as at 31 December 2024, the Bank’s cash and cash equivalents amounted to UZS 186,614,916 thousand against its total liabilities of UZS 35,049,592 thousand. To further strengthen liquidity, the Management Board has taken proactive steps to secure UZS 500 billion through a private placement of bonds arranged via an investment fund affiliated with the shareholder. This transaction is planned to be structured to align with market terms and regulatory requirements. In addition, the shareholder has provided a written support letter explicitly committing to take all necessary measures to ensure the Bank’s continuity should financial difficulties arise. This includes potential capital injections or other forms of financial support.

Regulatory compliance and prudential strength

As disclosed in Note 20, the Bank currently meets prudential capital adequacy and liquidity requirements prescribed by the CBU, with significant headroom above minimum regulatory requirements (e.g., capital adequacy, Tier 1 capital). This robust compliance underscores the Bank’s financial resilience and ability to absorb near-term operational losses.

After evaluating the business plan, related-party funding arrangements, shareholder commitments, and regulatory compliance, the Management Board of the Bank confirm that the going concern basis remains appropriate. The financial statements do not include adjustments that would apply if the Bank were unable to continue operations.

3. Material accounting policy information

Net interest income

Net interest income comprises interest income and interest expense, calculated using the effective interest method, for all financial instruments except for those classified as held for trading and those measured or designated as at fair value through profit or loss (FVTPL).

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter year, to the net carrying amount of the financial instrument. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the financial instrument, transaction costs, and all other premiums or discounts. For financial assets at FVTPL, transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets purchased or originated credit-impaired (POCI), the EIR determined at initial recognition reflects the ECLs at the date in determining the future cash flows expected to be received from the financial asset.

Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR (see above). These fees, which are generally recognised as the services are provided, include fees charged for account management, fees for money transfers, plastic card issuance and maintenance, cash withdrawal and foreign currency transactions and credit cards fees.

Fee and commission expenses with regards to services are accounted for as the services are received.

Financial instruments

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities measured at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank accounts for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, or if the valuation technique includes unobservable inputs and those unobservable inputs are insignificant relative to their contribution to the difference between the fair valuation and the transaction price, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss)
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a systematic and rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the financial asset within the time frame established by regulation or convention in the market place. For all financial assets the amount presented in the statement of financial position includes all amounts receivable, including accrued interest.

All recognised financial assets are subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Business models

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset.

The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business models do not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank's business models reflect how the Bank manages its financial assets in order to generate cash flows and determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassesses its business models each reporting year to determine whether the business models have changed since the prior reporting year. For the current and prior reporting year the Bank has not identified any changes in its business models.

The Bank's business comprises of primarily loans and advances to customers that are held for collecting contractual cash flows.

Some investment securities are held by the Bank's central treasury function to meet the Bank's everyday liquidity needs. The Bank seeks to minimise the costs of managing its everyday liquidity needs and therefore actively manages the return on the portfolio. The Bank considers that these financial assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows.

SPPI test

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular year of time and for other basic lending risks and costs and a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

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

Investment securities at cost or at FVTOCI

Investment securities that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

When investment securities measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The business model reflects how groups of financial assets are managed together to achieve a business objective and does not depend on management's intention for individual financial assets. A change in business model will occur only when the Bank begins or ceases to perform an activity that is significant to its

operations. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting year following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting year there was no significant change in the Bank's operation. As result there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss as net gain on foreign exchange operations.

Impairment

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- cash and cash equivalents;
- loans and advances to customers;
- investment securities at amortised cost;
- deposits with Banks and payment systems;
- other financial assets.

With the exception of purchased or originated credit-impaired (POCI) financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

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

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

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive discounted at the asset's EIR.

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

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

General Definition of Credit-Impaired Financial Assets. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties;
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Specific Impairment Criteria by Asset Type

Loans and Advances to Customers

For loans, credit impairment is indicated when:

- Payments are overdue by more than 90 days;

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- A concession is granted due to deterioration in the borrower's financial condition (unless there is evidence that the risk of not receiving contractual cash flows has significantly reduced and no other impairment indicators exist);
- The loan is categorized as "unsatisfactory," "doubtful," or "hopeless" according to regulatory classification;
- There is evidence of significant financial difficulties of the borrower;
- Legal proceedings have been initiated against the borrower.

Debt Securities

For debt securities, the Bank assesses credit impairment at each reporting date by evaluating:

- Bond yields;
- Credit ratings;
- The issuer's ability to raise funding;
- Market liquidity and activity for the security;
- Issuers with ratings of "CC" or below.

Interbank Deposits and Correspondent Accounts

For interbank placements and correspondent accounts, credit impairment is identified through:

- External credit ratings dropping to "CC" or below;
- Inability to access funds for more than 5 days;
- Cross-default events with other obligations of the financial institution;
- Regulatory actions against the counterparty bank;
- Significant deterioration in the financial institution's capital position.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

Definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank;
- the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting and internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank measures the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience that is available without undue cost or effort, based on the Bank's historical experience.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

When an asset becomes 30 days past due, as a back-stop, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Expected Credit Loss (ECL) Model and Forward-Looking Information

The Bank's ECL model suggests incorporation of forward-looking macroeconomic information to estimate credit losses over the lifetime of financial instruments. However, considering that the credit card product as a whole is new to the market in Uzbekistan and is newly launched by the Bank, a limited historical default data is available to establish a statistically robust correlation between portfolio-level defaults and macroeconomic factors.

In the absence of sufficient internal historical data, the Bank has not applied forward-looking assumptions in the calculation of ECL. The Bank, however, will continue to refine its approach as the credit card portfolio matures

and sufficient historical data becomes available. Regular model validation and updates to macroeconomic scenarios will ensure ongoing alignment with observed credit behavior and evolving economic conditions.

Modification and derecognition of financial assets

The Bank's credit card contracts include clauses that impose late payment penalties in the event of payment delinquencies. These penalties are contractually embedded in the original terms and represent compensation for increased credit risk and time value of money resulting from late payments.

Where a customer becomes delinquent and is charged a late payment penalty, such amounts are recognized as an adjustment to the effective interest rate and are therefore treated as part of interest income in accordance with IFRS 9. The resulting modification of expected cash flows is assessed under the guidance for modification of financial assets.

The Bank evaluates whether the imposition of late payment penalties represents a substantial modification of the contractual terms. If the modification is not substantial, the gross carrying amount of the financial asset is adjusted to reflect the revised cash flows, discounted at the original effective interest rate, and no derecognition occurs. The adjustment is recognized in profit or loss.

If the modification were considered substantial, which is not typically the case for isolated late payment penalties, the original asset would be derecognized, and a new asset recognized.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'Recovery of impairment on other non-financial assets' in the statement of profit or loss and other comprehensive income.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of functional currency cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. For all financial liabilities the amount presented on the statement of financial position represent all amounts payable including interest accruals.

Other financial liabilities

Other financial liabilities, including customer accounts and other financial liabilities, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The EIR is the rate that exactly discounts estimated future cash flows

through the expected life of the financial liability, or, where appropriate, a shorter year, to the net carrying amount on initial recognition.

Modification and derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis. If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the Bank recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original EIR. The Bank recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Bank supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination or for transactions that give rise to equal taxable and deductible temporary differences) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

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Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost of assets less their residual value over their useful lives, using the straight-line method, on the following bases:

Right of use assets	5 years
Office and computer equipment	From 2.5 to 10 years
Transport	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter year of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an

asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives (currently 5 years). The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset (or disposal group) is available for immediate sale in its present condition.

Cash and cash equivalents

In the statement of financial position, cash and cash equivalents are comprised of cash (i.e. cash on hand and on-demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Deposits with central banks or other financial institution counterparties that are subject to third party contractual restrictions are included as part of cash unless the restrictions result in a deposit no longer meeting the definition of cash.

Mandatory reserves with the Central Bank

Obligatory reserves with the Central Bank of the Republic of Uzbekistan which are not available to finance the Bank's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes

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of the statement of cash flows. Effective from 1 July 2024, the Central Bank of the Republic of Uzbekistan revised the regulatory framework governing the maintenance of obligatory reserves. Under the revised approach, commercial banks of the Republic of Uzbekistan are required to maintain 100% averaging of obligatory reserve within their correspondent accounts with the Central Bank, thus, from 1 July 2024, these amounts are considered as part of cash and cash equivalents for the purposes of the statement of cash flows

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share capital

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

Offsetting

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

Staff costs and related contributions

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss unless they are directly attributable to qualifying assets, in which case they are capitalized. Contingent rentals are recognised as expenses in the periods in which they are incurred.

IFRS 16 changes how the Bank accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Bank:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g., rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Bank has opted to recognise a lease

expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Administrative and other operating expenses' in profit or loss.

Contingencies

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

Deposits with banks and payment systems

Deposits with banks and payment systems represent funds placed by the Bank with payment system operators (Visa, Mastercard via Asakabank) as collateral to ensure the Bank's participation in the payment systems and to secure the settlement of card transactions. These deposits are classified as financial assets measured at amortized cost.

The Bank places these guarantee deposits in accordance with the requirements of the respective payment system operators. The amounts of deposits are determined based on the Bank's transaction volumes, risk profile, and the specific requirements of each payment system. The deposits are generally subject to certain restrictions on withdrawal and are maintained for the duration of the Bank's participation in the respective payment systems.

The Bank assesses these deposits for expected credit losses in accordance with IFRS 9. Given the nature of the counterparties (established payment system operators), these deposits are considered to have low credit risk, and the Bank calculates loss allowances based on 12-month expected credit losses unless there has been a significant increase in credit risk since initial recognition.

Significant accounting judgments and estimates

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 recognised 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.

Significant increase of credit risk. As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable information. Refer to Note 20 for more details.

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. See Notes 3, 7 and 20 for more details on ECL and Note 23 for more details on fair value measurement.

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. See Notes 3, 7 and 20 for more details.

Loss given default. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See Notes 3 and 20 for more details.

Recoverability of deferred tax assets. The recognition and measurement of deferred tax assets require significant management judgment, particularly in assessing whether it is probable that future taxable profit will be available against which these assets can be utilized. The Bank evaluates recoverability based on forecasts of future taxable income and the timing of reversal of temporary differences.

In determining the recoverability of deferred tax assets, the Bank considers recent financial performance and projected future profitability, which is inherently uncertain and depend on macroeconomic conditions, business performance and regulatory changes.

Where uncertainties exist, the Bank applies prudence, recognizing deferred tax assets only to the extent that their utilization is supported by convincing evidence. These estimates are reviewed annually, with adjustments reflected in the financial statements as new information arises.

Restatements and reclassifications of prior year figures

After issuance of the financial statements for the year ended 31 December 2023, the Management of the Bank has identified two errors:

1. A transaction involving UZS denominated loans issued to and a USD denominated term deposit received as a collateral from a related party of the Bank was presented on a gross basis. However, upon review, it was determined that the transaction met the offsetting criteria under IAS 32 – Financial Instruments: Presentation. The loan and the deposit were entered into in contemplation of each other and are legally enforceable on a net basis. The Bank would not have entered into either transaction without the other as transactions are contractually linked, planned for settlement simultaneously and reflect a single economic event. The correction results in a net presentation that better reflects the economic substance of the transaction, consistent with the principles of IAS 32 and the overarching IFRS requirement to present transactions faithfully.
2. During the current year, the Management conducted a review of repossessed collaterals classified as held for sale and identified that their actual fair value less costs to sell was significantly lower. Further analysis concluded that there were no events in 2024 that would have caused this impairment. Instead, it was determined that the assets had been overvalued at the time of repossession and initial classification as held for sale and sufficient impairment was not recognized in the prior year. As a result, the comparative financial information has been restated to reflect the impairment.
3. The Management has also reassessed the presentation of impairment-related expenses in the statement of profit or loss and other comprehensive income. Previously, a single line item titled “Impairment on other assets” was used to present both expected credit losses on other financial assets and impairment losses on non-financial assets.

To enhance transparency and better align with the nature of the underlying items, the Management has decided to present these two components separately. Accordingly, the prior year figures have been reclassified to conform with the current year’s presentation.

4. During the current year, the Management reviewed the classification of income generated from the recovery of loans and advances to customers. It was identified that such income had previously been classified as interest income, whereas it should have been presented as recovery of expected credit losses (ECL) on loans and advances to customers. To accurately reflect the nature of the transactions and to improve their relevance, the comparative information has been reclassified.

JOINT STOCK COMPANY "AVO BANK"

Notes to the Financial Statements for the year ended 31 December 2024

The effect of the restatements and reclassifications to statement of profit or loss and other comprehensive income for the year ended 31 December 2023 is as follows:

<i>In thousands of Uzbekistan Soums</i>	As previously reported	Adjustment (2)	Adjustment (3)	Adjustment (4)	Restated
Interest Income	15,556,368	-	-	(11,763,467)	3,792,901
Net interest income	12,206,145	-	-	(11,763,467)	442,678
Recovery of / (provision) for expected credit losses on loans and advances to customers	16,911,282	-	-	8,480,556	25,391,838
Net interest income after (provision for) / recovery of expected credit losses on loans and advances to customers	29,117,427	-	-	(3,282,911)	25,834,516
(Provision for) / recovery of expected credit losses on other financial assets and credit related commitments	-	-	(415,576)	-	(415,576)
Provision for impairment on other assets	(10,594,775)	-	10,594,775	-	-
Provision for impairment on non-current assets held for sale	-	(5,213,579)	(10,179,199)	3,282,911	(12,109,867)
Loss before tax	(23,375,972)	(5,213,579)	-	-	(28,589,551)
Net loss for the year	(24,045,529)	(5,213,579)	-	-	(29,259,108)
Total comprehensive loss for the year	(24,045,529)	(5,213,579)	-	-	(29,259,108)

The effect of the restatements to statement of financial position as at 31 December 2023 is as follows:

<i>In thousands of Uzbekistan Soums</i>	As previously reported	Adjustment (1)	Adjustment (2)	Restated
Assets				
Loans and advances to customers	7,226,702	(6,881,080)	-	345,622
Non-current assets held for sale	12,700,189	-	(5,213,579)	7,486,610
Total assets	182,449,982	(6,881,080)	(5,213,579)	170,355,323
Equity				
Retained loss	(62,193,550)	-	(5,213,579)	(67,407,129)
Total equity	145,341,589	-	(5,213,579)	140,128,010
Liabilities				
Customer accounts	7,583,360	(6,881,080)	-	702,280
Total liabilities	37,108,393	(6,881,080)	-	30,227,313
Total liabilities and equity	182,449,982	-	-	170,355,323

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024**

The effect of the restatements to statement of changes in equity for the year ended 31 December 2023 is as follows:

<i>In thousands of Uzbekistan Soums</i>	As previously reported	Adjustment	Restated
Loss for the year	(24,045,529)	(5,213,579)	(29,259,108)
Retained earnings	(24,045,529)	(5,213,579)	(29,259,108)

The effect of the reclassifications on the statement of cash flows for the year ended 31 December 2023 is as follows:

<i>In thousands of Uzbekistan Soums</i>	As previously reported	Adjustment (4)	Restated
Cash flows from operating activities			
Interest received	15,010,031	(11,763,467)	3,246,564
Cash flows from operating activities before changes in operating assets and liabilities	(30,533,698)	(11,763,467)	(42,297,165)
Net (increase) / decrease in operating assets			
Loans and advances to customers	1,116,608	11,763,467	12,880,075
Net cash used in operating activities	(20,725,162)	-	(20,725,162)

4. Application of new and revised IFRS Accounting Standards

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

The following amendments and interpretations are effective for the Bank effective 1 January 2024:

Amendments to IAS 1 Classification of Liabilities as Current and Non-Current	1 January 2024
Amendments to IAS 1 Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 Leases—Lease Liability in a Sale and Leaseback	1 January 2024

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

New and revised IFRS Accounting Standards in issue but not yet effective

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

New or revised standard or interpretation	Applicable to annual reporting years beginning on or after
<i>IFRS 18 – Presentation and Disclosures in Financial Statements</i>	1 January 2027
<i>IFRS 19 – Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
<i>Amendments to IAS 21 – Lack of Exchangeability</i>	1 January 2027

The Bank is currently assessing the possible impact of IFRS 18. Until the Bank has completed its review, it is not possible to make a reasonable estimate of the financial impact.

The Bank does not expect that the application of IFRS 19 and the amendments to IFRS 21 will have a material impact on the Bank's financial statements in future years.

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024****5. Cash and cash equivalents**

<i>In thousands of Uzbekistan Soums</i>	31 December 2024	31 December 2023
Cash on hand	7,456,129	-
Cash balances with the CBU	163,795,722	118,399,597
Correspondent accounts and overnight placements with other banks	15,550,222	5,025,437
Less – Allowance for expected credit losses	(187,157)	(477,349)
Total cash and cash equivalents	186,614,916	122,947,685

Cash on hand represents cash balances maintained in ATMs.

In accordance with regulations set by the CBU, the commercial banks are required to maintain mandatory reserves calculated based on the volume of customer funds attracted. These reserves ensure liquidity stability and compliance with regulatory standards.

Effective 1 July 2024, the CBU has implemented a revised framework allowing 100% of the mandatory reserves to be maintained in the Bank’s correspondent account with the CBU under an averaging mechanism which permits daily balance fluctuations provided the average meets regulatory thresholds. Under the previous rules, the commercial banks were required to hold only 80% of the mandatory reserves within their correspondent accounts with the CBU, while the remaining 20% was held in a specifically designated account with the CBU, which was unavailable for use in ordinary operating activities of the Bank. As at 31 December 2024 and 2023, mandatory reserve held in a specific designated account with CBU amounted to UZS nil and UZS 281,581 thousand, respectively.

All balances of cash equivalents, except for cash on hand, are allocated to stage 1 and the credit quality at 31 December 2024 is as follows:

<i>In thousands of Uzbekistan Soums</i>	Cash balances with the CBU	Correspondent accounts and overnight placements with other banks	Total
-Central Bank of Uzbekistan	163,795,722	-	163,795,722
- Rated BB-	-	15,550,222	15,550,222
Less: Allowance for expected credit losses	(176,096)	(11,061)	(187,157)
Total cash and cash equivalents, excluding cash on hand	163,619,626	15,539,161	179,158,787

All balances of cash equivalents, except for cash on hand, are allocated to stage 1 and the credit quality at 31 December 2023 is as follows:

<i>In thousands of Uzbekistan Soums</i>	Cash balances with the CBU	Correspondent accounts and overnight placements with other banks	Total
-Central Bank of Uzbekistan	118,399,597	-	118,399,597
- Rated BB-	-	5,025,437	5,025,437
Less: Allowance for expected credit losses	(457,385)	(19,964)	(477,349)
Total cash and cash equivalents, excluding cash on hand	117,942,212	5,005,473	122,947,685

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024****6. Deposits with banks and payment systems**

<i>In thousands of Uzbekistan Soums</i>	31 December 2024	31 December 2023
Asaka Bank	2,606,144	82,576
Paynet	5,264,649	-
Visa	50,000	50,000
Mastercard	4,432,874	-
Restricted cash	10,673,916	2,603,480
Less – Allowance for expected credit losses	(1,275,840)	(8,531)
Total deposits with banks and payment systems	21,751,743	2,727,525

Restricted cash represents a deposit placed with Mastercard, Asaka Bank and Paynet as a guarantee against liabilities arising from the Bank's operating activities in the event of cessation of operations.

All balances of deposits with banks and payment systems are allocated to stage 1 and the credit quality at 31 December 2024 is as follows:

<i>In thousands of Uzbekistan Soums</i>	Asaka	Visa	Restricted cash	Paynet	Mastercard	Total
- Rated A- to A+	-	50,000	2,847,067	-	4,432,874	7,329,941
- Rated BB-	2,606,144	-	7,726,849	-	-	10,332,993
- No rating	-	-	100,000	5,264,649	-	5,364,649
Less – Allowance for expected credit losses	(135,553)	(498)	-	(1,136,322)	(3,467)	(1,275,840)
Total deposits with banks and payment systems	2,470,591	49,502	10,673,916	4,128,327	4,429,407	21,751,743

All balances of deposits with banks and payment systems are allocated to stage 1 and the credit quality at 31 December 2023 is as follows:

<i>In thousands of Uzbekistan Soums</i>	Asaka	Visa	Restricted cash	Total
- Rated A- to A+	-	50,000	2,603,480	2,603,480
- Rated BB-	82,576	-	-	82,576
Less – Allowance for expected credit losses	(8,033)	(498)	-	(8,531)
Total deposits with banks and payment systems	74,543	49,502	2,603,480	2,727,525

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024****7. Loans and advances to customers**

<i>In thousands of Uzbekistan Soums</i>	31 December 2024	31 December 2023 (restated)*
Corporate loans, gross	-	8,382,105
Loans to individuals, gross	301,147,654	382,601
Total loans and advances to customers, gross	301,147,654	8,764,706
Stage 1	133,562,407	382,601
Stage 2	108,400,859	-
Stage 3	59,184,388	8,382,105
Total loans and advances to customers, gross	301,147,654	8,764,706
Less – Allowance for expected credit losses	(99,527,912)	(8,419,084)
Total loans and advances to customers	201,619,742	345,622

The growth in loans to individuals reflects the introduction of a new credit card product targeted at retail customers. As at 31 December 2024, loans and advances to customers included accrued interest in the amount of UZS 32,264,073 thousand.

In January 2023, the Management has sold on installments one of the fully provided properties classified as a non-current asset held for sale with a historical value of UZS 5,574,521 thousand. Due to the financial condition of the buyer, the sale was classified as purchased or originated credit impaired financial asset (POCI) within loans and advances to customers with 100% allowance for expected credit losses upon reclassification.

As at 31 December 2024 and 2023, stage 3 loans and advances to customers include POCI financial asset with a gross value of UZS 5,574,521 thousand.

As at 31 December 2024, the credit quality of loans and advances to customers is as follows:

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Minimum credit risk	133,247,372	-	-	133,247,372
Low credit risk	315,035	-	-	315,035
Moderate credit risk	-	98,397,050	-	98,397,050
High credit risk	-	10,003,809	-	10,003,809
Default assets	-	-	59,184,388	59,184,388
Total loans and advances to customers, gross	133,562,407	108,400,859	59,184,388	301,147,654
Less - Allowance for expected credit losses	(25,465,360)	(25,418,725)	(48,643,827)	(99,527,912)
Total loans and advances to customers	108,097,047	82,982,134	10,540,561	201,619,742

As at 31 December 2023, the credit quality of loans and advances to customers is as follows (restated):

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Minimum credit risk	-	-	-	-
Low credit risk	382,601	-	-	382,601
Moderate credit risk	-	-	-	-
High credit risk	-	-	-	-
Default assets	-	-	8,382,105	8,382,105
Total loans and advances to customers, gross	382,601	-	8,382,105	8,764,706
Less - Allowance for expected credit losses	(36,979)	-	(8,382,105)	(8,419,084)
Total loans and advances to customers	345,622	-	-	345,622

JOINT STOCK COMPANY “AVO BANK”

Notes to the Financial Statements for the year ended 31 December 2024

As at 31 December 2024, days past due analysis of loans and advances to customers is as follows:

<i>In thousands of Uzbekistan Soums</i>	Corporate loans	Loans to individuals	Total
Non-overdue	-	158,434,346	158,434,346
overdue;			
- less than 30 days overdue	-	51,823,815	51,823,815
- 31 to 90 days overdue	-	35,739,611	35,739,611
- 91 to 180 days overdue	-	29,328,379	29,328,379
- 181 to 360 days overdue	-	25,821,503	25,821,503
Total loans and advances to customers, gross	-	301,147,654	301,147,654
Less - Allowance for expected credit losses	-	(99,527,912)	(99,527,912)
Total loans and advances to customers	-	201,619,742	201,619,742

As at 31 December 2023, days past due analysis of loans and advances to customers is as follows (restated):

<i>In thousands of Uzbekistan Soums</i>	Corporate loans	Loans to individuals	Total
Non-overdue	-	382,601	382,601
overdue;			
- less than 30 days overdue	-	-	-
- 31 to 90 days overdue	-	-	-
- 91 to 180 days overdue	5,574,521	-	5,574,521
- 181 to 360 days overdue	2,807,584	-	2,807,584
Total loans and advances to customers, gross	8,382,105	382,601	8,764,706
Less - Allowance for expected credit losses	(8,382,105)	(36,979)	(8,419,084)
Total loans and advances to customers	-	345,622	345,622

The tables below analyse information about the significant changes in the staging of gross carrying amount of corporate loans and the allowance for expected credit losses during 2024:

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	-	-	8,382,105	8,382,105
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Changes in EAD*	-	-	-	-
Matured or derecognized assets (except for write off)	-	-	-	-
New assets issued or acquired	-	-	-	-
Written off assets	-	-	(8,382,105)	(8,382,105)
Gross carrying amount as at 31 December 2024	-	-	-	-

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as at 1 January 2024	-	-	8,382,105	8,382,105
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Changes in expected credit losses**	-	-	-	-
Matured or derecognized assets (except for write off)	-	-	-	-
New assets issued or acquired	-	-	-	-
Written off assets	-	-	(8,382,105)	(8,382,105)
Allowance for expected credit losses as at 31 December 2024	-	-	-	-

JOINT STOCK COMPANY “AVO BANK”
Notes to the Financial Statements for the year ended 31 December 2024

The tables below analyse information about the significant changes in the staging of gross carrying amount of corporate loans and the allowance for expected credit losses during 2023 (restated):

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at				
1 January 2023	208,974	-	12,692,320	12,901,294
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Changes in EAD*	-	-	144,122	144,122
Matured or derecognized assets (except for write off)	(208,974)	-	(33,662,112)	(33,871,086)
New assets issued or acquired	-	-	-	-
Written off assets	-	-	-	-
Recovery of loans	-	-	23,633,254	23,633,254
Purchased or originated credit-impairment financial assets	-	-	5,574,521	5,574,521
Gross carrying amount as at				
31 December 2023	-	-	8,382,105	8,382,105

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as at				
1 January 2023	-	-	4,566,168	4,566,168
Transfer from stage 1	-	-	-	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Changes in expected credit loss**	-	-	(25,391,838)	(25,391,838)
Recovery of written off assets	-	-	23,633,254	23,633,254
New assets issued or acquired	-	-	-	-
Written off assets	-	-	-	-
Purchased or originated credit-impairment financial assets	-	-	5,574,521	5,574,521
Allowance for expected credit losses as at				
31 December 2023	-	-	8,382,105	8,382,105

The tables below analyse information about the significant changes in the staging of gross carrying amount of loans to individuals and the allowance for expected credit losses during 2024:

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at				
1 January 2024	382,601	-	-	382,601
Transfer from stage 1	(10,063)	10,063	-	-
Transfer from stage 2	-	(10,063)	10,063	-
Transfer from stage 3	-	-	-	-
Changes in EAD*	(167,642,750)	108,400,859	79,454,517	20,212,626
Matured or derecognized assets (except for write off)	-	-	-	-
New assets issued or acquired	300,832,619	-	-	300,832,619
Written off assets	-	-	(20,280,192)	(20,280,192)
Gross carrying amount as at				
31 December 2024	133,562,407	108,400,859	59,184,388	301,147,654

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024**

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as at 1 January 2024	36,979	-	-	36,979
Transfer from stage 1	(5,108)	5,108	-	-
Transfer from stage 2	-	(5,108)	5,108	-
Transfer from stage 3	-	-	-	-
Changes in expected credit losses**	(35,790,724)	25,418,725	68,918,911	58,546,912
Matured or derecognized assets (except for write off)	-	-	-	-
New assets issued or acquired	61,224,213	-	-	61,224,213
Written off assets	-	-	(20,280,192)	(20,280,192)
Allowance for expected credit losses as at 31 December 2024	25,465,360	25,418,725	48,643,827	99,527,912

The tables below analyse information about the significant changes in the staging of gross carrying amount of loans to individuals and the allowance for expected credit losses during 2023:

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	22,953	-	648,614	671,567
Transfer from stage 1	-	-	-	-
Transfer from stage 2	440,075	(440,075)	-	-
Transfer from stage 3	-	440,075	(440,075)	-
Changes in EAD*	(80,427)	-	-	(80,427)
Matured or derecognized assets (except for write off)	-	-	-	-
New assets issued or acquired	-	-	-	-
Written off assets	-	-	(208,539)	(208,539)
Gross carrying amount as at 31 December 2023	382,601	-	-	382,601

<i>In thousands of Uzbekistan Soums</i>	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses as at 1 January 2023	14,769	-	648,614	663,383
Transfer from stage 1	-	-	-	-
Transfer from stage 2	440,075	(440,075)	-	-
Transfer from stage 3	-	440,075	(440,075)	-
Changes in expected credit loss**	(417,865)	-	-	(417,865)
Matured or derecognized assets (except for write off)	-	-	-	-
New assets issued or acquired	-	-	-	-
Written off assets	-	-	(208,539)	(208,539)
Allowance for expected credit losses as at 31 December 2023	36,979	-	-	36,979

* The line “Changes in EAD” represents changes in the gross carrying amount of loans issued in prior periods which have not been fully repaid during 2024 and 2023 and transfers of new issued loans between stages.

** The line "Changes in expected credit losses" are attributable to changes in parameters (PD, LGD), changes in ECL and adjustment of ECL due to transfer to new stages, as well as transfers of ECL on new loans originated during the reporting period from Stage 1 to other stages. The information on transfers above reflects the migration of loans from their initial stage (or the stage as at the beginning of the reporting date) to the stage they were in as at the reporting date. This information does not reflect the intermediate stage that the loans could be assigned to throughout the reporting period.

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024**

Economic sector risk concentrations within the customer loan portfolio were as follows:

<i>In thousands of Uzbekistan Soums</i>	31 December 2024	31 December 2023* (restated)
Individuals – Mortgage	307,972	379,824
Individuals - Credit Cards	300,839,682	2,777
Agriculture and food industry	-	5,574,521
Other	-	2,807,584
Less - Allowance for expected credit losses	(99,527,912)	(8,419,084)
Total loans and advances to customers	201,619,742	345,622

As of the reporting date, mortgage loan to individual is secured by a property. The remaining portion of the loan and advances to customers, consisting of credit card, is unsecured.

The Bank applies different approaches to determining expected credit losses in accordance with IFRS 9. For the mortgage loan, impairment is assessed on an individual basis, considering specific circumstances and collateral values of each borrower. For the remaining loans and advances in the portfolio, consisting of credit card receivables, expected credit losses are assessed on a collective basis using statistical models that incorporate historical default rates and current economic conditions.

The contractual interest rate on credit cards is 47.9% per annum.

8. Investment securities at amortized cost

<i>In thousands of Uzbekistan Soums</i>	Interest rate	Maturity date month/year	31 December 2024	31 December 2023
Government bonds	16%-18.07%	Jan 25 - Apr 26	3,952,561	-
Less - Allowance for expected credit losses			(10,681)	-
Total investment securities at amortized cost			3,941,880	-

JOINT STOCK COMPANY "AVO BANK"

Notes to the Financial Statements for the year ended 31 December 2024

9. Premises, equipment and intangible assets

	Office and computer equipment	Transport	Right of Use Assets	Total premises and equipment	Intangible assets	Total
Carrying value as at 31 December 2022	681,711	-	5,897,161	6,578,872	123,624	6,702,496
Cost:						
Balance as at 31 December 2022	3,920,405	552,759	7,602,826	12,075,990	561,865	12,637,855
Additions	10,640,326	-	5,044,115	15,684,441	5,937,512	21,621,953
Disposal and write-off	(3,378)	-	-	(3,378)	-	(3,378)
Balance as at 31 December 2023	14,557,353	552,759	12,646,941	27,757,053	6,499,377	34,256,430
Accumulated depreciation and amortization:						
Balance as at 31 December 2022	3,238,694	552,759	1,705,665	5,497,118	438,241	5,935,359
Depreciation and amortization	556,866	-	1,000,386	1,557,252	535,290	2,092,542
Balance as at 31 December 2023	3,795,560	552,759	2,706,051	7,054,370	973,531	8,027,901
Carrying value as at 31 December 2023	10,761,793	-	9,940,890	20,702,683	5,525,846	26,228,529
Cost:						
Balance as at 31 December 2023	14,557,353	552,759	12,646,941	27,757,053	6,499,377	34,256,430
Additions	29,660,243	-	12,361,674	42,021,917	2,536,202	44,558,119
Disposal and write-off	(412,136)	(122,424)	(12,646,940)	(13,181,500)	(91,443)	(13,272,943)
Balance as at 31 December 2024	43,805,460	430,335	12,361,675	56,597,470	8,944,136	65,541,606
Accumulated depreciation and amortization:						
Balance as at 31 December 2023	3,795,560	552,759	2,706,051	7,054,370	973,531	8,027,901
Depreciation and amortization	3,111,185	-	1,021,436	4,132,621	1,530,110	5,662,731
Disposal and write-off	(393,457)	(122,424)	(2,706,051)	(3,221,932)	(91,443)	(3,313,375)
Balance as at 31 December 2024	6,513,288	430,335	1,021,436	7,965,059	2,412,198	10,377,257
Carrying value as at 31 December 2024	37,292,172	-	11,340,239	48,632,411	6,531,938	55,164,349

As at 31 December 2024 and 2023, fully depreciated assets amount to UZS 2,974,420 thousand and UZS 2,177,457 thousand, respectively.

As at 31 December 2024 and 2023, premises and equipment of the Bank were not pledged.

10. Non-current assets held for sale

As at 31 December 2024 and 2023, the carrying amount of non-current assets held for sale was equal to UZS 6,394,660 thousand and UZS 7,486,610 thousand, respectively. During 2024, a portion of these foreclosed assets were sold for UZS 1,091,950 thousand.

During 2023, the Bank foreclosed on collateral of borrowers who defaulted on their loan obligations. These assets were classified as held for sale upon acquisition, as the Bank intends to recover their carrying amounts principally through sale transactions rather than through continuing use. Non-current assets held for sale primarily consist of buildings located in Syrdarya with a carrying amount of UZS 4,017,108 thousand, and a greenhouse complex also located in Syrdarya with a carrying amount of UZS 2,085,788 thousand. The Bank actively markets these properties and expects to sell the remaining assets within the next 12 months. Following the assessment for impairment, the management has written down the carrying value of these assets by UZS 14,269,867 thousand.

During 2023, one of the properties classified as non-current as held for sale was sold in installments (Note 7).

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024****11. Other Assets**

<i>In thousands of Uzbekistan Soums</i>	31 December 2024	31 December 2023
Other financial assets		
Settlement of operations with plastic cards	150,123	-
Fee and commission income receivable	1,570,565	-
Accounts receivable on money transfers	-	9,281
Less - Allowance for expected credit losses	(368,231)	(3,026)
Total other financial assets	1,352,457	6,255
Other non-financial assets		
Inventories and other values in the warehouse	12,140,463	6,275,499
Prepayment for services	9,844,012	1,043,912
Prepayment for equipment and goods	657,972	741,463
Income tax prepayments	56,820	222,251
Prepayments for taxes other than income tax	-	22,720
Other non-financial assets	26	60,405
Total other non-financial assets	22,699,293	8,366,250
Total other assets	24,051,750	8,372,505

Increase in inventories is mainly due to blank plastic cards MC Platinum in the amount of UZS 12,140,463 thousand. Increase in prepayments for services is mainly due to prepayments for technical maintenance of mobile application, IT consulting and scoring services in the amount of UZS 6,386,261 thousand.

12. Customer Accounts

<i>In thousands of Uzbekistan Soums</i>	31 December 2024	31 December 2023* (restated)
Legal entities		
- Current/settlement accounts	145,855	24,789
- Term deposits	406,453	628,241
Individuals		
- Current/settlement accounts	7,994,475	49,250
- Term deposits	-	-
Total customer accounts	8,546,783	702,280

During 2024 and 2023, the Bank has entered into two transactions with a related party:

- An UZS denominated loan with the carrying value of UZS 6,564,208 thousand and UZS 7,999,876 thousand (2023: UZS 6,881,080 thousand) bearing an interest of 17% and 18.63% per annum, respectively;
- An USD denominated term deposit with the carrying value equivalent to UZS 6,714,964 thousand and UZS 8,255,573 thousand (2023: UZS 7,509,321 thousand) received as collateral bearing an interest of 4.23% and 4.98% per annum, respectively.

These instruments have the same maturity and were entered into in contemplation of each other, contractually linked and are legally enforceable on a net basis in case of default under the terms of the agreements. These transactions were structured as a single economic arrangement and planned for simultaneous execution and settlement. Accordingly, the loan and the deposit have been presented on a net basis in the statement of financial position. As at 31 December 2024 and 2023, the net amount of UZS 406,453 thousand and UZS 628,241 thousand, respectively, has been presented within customer accounts as term deposits.

JOINT STOCK COMPANY “AVO BANK”

Notes to the Financial Statements for the year ended 31 December 2024

13. Other Liabilities

	31 December 2024	31 December 2023
<i>In thousands of Uzbekistan Soums</i>		
Other financial liabilities		
Lease liability	12,105,356	13,628,888
Accounts payable	2,736,021	15,648,778
Accrued staff compensation costs	1,933,922	247,367
Total other financial liabilities	16,775,299	29,525,033
Other non financial liabilities		
Allowance for credit losses on credit related commitments and other commitments	9,697,837	-
Taxes payable, other than income tax	29,673	-
Total other non-financial liabilities	9,727,510	-
Total other liabilities	26,502,809	29,525,033

As at 31 December 2024, the decrease in the accounts payable is mainly due to repayment of debts for ATMs and IT equipment in the amount of UZS 12,357,210 thousands.

	31 December 2024
<i>In thousands of Uzbekistan Soums</i>	
Maturity analysis:	
Year 1	4,521,024
Year 2	4,521,024
Year 3	4,521,024
Onwards	5,818,161
Gross lease liabilities	19,381,233
Less: unearned interest	(7,275,877)
Total lease liabilities	12,105,356
Analysed as:	
Current	4,521,024
Non-current	7,584,332
Total lease liabilities	12,105,356
Lease liability as at 31 December 2023	13,628,888
Additions	12,361,674
Derecognition of lease liability due to termination of the contract	(13,372,331)
Repayment	(512,875)
Interest expense	1,852,569
Interest paid	(1,852,569)
Lease liability as at 31 December 2024	12,105,356

14. Share capital

	Number of outstanding shares (in thousands)	Ordinary shares	Share premium	Total
At 1 January 2023	3,546,879,031	70,937,581	2,383,608	73,321,189
Ordinary shares issued	6,710,697,500	134,213,950	-	134,213,950
At 31 December 2023	10,257,576,531	205,151,531	2,383,608	207,535,139
Ordinary shares issued	24,387,000,000	487,740,000	-	487,740,000
At 31 December 2024	34,644,576,531	692,891,531	2,383,608	695,275,139

During 2023, the Bank increased the amount of ordinary shares by issuing an additional 6,710,697,500 shares with a par value of UZS 20 per share.

During 2024, the Bank's authorized capital was increased by a total of UZS 487,740,000 thousand through the issuance of 24,387,000,000 additional simple non-documentary shares with a par value of UZS 20 each. These increases were made in accordance with decisions of the sole shareholder, FE LLC “AVO.UZ,” as follows:

- 9,500,000,000 shares (UZS 190,000,000 thousand) on 6 January 2024;
- 9,287,000,000 shares (UZS 185,740,000 thousand) on 20 March 2024;
- 5,600,000,000 shares (UZS 112,000,000 thousand) on 26 December 2024.

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024**

All issued ordinary shares are fully paid. Each ordinary share carries one vote and share premium represents the excess of contributions received over the nominal value of shares issued.

15. Interest income and expense

<i>In thousands of Uzbekistan Soums</i>	2024	2023
Interest income		
Loans and advances to customers	78,270,658	2,481,195
Cash and cash equivalents	15,816,825	-
Investment securities at amortized cost	11,898,819	1,133,716
Other	220,399	177,990
Total interest income	106,206,701	3,792,901
Interest expense		
Lease liabilities	(1,852,569)	(3,213,184)
Customer accounts	(633,823)	(105,402)
Due to other banks	-	(31,637)
Other	(534,892)	-
Total interest expense	(3,021,284)	(3,350,223)
Net interest income	103,185,417	442,678

16. Fee and commission income and expense

<i>In thousands of Uzbekistan Soums</i>	2024	2023
Fee and commission income		
Fee for money transfers	36,398,517	-
Commission on plastic card issuance and maintenance	8,067,541	-
Cash withdrawal fee	1,623,865	-
Foreign currency exchange transactions fee	432,295	-
Settlement operations	379,238	9,170
Other	640,643	60,498
Total fee and commission income	47,542,099	69,668
Fee and commission expense		
Scoring and KYC	(13,208,676)	-
Payment systems	(12,337,793)	-
Operations with bank cards	(3,552,931)	(165,708)
Settlement operations	(646,133)	(60,175)
Payment channels	(502,346)	-
Other	(489,909)	(10,497)
Total fee and commission expense	(30,737,788)	(236,380)
Net fee and commission income	16,804,311	(166,712)

Payment systems fees represent fees for MasterCard, Visa and other payment systems' services. Payment channels represent fees paid to third parties through whom borrowers make loan repayments.

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024****17. Administrative and other operating expenses**

<i>In thousands of Uzbekistan Soums</i>	2024	2023
Salaries and bonuses	33,187,739	10,586,068
Unified social payment	3,997,032	1,321,035
Other employee benefits	151,677	710,853
Staff costs	37,336,448	12,617,956
Advertising and marketing expenses	44,204,904	1,986,682
Software maintenance	29,979,063	18,373,978
Rent	7,074,610	408,400
Depreciation and amortization	5,662,730	2,092,542
Repairs and maintenance	6,179,064	2,032,479
Communication	4,796,133	366,812
Claims and litigations	3,582,226	34,492
Professional services	3,528,460	1,456,111
Taxes other than income tax	2,157,248	1,606,084
Operating supplies – blank cards	1,470,904	-
Stationery	974,432	233,910
Vehicle maintenance costs	791,000	49,376
Security	417,375	571,232
Utilities	348,013	10,124
Loss on sale of premises, equipment and intangible assets	18,679	57,720
Others	2,076,942	141,733
Total other operating expenses	113,261,783	29,421,675
Total administrative and other operating expenses	150,598,231	42,039,631

Expenses for professional services above include UZS 1,790,179 thousand and UZS 244,643 thousand for audit of the Bank's financial statements for the years ended 31 December 2024 and 2023, respectively. No other non-audit services were provided during the years ended 31 December 2024 and 2023.

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024****18. Income taxes****(a) Components of income tax expense**

Income tax expense comprises the following:

<i>In thousands of Uzbekistan Soums</i>	2024	2023
Current tax charge	-	-
Deferred tax charge	(1,965,266)	(669,557)
Total income tax charge	(1,965,266)	(669,557)

For 2024 and 2023 statutory income tax rate was 20%.

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

The effective statutory income tax rate was 20% in 2024 and 2023.

<i>In thousands of Uzbekistan Soums</i>	2024	2023
Loss before tax	161,413,296	28,589,551
Theoretical tax benefit at the applicable statutory rate - 20% (2023: 20%)	32,282,659	5,717,910
- Non-deductible expenses (non-deductible part of loan loss provisions, employee compensation, representation and other non-deductible expenses)	(6,158,748)	(1,126,069)
- Non-taxable income (interest income from state securities and dividend income)	2,379,764	226,743
Change in deferred tax asset not recognised	(16,051,782)	-
Effect from tax losses carried forward	(12,393,072)	(4,419,472)
Other permanent differences	(2,024,087)	(1,068,669)
Net income tax expense	(1,965,266)	(669,557)
Net income tax expense relating to the components of other comprehensive income	-	-
Income tax expense for the year	(1,965,266)	(669,557)

(c) Deferred tax analysed by type of temporary differences

Differences between IFRS Accounting Standards and Uzbekistan statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for their tax bases. The tax effect of the movements on these temporary differences is detailed below. For calculation of deferred tax assets and liabilities enacted tax rate of 20% was used for 2024 (2023: 20%).

The tax consequences of the movement of these temporary differences for 2024 and 2023, which are reflected at a rate of 20 percent, are presented in detail below:

JOINT STOCK COMPANY “AVO BANK”
Notes to the Financial Statements for the year ended 31 December 2024

	1 January 2023	In the statement of profit or loss	31 December 2023	In the statement of profit or loss	31 December 2024
Tax effects of temporary differences that reduce/ (increase) the tax base					
Cash and cash equivalents	6,207	89,263	95,470	(58,039)	37,431
Mandatory cash balances with CBU	-	-	-	-	-
Due from other banks	2,187	(6,797)	(4,610)	4,610	-
Guarantee deposits with payment systems	-	-	-	253,578	253,578
Loans and advances to customers	40,080	(104,163)	(64,083)	13,986,491	13,922,408
Investment financial assets	-	-	-	3,709	3,709
Fixed assets and intangible assets	333,525	610,979	944,504	(2,173,357)	(1,228,853)
Non-current assets held for sale	-	(1,892,242)	(1,892,242)	-	(1,892,242)
Other assets	2,113,831	(2,076,774)	37,057	(819,832)	(782,775)
Customer accounts	-	-	-	1,045,972	1,045,972
Other liabilities	138,993	2,710,177	2,849,170	1,843,384	4,692,554
Net deferred tax assets	2,634,823	(669,557)	1,965,266	14,086,516	16,051,782
Recognized deferred tax assets	2,634,823	1,291,378	3,926,201	17,137,744	21,063,945
Recognized deferred tax liabilities	-	(1,960,935)	(1,960,935)	(3,051,228)	(5,012,163)
Unrecognized deferred tax assets	-	-	-	(16,051,782)	(16,051,782)
Net deferred tax (liabilities)/ assets	2,634,823	(669,557)	1,965,266	(1,965,266)	-

For the year ended 31 December 2024 and 2023, no deferred tax assets have been recognized in respect to tax losses carried forward. The total tax losses accumulated in 2024 and 2023 amounted to UZS 84,062,719 thousand and UZS 22,097,358 thousand, respectively.

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024****19. Provisions for Expected Credit Losses**

The following table illustrates the movement in provisions for expected credit losses for other financial assets and credit related commitments for the year ended 31 December 2024:

	Cash and cash equivalents	Deposits with banks and payment systems	Investment security at amortized cost	Other financial assets		Off-balance sheet items		
	Stage 1	Stage 1	Stage 1	Stage 1	Total	Stage 1	Stage 2	Total
1 January 2024	477,349	8,531	-	3,026	488,906	-	-	488,906
Transfer from stage 1	-	-	-	-	-	-	-	-
Transfer from stage 2	-	-	-	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-	-	-	-
New assets issued or acquired	-	1,267,309	10,681	365,205	1,643,195	6,983,359	2,714,478	11,341,032
Matured or derecognized assets (except for write off)	-	-	-	-	-	-	-	-
Changes in expected credit losses	(290,192)	-	-	-	(290,192)	-	-	(290,192)
31 December 2024	187,157	1,275,840	10,681	368,231	1,841,909	6,983,359	2,714,478	11,539,746

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024**

The following table illustrates the movement in provisions for expected credit losses for other financial assets for the year ended 31 December 2023:

	Cash and cash equivalents	Due from other banks	Deposits with banks and payment systems	Other financial assets	
	Stage 1	Stage 1	Stage 1	Stage 1	Total
1 January 2023	31,037	10,933	-	31,360	73,330
Transfer from stage 1	-	-	-	-	-
Transfer from stage 2	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-
Transfer from stage 3	-	-	-	-	-
New assets issued or acquired	446,312	-	8,531	-	454,843
Matured or derecognized assets (except for write off)	-	-	-	-	-
Changes in expected credit losses	-	(10,933)	-	(28,334)	(39,267)
31 December 2023	477,349	-	8,531	3,026	488,906

20. Financial Risk Management***Risk Management Framework and Governance***

The Bank is exposed to risks through its operating activities. These risks are managed through a systematic process of identification, measurement and monitoring, subject to risk limits and controls. This risk management process is critical to the Bank's continuing profitability.

The Supervisory Board has ultimate responsibility for establishing and overseeing the Bank's risk management framework. The Board has established separate bodies with specific risk management responsibilities:

The Credit Risk Committee is responsible for developing risk strategy and implementing frameworks, policies and limits. It oversees fundamental risk matters and manages key risk decisions.

The Management Board monitors the overall risk process within the Bank and receives risk reports.

The Credit Risk Management Department implements and maintains procedures ensuring independent risk control.

Bank Treasury manages the Bank's assets and liabilities with primary responsibility for funding and liquidity risks.

Internal Audit performs annual independent reviews of risk management controls and procedures, reporting findings to the Audit Committee.

Risk measurement and reporting system

The Bank is primarily exposed to credit risk, liquidity risk, market risk and operational risks. Business risks such as environmental, technological and industry changes are monitored through the strategic planning process rather than the independent risk control system.

Risk monitoring and control is primarily performed based on limits established by the Bank. These limits reflect the business strategy, market environment and the level of risk the Bank is willing to accept. The Bank also monitors and measures risk-bearing capacity in relation to aggregate risk exposure across all risk types and activities.

Information compiled from all business operations is examined and processed to identify, analyze and control risks. This information is presented to the Supervisory Board and Management Board. Reports include aggregate credit exposure, credit metric forecasts, limit exceptions, liquidity ratios and risk profile changes. The Board receives a comprehensive risk report quarterly, while more detailed reporting occurs monthly (industry, customer and geographic risk analyses) and daily (market limits, investments and liquidity positions).

Risk Mitigation

As part of its overall risk management, the Bank uses various risk mitigation techniques and financial instruments to manage exposures arising from changes in interest rates, foreign currency fluctuations, equity and credit risks, as well as exposures related to forecast transactions.

Credit Risk

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

To ensure effective credit risk management at the loan origination stage, the Bank has centralized key functions — including decision-making, verification, and accounting — within its head office. A proprietary, fully automated, and data-intensive loan approval system has been implemented, enabling the Bank to make near-instant credit decisions. The Credit Risk Management Division is responsible for maintaining credit risk assessment models and overseeing the overall decision-making framework with overall goal of maintaining Risk Appetite metrics. In addition, the division conducts periodic validations of the models to ensure consistency, accuracy, and the sustained quality of approved loans.

In the credit evaluation process, the Bank employs proprietary risk algorithms and predictive scoring models developed using advanced statistical methodologies. These models leverage a broad spectrum of internal data sources, including loan application information, transaction histories, behavioral patterns, in conjunction with

individual payment performance data. External data sources — such as information obtained from credit bureaus (e.g., "Credit Bureau" credit information analysis center LLC), the national pension fund and debit card transactions from other banks — further enhancing the robustness of the risk assessment process.

To safeguard the integrity of its lending operations, the Bank has also integrated automated antifraud mobile session controls and analytics into the loan approval workflow. These sessions monitoring of mobile app usage and in-app behavior apply internal fraud detection algorithms and external data inputs to perform real-time evaluations of each application. Applicants who exhibit behavioral or transactional characteristics associated with elevated fraud risk are systematically flagged and automatically rejected prior to the credit decision stage, thereby minimizing exposure to fraudulent activity. Various fraud monitoring rules are implemented and controlled throughout the life of already approved and debit card and credit card products to ensure protection against frauds even after client onboarding stages.

The Bank continuously collects and analyzes customer activity data including timely repayments of customer obligations, allowing for the ongoing refinement and calibration of its credit decision-making models that are used for client portfolio management during credit limit increase and credit limit decrease programs. This dynamic data environment supports more precise risk differentiation and contributes to enhanced portfolio quality over time.

Credit Risk Assessment and Measurement

The Bank has established a portfolio quality review process to identify potential changes in counterparties' creditworthiness at an early stage. Individual credit limits are determined using a credit risk classification system that assigns each individual borrower to a specific risk category based on Probability of Default measuring expected NPL. These risk classifications are subject to regular review. This process enables the Bank to assess potential losses arising from its risk exposures and to take appropriate corrective action when necessary.

Exposure to credit risk arises from trade receivables, contract assets, cash and cash equivalents, and as a result of the Bank's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments. The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Credit Risk Appetite – Credit Card Product. As part of the Bank's credit risk management framework, the risk appetite for the credit card product at the point of issuance is defined using the following two key metrics, monitored on a monthly basis and introduced in Q3 2024:

Weighted Average NPL Ratio: The weighted average non-performing loan (NPL) ratio at the approval stage shall not exceed 8%, measured in monetary terms.

Portfolio Share Without Official Income: The share of the credit card portfolio granted to clients without pension deductions shall not exceed 40%, measured in monetary terms.

These thresholds reflect the Bank's tolerance for credit risk exposure in line with its overall risk management strategy.

Limits. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Credit risk grading system. The Bank applies a structured credit risk grading system to assess and manage credit exposure, particularly for credit card borrowers. The internal credit rating is aligned with borrower behavior, including transaction patterns and utilization rates, while external credit ratings from credit bureaus are used as a relevant benchmark.

Depending on the financial asset type, the Bank utilizes multiple sources for credit quality assessment, including:

- International rating agencies (e.g., Standard & Poor's, Fitch),
- Credit bureau data, and Internally developed credit ratings.

The Bank assigns each exposure to a credit risk grade reflecting the creditworthiness of the counterparty. Credit risk grades are defined using a combination of Days Past Due (DPD), regulatory classification by the Central Bank (CBU), and internal assessment models. These grades are closely aligned with the staging approach under IFRS 9 and are used to assess significant increases in credit risk and to estimate expected credit losses (ECL).

The credit risk grades and associated credit quality are defined as follows:

- Minimum credit risk – exposures demonstrate a strong ability to meet financial obligations. This category generally includes exposures at initial recognition, exposures with DPD between 0 and 15 days, and those classified as "Standard" by the CBU.

JOINT STOCK COMPANY “AVO BANK”

Notes to the Financial Statements for the year ended 31 December 2024

- Low credit risk – exposures demonstrate an adequate ability to meet financial obligations. This includes exposures with DPD between 16 and 30 days, provided they retain a “Standard” classification by the CBU.
- Moderate credit risk – exposures demonstrate a satisfactory ability to meet financial obligations, though signs of potential deterioration may be present. This includes exposures with DPD between 31 and 60 days, and/or classified as “Substandard” by the CBU. In some cases, “Standard” exposures with elevated DPD may also fall into this category.
- High credit risk – exposures with elevated risk levels that require intensified monitoring. Typically includes exposures with DPD between 61 and 90 days, or those showing clear signs of significant credit deterioration, even if not yet defaulted.
- Defaulted assets – exposures are considered credit-impaired or in default. This includes exposures with DPD exceeding 90 days, and/or those classified by the CBU as “Unsatisfactory”, “Doubtful”, or “Bad”, irrespective of their prior internal or regulatory classification.

The assignment of exposures to these grades is integrated into the Bank’s ECL framework and affects the staging of financial assets (i.e., Stage 1, Stage 2, or Stage 3) and the estimation of lifetime credit losses.

The Bank’s internal credit risk rating models are developed using historical default and loss data and are subject to regular back-testing and recalibration. The credit risk department is responsible for ensuring the validity and predictive power of these models through ongoing monitoring and governance processes.

The rating models are regularly reviewed by the credit risk department, backtested on actual default data and updated, if necessary. Despite the method used, the Bank regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

External ratings are assigned to counterparties by independent international rating agencies. These ratings are publicly available and are applied to financial instruments such as investments in debt securities (government, corporate, municipal bonds and promissory notes purchased).

Expected credit loss (ECL) measurement.

ECL is a probability-weighted estimate of the present value of future cash shortfalls. ECL measurement is based on four components: Probability of Default (PD), Exposure at Default (EAD), Loss Given Default (LGD), and Discount Rate.

The Bank measures ECL either over a 12-month year or the lifetime of the financial instrument, depending on credit risk assessment. 12-month ECL applies if there is no significant increase in credit risk (SICR) since initial recognition. Lifetime ECL applies if SICR has occurred.

The assessment of SICR is based on:

- DPD behavior (Days Past Due), including early delinquency indicators;
- Curation trends.

The Bank does not use the low credit risk assessment exemption. The Bank defines default as 90+ DPD, insolvency, covenant breaches, or classification as non-performing. Cure is considered after three months without default triggers.

The Bank applies portfolio or individual SICR assessment based on asset type and available models. Quantitative SICR criteria are applied to loans to individuals using PD threshold shifts. Qualitative SICR indicators include delinquency over 30 days, restructuring, or classification as “watch”.

The Bank measures ECL using:

- Individual assessment;
- Portfolio segmentation;
- External ratings.

Credit cards are treated as unsecured loans with higher LGD, segmented by utilization and payment behavior. For loan commitments, EAD is estimated using Credit Conversion Factor (CCF).

PDs and LGDs are derived from historical data and LGD may be estimated using collateral characteristics or recovery statistics.

The Bank continuously reviews its models and assumptions to enhance the reliability of credit risk measurement.

Market risk

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

JOINT STOCK COMPANY "AVO BANK"

Notes to the Financial Statements for the year ended 31 December 2024

The Bank's exposure to interest rate risk is minimal as it is mostly financed with equity and invested in short-term bonds. The Bank does not finance its activities with floating-rate liabilities, and it does not invest in floating-rate assets. Interest rate risk is mostly managed by controlling duration of investments.

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flow. The Bank is not exposed to significant interest rate risk as it does not have floating instruments.

Currency risk

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

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

Geographical risk concentration

As at 31 December 2024 and 2023, the Bank does not have geographical risk, as correspondent relationships are established only with banks of the Republic of Uzbekistan and customer service occurs only at the level of residents of the Republic of Uzbekistan. All operations for the year were carried out in the Republic of Uzbekistan.

Currency risk sensitivity

The tables below indicate the currencies to which the Bank had significant exposure as at 31 December 2024 and 2023 on its monetary assets and liabilities.

	Total monetary assets	Total monetary liabilities	Net Balance sheet position
2024			
UZS	429,542,847	16,775,299	412,767,548
USD	586,133	14,970,538	(14,384,405)
Euro	202,261	-	202,261
Other	100,000	-	100,000
2023			
UZS	132,695,313	29,525,033	103,170,280
USD	459,420	8,259,654	(7,800,234)
Euro	3,517	-	3,517
Other	31,499	-	31,499

The analysis calculates the effect of a reasonably possible movement of the currency rate against the UZS, with all other variables held constant on the statement of profit or loss. The effect on equity does not differ from the effect on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss or equity, while a positive amount reflects a net potential increase.

	31 December 2024	31 December 2023
Strengthening of the USD by 10%	(1,438,440)	(780,023)
Weakening of the USD by 10%	1,438,440	780,023
Strengthening of the Euro by 10%	20,200	351
Weakening of the Euro by 10%	(20,200)	(351)

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024****Capital adequacy**

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using the ratios established by the CBU. The primary objectives of the Bank's capital management are to ensure that the Bank complies with capital requirements imposed by Central Bank of Uzbekistan. The Bank manages its capital to ensure that entities in the Bank will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Bank consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

	31 December 2024 (unaudited)	31 December 2023 (unaudited)
Fully paid shares	692,891,531	205,151,531
Accumulated deficit	(59,651,722)	(31,939,118)
Share premium	2,383,608	2,383,608
Adjusted Tier 1 capital	635,623,417	175,596,021
Capital reserves	5,571,124	5,571,124
Net loss for the year	(93,391,621)	(27,727,703)
Total tier 1 capital	547,802,920	153,439,442
Impairment provision on standard assets	4,379,570	320,415
Other	5,392	12,186
Total tier 2 capital	4,384,962	332,601
Total regulatory capital	552,187,882	153,772,043
Risk weighted assets and off-balance assets	664,812,322	54,796,769
Operational risk	20,287,286	20,145,110
Market risk	2,145,709	2,581,955
Adjusted total risk-weighted assets	687,245,317	77,523,834
Assets for leverage ratio	859,680,812	171,549,862
Capital adequacy ratios:		
Tier 1 capital adequacy ratio	79.71%	197.93%
Total regulatory capital adequacy ratio	80.35%	198.35%
Leverage ratio	63.72%	89.44%

21. Liquidity risk and funding management

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

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

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

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024****Analysis of financial liabilities by remaining contractual maturities**

The tables below summarize the maturity profile of the Bank's financial liabilities at 31 December 2024 and 2023 based on contractual discounted repayment obligations.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Undefined	Total
Financial assets						
Cash and cash equivalents	186,614,916	-	-	-	-	186,614,916
Loans and advances to customers	3,614,307	6,565,248	31,468,843	159,971,345	-	201,619,742
Investment securities at amortized cost	996,693	1,943,118	-	1,002,069	-	3,941,880
Deposits with banks and payment systems	11,077,827	-	-	-	10,673,916	21,751,743
Other financial assets	1,352,457	-	-	-	-	1,352,457
Total financial assets	203,656,200	8,508,366	31,468,843	160,973,414	10,673,916	415,280,738

Financial liabilities						
Customer accounts	8,140,330	155,862	250,591	-	-	8,546,783
Other financial liabilities	4,802,001	296,073	1,405,713	10,271,512	-	16,775,299
Total financial liabilities	12,942,331	451,935	1,656,304	10,271,512	-	25,322,082
Net liquidity gap	190,713,869	8,056,431	29,812,539	150,701,902	10,673,916	

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Undefined	Total
Financial assets						
Cash and cash equivalents	122,947,685	-	-	-	-	122,947,685
Deposits with banks and payment systems	124,045	-	-	-	2,603,480	2,727,525
Loans and advances to customers	13,851	27,407	114,971	189,393	-	345,622
Due from banks	281,581	-	-	-	-	281,581
Other financial assets	6,255	-	-	-	-	6,255
Total financial assets	123,373,417	27,407	114,971	189,393	2,603,480	126,308,668

Financial liabilities						
Customer accounts	74,039	-	-	628,241	-	702,280
Other financial liabilities	16,044,823	333,337	1,582,630	11,564,243	-	29,525,033
Total financial liabilities	16,118,862	333,337	1,582,630	12,192,484	-	30,227,313
Net liquidity gap	107,254,555	(305,930)	(1,467,659)	(12,003,091)	2,603,480	

The bank is primarily financed through equity, making its funding structure highly stable. It can withstand any outflows from clients' on-demand deposits, as these deposits represent only a small portion relative to the bank's high-quality liquid assets.

JOINT STOCK COMPANY “AVO BANK”**Notes to the Financial Statements for the year ended 31 December 2024**

The tables below summarize the maturity profile of the Bank's financial liabilities at 31 December 2024 and 2023 based on contractual undiscounted repayment obligations:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total
Financial liabilities					
Customer accounts	8,140,330	157,197	257,430	-	8,554,957
Other financial liabilities	5,046,695	753,504	3,390,768	14,860,209	24,051,176
Total undiscounted financial liabilities	13,187,025	910,701	3,648,198	14,860,209	32,606,133

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Total
Financial liabilities					
Customer accounts	74,039	-	-	660,276	734,315
Other financial liabilities	16,095,459	398,628	1,793,826	28,748,343	47,036,256
Total undiscounted financial liabilities	16,169,498	398,628	1,793,826	29,408,619	47,770,571

22. 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 the 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 and customs legislation are subject to varying interpretations. Also, changes to regulation can occur frequently. Management's interpretation of legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

The Uzbekistan tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, additional taxes, penalties and interest may be assessed. Fiscal years remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer years.

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, as at 31 December 2024, no provision for potential tax liabilities had been recorded (31 December 2023: no provision). The Bank estimates that it has no potential obligations from exposure to other than remote tax risks (31 December 2023: no obligations).

Credit related commitments. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

JOINT STOCK COMPANY “AVO BANK”

Notes to the Financial Statements for the year ended 31 December 2024

Outstanding credit related commitments are as follows:

<i>In thousands of Uzbekistan Soums</i>	31 December 2024	31 December 2023
Undrawn loan commitments	290,944,862	-
Total gross commitments and contingencies	290,944,862	-
Less: Allowance for expected credit losses	(9,697,837)	-
Total net commitments and contingencies	281,247,025	-

The Bank's all commitments and contingencies are considered to be as on demand due to the fact that according to contractual terms they can be allocated to the earliest year in which they can be called. Liquidity requirements to support calls under guarantees are considerably less than the amount of the commitments classified as on demand because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit classified as on demand does not necessarily represent future cash requirements, since most of these commitments will expire or terminate without being funded.

23. Fair Value of Financial Instruments

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

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

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

As at 31 December 2024 and 2023, the fair value of financial assets and financial liabilities approximate their carrying value. As the credit card business is a new product offering in the local market, the Management of the Bank believes that the interest rates applied are representative of current market conditions for similar financial instruments. Accordingly, the fair value of these financial assets has not been separately disclosed, as the carrying amounts are not materially different from their fair value.

24. 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 with the Bank party relationship, attention is directed to the substance of the relationship, not merely the legal form.

“Key management personnel” – members of the Management Board and the Supervisory Board of the Bank.

JOINT STOCK COMPANY "AVO BANK"**Notes to the Financial Statements for the year ended 31 December 2024**

As at 31 December 2024 and 2023, the outstanding balances with related parties were as follows:

<i>In thousands of Uzbekistan Soums</i>	31 December 2024		31 December 2023	
	Shareholders	Other related parties	Shareholders	Other related parties
Asset				
Other assets	-	4,340,000	-	-
LIABILITY				
Customer accounts	-	408,344	-	631,241

The income and expense items with related parties for the year ended 31 December 2024 and 2023 were as follows:

<i>In thousands of Uzbekistan Soums</i>	For the year ended 31 December 2024		For the year ended 31 December 2023	
	Shareholders	Other related parties	Shareholders	Other related parties
Interest income	-	2,101,388	-	317,909
Interest expense	-	633,823	-	105,402
Administrative and other operating expenses	-	13,270,918	-	7,778,667

Administrative and other operating expenses include remuneration of key management personnel in the amount of UZS 4,590,918 thousand and UZS 3,159,628 thousand for the years ended 31 December 2024 and 2023, respectively.

25. Subsequent Events

On 18 February 2025, the President of Uzbekistan approved the revised edition of the Law "On Guarantees for the protection of deposits in banks" according to which the maximum guaranteed amount is now set at UZS 200 million per depositor (Individual) in one bank. The new regulation will not affect previously opened deposits, provided that their terms have not been modified after the effective date of the changes in the Law.

On 20 March 2025, the Central Bank of the Republic of Uzbekistan increased the base rate by 0.5 percentage points, raising it from 13.5% to 14.0% per annum. This decision was made in response to sustained inflationary pressures and heightened inflation expectations, with headline inflation reaching 10.1% year-on-year in February 2025.

On 28 February 2025, the Bank received an updated license for banking operations from the Central Bank of Uzbekistan.

Management has assessed the potential impact of this change on the Bank's financial position, results of operations, and liquidity. At the date of approval of these financial statements, no material adverse effects are anticipated. However, the Bank will continue to monitor the situation and implement measures as necessary to mitigate any potential impact on its operations.

No other events requiring disclosure or adjustment to the financial statements have occurred subsequent to the reporting date and up to the date of their approval.

Approved for issue and signed on behalf of the Management Board on 2 June 2025.

A.A. Popov
Chairman of the Management Board



D.S. Musienko
Deputy Chairman of the Management Board