

«Mortgage Refinancing Company of Uzbekistan» JSC

**Financial Statements
for the year ended 31 December 2024
and Independent Auditors' Report**

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Independent auditor's report

To the Shareholders of Joint Stock Company «Mortgage refinancing company of Uzbekistan»

Opinion

We have audited the financial statements of the Joint Stock Company «Mortgage refinancing company of Uzbekistan» (the «Company»), which comprise statement of financial position as at 31 December 2024, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 (IFRS Accounting Standards).

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses ("ECL") on loans to banks

Please refer to the Notes 3 and 12 to the financial statements.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Loans to banks comprise more than 80% of assets and are recorded net of ECL allowance, which is assessed on a regular basis and is sensitive to the assumptions used.</p> <p>The Company applies ECL model that requires management to exercise professional judgment and make assumptions about the following key areas:</p> <ul style="list-style-type: none"> - Timely identification of a significant increase in credit risk and default events on loans to banks (assignment to Stages 1, 2 and 3 in accordance with IFRS 9); - Assessment of the probability of default (PD), the amount of loss in case of default (LGD) and the amount at risk in case of default (EAD). <p>Due to the significant volume of loans to banks, as well as the uncertainty inherent in estimating the amount of ECL allowance, this area is a key audit matter.</p>	<p>We analyzed the main aspects of the Company's methodology and policies regarding the assessment of ECL for compliance with the requirements of IFRS 9, including involvement of our own financial risk management specialists.</p> <p>To analyze the adequacy of the professional judgment applied by management and the assumptions made in calculating the ECL allowance, we performed an independent expectation of ECL allowance based on publicly available information on PD and LGD applicable to the relevant external credit ratings of banks.</p> <p>For all loans to banks, we tested the correctness of the Stages assigned by the Company by analyzing external credit ratings of banks and financial information.</p> <p>We assessed whether the disclosures in the financial statements adequately reflect the Company's exposure to credit risk.</p>

Other matters

The financial statements of the Company as at and for the year ended 31 December 2023 were audited by other auditors who expressed an unmodified opinion on those statements on 10 April 2024.



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, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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; 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

The engagement partner on the audit resulting in this independent auditors' report is:

Kouznetsov A. A.
Project Partner
AO «KPMG Audit» LLC

Qualification certificate of bank auditor
№ 35 issued on 28 November 2023 by
the Central Bank of the Republic of
Uzbekistan

Saidov S. K.
General Director
AO «KPMG Audit» LLC



Tashkent, Uzbekistan
18 April 2025

“Mortgage Refinancing Company of Uzbekistan” JSC
Statement of Changes in Equity for the year ended 31 December 2024

<i>In millions of UZS</i>	Share capital	Retained earnings	Total equity
Balance at 1 January 2023	112,223	18,876	131,099
Total comprehensive income			
Profit for the year	-	24,509	24,509
Total comprehensive income for the year	-	24,509	24,509
Operations with the owners of the Company			
Dividends capitalised	20,567	(21,650)	(1,083)
Other distributions	-	(143)	(143)
Total operations with the owners of the Company	20,567	(21,793)	(1,226)
Balance at 31 December 2023	132,790	21,592	154,382
Total comprehensive income			
Profit for the year	-	98,556	98,556
Total comprehensive income for the year	-	98,556	98,556
Operations with the owners of the Company			
Ordinary shares issue	808,056	-	808,056
Dividends capitalised	25,581	(26,928)	(1,347)
Total operations with the owners of the Company	833,637	(26,928)	806,709
Balance at 31 December 2024	966,427	93,220	1,059,647

The financial statements as set out on pages 11 to 46 were approved by the Management on 18 April 2025 and signed on its behalf by:


Murodjon Farmanov
General Director




Marat Nurmamatov
Deputy General Director


Baxtiyor Shoymardanov
Chief Accountant

“Mortgage Refinancing Company of Uzbekistan” JSC
Statement of Cash Flows for the year ended 31 December 2024

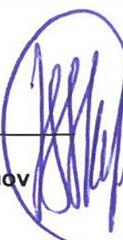
<i>In millions of UZS</i>	Notes	2024	2023 (Revised)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		449,629	275,811
Interest payments		(355,439)	(232,069)
Fee and commission payments		(3,175)	(365)
Other income receipts		619	5
Personnel expenses		(12,685)	(8,710)
Administrative and other operating expenses		(2,920)	(2,373)
(Increase)/decrease in operating assets:			
- deposits in banks		(307,035)	(83,000)
- loans to banks		(1,187,537)	(1,237,515)
- other assets		(6,447)	(4,023)
Increase/(decrease) in operating liabilities:			
- other liabilities		(4,499)	(784)
Net cash flow used in operating activities before income tax paid		(1,429,489)	(1,293,023)
Income tax paid		(10,528)	(3,172)
Net cash flow used in operating activities		(1,440,017)	(1,296,195)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investment securities at amortised cost		(724,307)	(41,812)
Redemption of investment securities at amortised cost		219,512	45,149
Purchases of property, equipment and intangible assets		(802)	(559)
Cash flows from/ (used in) investing activities		(505,597)	2,778
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of additional shares		508,056	-
Receipt of borrowed funds	16.2	945,188	1,197,514
Placement of debt securities issued	16.2	450,000	140,000
Repayment of lease liabilities		(687)	(131)
Cash flows from financing activities		1,902,557	1,337,383
Net (decrease)/increase in cash and cash equivalents		(43,057)	43,966
Cash and cash equivalents at the beginning of the year	10	45,242	1,308
Effect of changes in ECL on cash and cash equivalents		46	(32)
Cash and cash equivalents at the end of the year	10	2,231	45,242

The financial statements as set out on pages 11 to 46 were approved by the Management on 18 April 2025 and signed on its behalf by:


Murodjon Farmanov
 General Director




Marat Nurmamatov
 Deputy
 General Director


Baxtiyor Shoymardanov
 Chief Accountant

1 Introduction

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2024 for “Mortgage Refinancing Company of Uzbekistan” JSC (hereinafter referred to as the “Company”).

(a) Principal activity

The Company was established on 4 November 2019 as a Joint Stock Company in accordance with Presidential Decree No. PD-5715 dated 13 May 2019, in Tashkent, Republic of Uzbekistan.

The Company was registered to conduct mortgage refinancing activities in accordance with the Resolution of the Banking Supervision Committee of the Central Bank of the Republic of Uzbekistan (hereinafter referred to as the “CBU”) No. 224/1 dated 1 June 2020.

The Company is a commercial entity whose primary objective is to provide refinancing of banks’ mortgage loans through the provision of long-term funding sourced from banks and other financial institutions, including funds from international financial institutions and foreign governmental financial organizations. The Company also aims to support the stable development of the mortgage market in Uzbekistan.

The legal and actual address of the Company is: 100084, Republic of Uzbekistan, Tashkent, Amir Temur Avenue, 107-B.

These financial statements are presented in millions of Uzbek Soum (“UZS”), unless otherwise stated.

(b) Shareholders

As at 31 December 2024 and 2023, the Company’s ownership structure was as follows:

Shareholders	Ownership share	
	31 December 2024	31 December 2023
State Asset Management Agency of the Republic of Uzbekistan	35,4	25,0
JSC “NBU”	10,9	10,0
JCS “Xalq Bank”	9,1	7,0
JSCB “Agrobank”	7,8	5,0
JSCB “Business Development Bank”	6,6	10,0
JSC “Asakabank”	6,5	5,0
JSCB “Turonbank”	3,9	3,0
JSCB “Aloqabank”	3,8	-
JSCB “Mikrokreditbank”	3,8	-
JSCMB “Ipoteka Bank”	3,4	20,0
JSCB “Uzpromstroybank”	3,3	8,0
PJSCB “Orient Finance”	2,8	3,0
JSCB “Hamkorbank”	2,6	2,0
JSCB “Kapitalbank”	0,1	1,0
JSC “InFinBank”	0,1	1,0
Total	100,0	100,0

2 Operating environment in which the Company operates

Republic of Uzbekistan. The economy of the Republic of Uzbekistan exhibits certain characteristics typical of emerging markets. Among these are the lack of free convertibility of the national currency outside Uzbekistan and the limited liquidity of local debt and equity markets. The prospects for economic stability in the Republic of Uzbekistan largely depend on the effectiveness of economic policies implemented by the government, as well as on the development of the legal and regulatory framework and the political environment, all of which are beyond the Company’s control. The Company’s financial position and results of operations will continue to be influenced by political and economic developments in the Republic of Uzbekistan, including the implementation of current and future legislation and tax regulations, which have a significant impact on the country’s financial markets and overall economy.

The Company’s management cannot predict all changes that may affect the sector or the extent to which such changes, if any, may impact the Company’s future financial position. Key macroeconomic indicators include:

- Inflation rate: 9.8% (2023 r.: 8.8%)¹
- Official exchange rate: as at 31 December 2024 – USD 1 = UZS 12,920.48 (31 December 2023: USD 1 = UZS 12,338.77)².
- GDP growth: 6.5% (2023: 6.0%)³.
- Central Bank policy rate – 13.5% (2023: 14.0%)⁴.

The long-term consequences of the current economic environment are difficult to predict, and current expectations and estimates made by management may differ from actual results.

In estimating expected credit losses, the Company uses verifiable forward-looking information, including macroeconomic forecasts. However, as with any economic forecasts, assumptions and the likelihood of their realization are inherently subject to a high degree of uncertainty, and therefore, actual outcomes may differ significantly from those forecasted.

Geopolitical developments. In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were imposed on the Russian Federation by most Western countries. These sanctions were intended to have a negative economic impact on the Russian Federation. Since February 2022, increased geopolitical tensions have led to heightened volatility in foreign exchange markets, including volatility in the Uzbek Soum against the US dollar and the euro.

To mitigate the impact of external factors on the economy of the Republic of Uzbekistan, on 17 March 2022, the Board of the Central Bank of the Republic of Uzbekistan raised the CBRU refinancing rate by 3% to 17%. In June and subsequently in July 2022, following a decrease in external pressures on the economy, the CBRU Board reduced the refinancing rate to 16% and 15%, respectively. As of 31 December 2024, the refinancing rate stood at 13.5%.

Assumptions and estimation uncertainty

Information on assumptions and estimation uncertainties that involve a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the financial statements for the year ended 31 December 2024 is disclosed in the following notes:

- Impairment of financial instruments: determination of input data used in the ECL model – Notes 12 and 21
- Fair value measurement of financial assets and liabilities – Notes 3 and 26.

¹ Socio-economic situation of the Republic of Uzbekistan for 2024, National Statistics Committee of the Republic of Uzbekistan, source link: <https://stat.uz/img/talil-2024-jil-yanvar-dekabr-ruscha-p64426.pdf>

² Exchange rates, Central Bank of the Republic of Uzbekistan, source link: <https://cbu.uz/ru/>

³ Socio-economic situation of the Republic of Uzbekistan for 2024, National Statistics Committee of the Republic of Uzbekistan, source link: <https://stat.uz/img/talil-2024-jil-yanvar-dekabr-ruscha-p64426.pdf>

⁴ Policy rate, Central Bank of the Republic of Uzbekistan, source link: <https://cbu.uz/ru/monetary-policy/refinancing-rate/>

2 Operating environment in which the Company operates (continued)

Use of Professional Judgments

Information about the judgments made in applying the accounting policies that had the most significant effect on the amounts recognized in the financial statements is disclosed in the following notes:

Fair value assessment – Notes 3, 16.

3 Material accounting policies

(a) Basis of preparation of financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), on a historical cost basis, except for the initial recognition of financial instruments measured at fair value, and financial instruments measured at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVOCI).

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements, unless otherwise stated.

(b) Financial instruments – key measurement approaches

Purchases and sales of financial assets and liabilities under regular way contracts are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset or liability. A regular way purchase or sale is one under a contract whose terms require delivery of the asset or liability within the time frame established by regulation or convention in the marketplace concerned.

Fair value measurement

Fair value is defined 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 the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Company must have access to the principal or the most advantageous market. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their best economic interest. Fair value measurement of a non-financial asset considers a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use it in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the following fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques in which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques in which the lowest level input that is significant to the fair value measurement is unobservable.

3 Material accounting policies (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value measurement of loans issued under the Mortgage Market Development Program

Loans provided by the Company to banks under the mortgage market development program do not have directly comparable market instruments. Due to their unique nature and the specific features of the lending program and borrowers profile, such loans represent a separate market segment. Therefore, Management considers the contractual interest rates to be market rates for these loans. As such, the Company initially recognises these loans at fair value, which is equal to their nominal value.

Fair value measurement of financial liabilities borrowed under the Mortgage Market Development Program

The Company obtains financing under the mortgage market development program of Uzbekistan (Note 16). Management believes that due to the specific nature of this program, these financial instruments form a distinct market segment. Accordingly, upon initial recognition, these financial instruments are measured at fair value, which is equal to their nominal value.

(i) Classification and subsequent measurement of financial assets: measurement categories

At initial recognition, a financial asset is classified as measured at either amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Balances with banks, loans to banks, and investment securities measured at amortised cost

The Company measures balances with banks, loans to banks, and other financial investments at amortised cost only when both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

(ii) Classification and subsequent measurement of financial assets: business model assessment

The Company assesses the objective of the business model in which the asset is held at the level of a portfolio of financial instruments, as this best reflects how the business is managed and how information is provided to management. The following factors are considered by the Company in making the assessment:

- Policies and objectives for the portfolio, as well as the practical implementation of those policies—such as whether the management strategy focuses on earning contractual interest income, maintaining a certain interest rate profile, matching the maturity of financial assets to financial liabilities used for funding, or realizing cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Company’s management;
- The risks that affect the performance of the business model (and the financial assets held within that model) and how those risks are managed;
- How managers of the portfolios are compensated (e.g., whether remuneration depends on the fair value of the assets or on the contractual cash flows collected);
- The frequency, volume, and timing of sales in prior periods, the reasons for such sales, and expectations about future sales activity. Sales information is not considered in isolation but as part of an overall assessment of how the Company’s stated objective for managing financial assets is achieved and how cash flows are realized.

3 Material accounting policies (continued)

(iii) Classification and subsequent measurement of financial assets: contractual cash flow characteristics

For the purpose of this assessment, “principal” is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as consideration for the time value of money, for credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks and costs (such as liquidity risk and administrative costs), as well as a profit margin.

In evaluating whether the contractual cash flows are solely payments of principal and interest (the SPPI criterion), the Company considers the contractual terms of the financial instrument. This includes assessing whether the financial asset contains any contractual terms that could change the timing or amount of the contractual cash flows such that it would not meet the SPPI criteria. The Company considers:

- contingent events that would change the timing or amount of cash flows;
- leverage features;
- terms that allow prepayment or extension;
- terms that restrict the Company’s claim to cash flows from specified assets (e.g., non-recourse financial assets); and
- features that modify consideration for the time value of money, such as periodic interest rate resets not consistent with the tenor of the rat.

(iv) Reclassification of financial assets

The classification of financial assets after initial recognition is not changed unless the Company changes its business model for managing those financial assets. Reclassifications are applied prospectively from the beginning of the first reporting period following the change in the business model that triggers the reclassification. Changes in contractual cash flows are assessed in accordance with the accounting policy set out in the section “Modification and Derecognition of Financial Assets.”

(v) Impairment of financial assets: Expected Credit Loss (ECL) allowance

The Company measures expected credit losses (ECLs) based on the shortfalls in expected cash flows, discounted using the effective interest rate (EIR) or an approximation thereof. A cash shortfall is the difference between the contractual cash flows due to the Company and the cash flows the Company expects to receive. The ECL model includes the following key elements:

- Probability of Default (PD): An estimate of the likelihood of default occurring within a given timeframe. A default may occur at a specific point in time, provided that the asset has not been derecognised and remains part of the portfolio.
- Loss Given Default (LGD): The Company estimates LGD based on observed recoveries from past defaults. The models incorporate the collateral structure, type of collateral, claim seniority, industry sector of the counterparty, and recovery costs.
- Exposure at Default (EAD): The EAD represents the expected exposure to credit risk at the time of default. For a financial asset, EAD is the gross carrying amount at the default date. For loan commitments, it is the expected drawdown amount based on historical behaviour and forward-looking assumptions.

The Company has developed a policy to assess, at the end of each reporting period, whether there has been a significant increase in credit risk (SICR) since initial recognition, by considering changes in the risk of default over the remaining life of the financial instrument. Based on the outcome, financial assets are classified into the following stages:

3 Material accounting policies (continued)

- Stage 1: At initial recognition, a loss allowance is recognised equal to 12-month ECL. Assets in Stage 1 also include those that have been reclassified from Stage 2 due to an improvement in credit risk.
- Stage 2: If credit risk has significantly increased since initial recognition, a lifetime ECL is recognised. Assets in Stage 2 also include those reclassified from Stage 3 after an improvement in credit quality.
- Stage 3: Credit-impaired financial assets. A lifetime ECL is recognised.
- POCI: These are financial assets that were credit-impaired at initial recognition. At initial recognition, POCI assets are recorded at fair value, and interest income is recognised using a credit-adjusted EIR. An ECL allowance is recognised or derecognised only to the extent there is a change in the expected lifetime credit losses after initial recognition.

(vi) Significant Increase in Credit Risk (SICR)

The Company assesses at each reporting date whether there has been a significant increase in credit risk since initial recognition. When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This assessment includes both quantitative and qualitative information, as well as forward-looking analysis based on historical experience, expert credit risk assessment, and forward-looking indicators. The assessment of significant increase in credit risk depends on the nature of the financial instrument, type of borrower, and geographic region. Management applies judgment in assessing SICR criteria, particularly for loans whose terms have been renegotiated. The assessment considers whether such modifications are due to temporary financial difficulties or indicate a deterioration in the borrower's financial condition, such as declining operating results or non-compliance with repayment terms.

The objective is to identify whether a significant increase in credit risk has occurred by comparing:

- the remaining lifetime probability of default (PD) at the reporting date, and
- the remaining lifetime PD at the time of initial recognition, based on initial contractual terms.

The Company applies the following criteria to identify a significant increase in credit risk:

- A quantitative criteria based on the change in probability of default (PD) - a downgrade of the borrower's external credit rating by 2 or more notches;
- a 30-day past-due backstop criterion (7 days for financial institutions);
- the Company may evaluate loan restructurings to determine whether they represent a “good” or “bad” restructuring. If a loan was subject to a “bad” restructuring within the 12 months preceding the reporting date, it is considered credit-impaired (Stage 3). Conversely, “good” restructurings are classified based on other quantitative and qualitative factors;
- qualitative indicators, such as the blocking of correspondent accounts, absence of regular financial reporting, imposition of material penalties by the regulator, adverse information about the financial position and/or payment processing difficulties, rating withdrawal, cancellation of securities issuance (if the counterparty is an issuer), etc.

An increase in credit risk may be considered significant even if it is not yet captured by quantitative metrics, provided qualitative indicators related to the Company's credit risk management processes suggest elevated risk. These include, for example, inclusion on a watchlist. The evaluation of such qualitative factors is based on professional judgment and historical experience.

3 Material accounting policies (continued)

(vii) Definition of default and recovery

The Company considers a financial instrument to be in default and consequently classified as Stage 3 (credit-impaired) for expected credit loss (ECL) purposes when the borrower is more than 90 days past due on any contractual payment.

As part of the qualitative assessment of default, the Company also reviews various events that may indicate the borrower is unlikely to pay. When such events occur, the Company assesses whether they constitute a default and whether the asset should be moved to Stage 3 or remain in Stage 2. These events include:

- classification of the exposure as “unsatisfactory,” “doubtful,” or “loss” under the Central Bank of Uzbekistan’s classification system;
- absence of up-to-date financial information on the borrower for the past 12 months;
- bankruptcy filing or declaration of insolvency by the borrower.

According to the Company’s policy, financial instruments are considered “recovered” and reclassified out of Stage 3 when none of the default criteria have been present for a continuous period of at least six months. Whether the asset is moved to Stage 1 or Stage 2 upon recovery depends on the reassessed credit rating and whether a significant increase in credit risk remains relative to the original recognition.

Treasury and Interbank Relationships

The Company's treasury and interbank operations include relationships with counterparties such as financial service providers, banks, broker-dealers, exchanges, and clearing houses. When evaluating such relationships, the Company relies on publicly available information, including financial statements, and other external data sources such as credit ratings from rating agencies.

Rating of an external international rating agency (Fitch/S&P)	Description of the internal rating level	PD
AA+ до AAA	High rating	0–0.06%
AA		
A+ to AA–		
A–	Standard rating	0.06–0.42%
BBB+		
BBB		
BBB–		
BB+		
BB– to BB	Below standard	0.42–34.50%
B– to B+		
CCC		
CCC–	Impaired	100%
D		

(viii) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred to another party, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

Upon derecognition of a financial asset, the difference between the asset’s carrying amount (or the carrying amount allocated to the portion of the asset that is derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3 Material accounting policies (continued)

The Company may enter into transactions in which it transfers financial assets recognised on the statement of financial position but retains substantially all the risks and rewards of ownership, in whole or in part. In such cases, the transferred assets are not derecognised. Examples of such transactions include securities lending and repurchase agreements ("repos").

In transactions where the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset and retains control over the transferred asset, the Company continues to recognize the asset to the extent of its continuing involvement. Continuing involvement is measured by the extent to which the Company remains exposed to changes in the value of the transferred asset.

(ix) Derecognition of financial liabilities

A financial liability is derecognised when it is extinguished—i.e., when the obligation specified in the contract is discharged, cancelled, or expires.

The Company also derecognizes a financial liability when the terms of the liability are modified and the cash flows under the modified terms are substantially different. In such cases, a new financial liability is recognised at fair value, and the difference between the carrying amount of the original financial liability and the fair value of the new financial liability is recognised in profit or loss. Consideration paid includes any non-financial assets transferred and liabilities assumed, including the new modified financial liability.

(x) Modification of financial assets

When the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the changes are substantial (“substantial modification”), it is considered that the contractual rights to the cash flows of the original financial asset have expired. In such cases, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs.

Fees received as part of the modification are accounted for as follows:

- fees that are part of the fair value measurement of the new asset or represent reimbursement of transaction costs are included in the initial measurement of the new asset; and
- other fees are recognised in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows of existing financial assets or liabilities are not considered modifications when they arise from contractual terms, such as interest rate changes resulting from movements in the Central Bank’s key rate, provided the loan agreement permits such changes.

The Company performs both qualitative and quantitative assessments to determine whether a modification is substantial—i.e., whether the cash flows of the original financial asset differ significantly from those of the modified or replacement asset. This assessment considers both qualitative and quantitative factors and their combined effect. If the cash flows differ significantly, it is concluded that the contractual rights to the original asset have expired, and derecognition is applied by analogy with the derecognition guidance for financial liabilities.

To assess whether the modified terms are substantially different from the original contractual terms, the Company evaluates various qualitative and quantitative aspects, including whether the modified cash flows no longer meet the SPPI (solely payments of principal and interest) test, changes in currency or counterparty, or new covenants.

If the modification is due to the borrower’s financial difficulties, the asset is considered credit-impaired (Stage 3) until credit quality improvement is confirmed. If the Company plans to modify a financial asset in a way that results in forgiveness of a portion of contractual cash flows, it assesses whether a partial write-off should be recognised prior to the modification (see write-off policy below). This may affect the quantitative assessment, and in such cases, the criteria for derecognition of the financial asset may not be met. The Company also performs a qualitative assessment of the significance of the modification.

3 Material accounting policies (continued)

If a modification of a financial asset measured at amortised cost or at fair value through other comprehensive income does not result in derecognition, the Company recalculates the gross carrying amount of the asset using the original effective interest rate and recognizes the difference as a modification gain or loss in profit or loss. For floating rate financial assets, the effective interest rate is adjusted to reflect current market conditions at the time of modification. Any transaction costs, fees paid, or fees received as part of the modification are adjusted in the gross carrying amount of the modified asset and amortised over the remaining term of the modified financial asset.

Modification gains or losses are presented in the statement of profit or loss and other comprehensive income as “modification gain/loss.”

For fixed-rate loans that allow the borrower to prepay at par without significant penalties, any revision of the interest rate to reflect market rates in response to market changes is accounted for similarly to floating rate instruments — i.e., the effective interest rate is revised on a prospective basis.

(c) Cash and cash equivalents

Cash and cash equivalents include balances held with the Central Bank of the Republic of Uzbekistan and other banks, as well as highly liquid financial assets with original maturities of less than three months, which are not subject to significant risk of changes in fair value and are used by the Company to settle short-term obligations. Cash and cash equivalents are measured at amortised cost.

(d) Deposits in banks

Deposits in banks are recognised when the Company provides funds to counterparty banks in the form of deposits or advance payments with original maturities exceeding three months. These deposits are measured at amortised cost.

(e) Loans to banks

The item “Loans to banks” in the statement of financial position includes loans disbursed to banks that are measured at amortised cost. Such loans are initially measured at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest method.

(f) Investment securities measured at amortised cost

The item “Investment securities” in the statement of financial position includes investments in debt securities measured at amortised cost. These instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(g) Borrowed funds

Borrowed funds represent loans raised by the Company on financial markets as well as trade finance transactions. Borrowed funds are recognised at amortised cost.

(h) Debt securities issued

Debt securities issued include bonds. These instruments represent obligations of the issuer to the bondholder. While bondholders do not have a right to share in the Company’s profits, they are entitled to receive interest payments in addition to the principal amount. Bonds are measured at amortised cost.

(i) Trade and other payables

Trade and other payables are recognised when a counterparty has fulfilled its contractual obligations and are measured at amortised cost.

(j) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current income tax is calculated based on the estimated taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and includes adjustments for prior period taxes.

3 Material accounting policies (continued)

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognised for: temporary differences; temporary differences on the initial recognition of assets and liabilities in transactions that do not affect accounting or taxable profit; and temporary differences related to investments in subsidiaries where the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax reflects the tax consequences of how the Company expects to recover or settle the carrying amount of assets and liabilities at the end of the reporting period. Deferred tax is measured at the tax rates expected to apply when the asset is realized or the liability is settled, based on tax laws that are enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available to utilize deductible temporary differences, tax losses, and credits (in accordance with IAS 12). Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Share capital

Ordinary shares and non-redeemable shares are classified as equity. Incremental costs directly attributable to the issuance of new shares, other than in a business combination, are deducted from equity, net of tax, from the proceeds of the issuance. The excess of the fair value of the consideration received over the nominal value of the issued shares is recognised as additional paid-in capital.

(l) Dividends

Dividends are recognised as a liability and deducted from equity only when declared before or on the reporting date. If dividends are declared after the reporting date, the related information is disclosed in the notes as an event after the reporting period. Dividend distribution is based on the current year's net profit as reported in the statutory financial statements prepared in accordance with the legislation of the Republic of Uzbekistan.

Once approved at the general shareholders' meeting, dividends are recognised in the financial statements as a distribution of profits.

(m) Interest income and expenses using the Effective Interest Rate method

Interest income and expense for all interest-bearing financial instruments measured at amortised cost or at fair value through other comprehensive income (FVOCI) are recognised using the effective interest method. This calculation includes all fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and any other premiums or discounts.

Fees that are considered part of the effective interest rate include fees received or paid by the Company related to the origination or acquisition of a financial asset or the issuance of a financial liability (e.g., fees for credit assessment, collateral appraisal, structuring, or documentation).

Комиссии, относящиеся к эффективной процентной ставке, включают комиссии, полученные или уплаченные Компанией в связи с формированием или приобретением финансового актива или выпуском финансового обязательства (например, комиссионные за оценку кредитоспособности, оценку или учет гарантий, или обеспечения, за урегулирование условий предоставления инструмента и за обработку документов по сделке).

For purchased or originated credit-impaired (POCI) financial assets, the effective interest rate is the rate that discounts expected future cash flows (including expected credit losses) to the fair value at initial recognition (normally the purchase price). As a result, the effective interest rate incorporates credit risk.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

3 Material accounting policies (continued)

- financial assets that have become credit-impaired (Stage 3), for which interest income is calculated by applying the effective interest rate to the amortised cost (i.e., net of expected credit loss allowance);
- purchased or originated credit-impaired financial assets, for which the credit-adjusted effective interest rate is applied to the amortised cost.

(n) Non-interest income and expenses

Fees and commissions that are integral to the effective interest rate of a financial instrument are included in the effective interest calculation.

The Company recognises other fee and commission income and expense when (or as) it satisfies its performance obligations under the contract by providing or receiving the related services.

(o) Personnel expenses and related contributions

In the Republic of Uzbekistan, the Company contributes to the social tax, which includes payments to the Pension Fund. These contributions are recognised on an accrual basis. The Company does not operate its own pension plan.

Employee benefit expenses, including salaries, social contributions to the state pension and social insurance funds, annual paid leave, sick leave, bonuses, and non-monetary benefits are recognised as the services are rendered by employees.

Restatement of comparative information

The following adjustments have been made to the 2023 financial data due to technical errors identified during the preparation of the 2024 financial statements.

Statement of Cash Flows for the year ended 31 December 2023	As previously reported	Adjustment	Restated amount
(Increase)/decrease in operating assets:			
- loans to banks	(1,279,100)	41,585	(1,237,515)
- interest payments	(231,238)	(831)	(232,069)
- administrative and other operating expenses	(1,864)	(509)	(2,373)
- other assets	(3,154)	(869)	(4,023)
- other liabilities	4,913	(5,697)	(784)
- income tax paid	(4,092)	920	(3,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of borrowed funds	1,232,801	(35,287)	1,197,514

4 Adoption of new or revised standards and interpretations

The Company has applied certain amendments to standards that became effective for annual periods beginning on or after 1 January 2024. The Company has not early adopted any standards, interpretations, or amendments that have been issued but are not yet effective as of the reporting date.

Amendments to IAS 1 – Classification of liabilities as current or non-current

In January 2023, the IASB issued updated clarifications to IAS 1 regarding the classification of liabilities as current or non-current. The key changes relate to:

- considering only rights in existence at the reporting date to defer settlement of a liability;
- clarifying the concept of a “substantial modification” when assessing the impact of covenants on liability classification.

These amendments became effective on 1 January 2024. The amendments did not have a material impact on the Company’s financial statements.

Amendments to IAS 7 and IFRS 7 – Supplier finance disclosure requirements

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*, introducing new disclosure requirements related to supplier finance arrangements (also referred to as supply chain financing). The amendments require entities to:

- disclose the key terms and characteristics of supplier finance arrangements and their impact on the financial position;
- supplement the notes to the financial statements with information about the effects of such arrangements on the entity’s cash flows.

These amendments became effective on 1 January 2024 and they did not have a material effect on its financial statements.

Amendments to IFRS 16 “Leases” – Lease payments linked to inflation

In March 2023, the IASB issued amendments to IFRS 16 *Leases* to clarify the accounting treatment of changes in lease payments resulting from inflation-linked adjustments.

These amendments became effective for reporting periods beginning on or after 1 January 2024. The Company evaluated the impact of these amendments and determined that they did not have a material effect on its financial statements.

Several new standards are effective for annual periods beginning on or after 1 January 2025, with earlier application permitted. However, the Company has not early adopted any of the new or amended standards in the preparation of these consolidated financial statements. The following forthcoming amendments and interpretations are not expected to have a material impact on the Company’s financial statements:

- Inability to exchange one currency for another" (Amendments to IAS 21);
- Amendments to classification and measurement requirements for financial instruments – Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures";
- IFRS 18 "Presentation and Disclosure in Financial Statements". IFRS 18 will replace IAS 1 "Presentation of Financial Statements" and will be effective for annual reporting periods beginning on or after January 1, 2027.

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

5 Interest income and expenses

<i>In millions of UZS</i>	2024	2023
Interest income calculated using the effective interest rate method		
Loans to banks	473,760	292,708
Deposits in banks	55,378	16,988
Investment securities	55,920	8,495
Total interest income calculated using the effective interest method	585,058	318,191
Interest expense		
Borrowed funds	(389,012)	(266,283)
Debt securities issued	(48,127)	(5,174)
Lease liabilities	(545)	(749)
Total interest expense	(437,684)	(272,206)
Net interest income	147,375	45,985

6 Allowance for expected credit losses on debt instruments

<i>In millions of UZS</i>	2024	2023
(Allowance for)/ recovery of expected credit losses on interest-bearing assets		
Cash and cash equivalents	46	(32)
Deposits in banks	924	(1,932)
Investment securities	(2,525)	(499)
Loans to banks	(9,902)	(3,226)
Total allowance for expected credit losses on debt instruments	(11,457)	(5,689)

7 Fee and commission expense

<i>In millions of UZS</i>	2024	2023
Fee and commission expense		
- Fees and commission to the securities depository	(1,543)	(311)
- Fees and commission for brokerage services	(738)	-
- Fees and commission paid to international financial institutions	(677)	-
- Other fees and commissions	(217)	(54)
Total fee and commission expense	(3,175)	(365)

8 Administrative and other operating expenses

<i>In millions of UZS</i>	2024	2023
Administrative and other operating expenses		
Personnel expenses	(21,188)	(10,553)
Payments for professional services	(2,471)	(436)
Depreciation costs	(1,309)	(644)
Representation costs	(287)	(92)
Administrative expenses	(130)	(125)
Travel and transportation costs	(132)	(67)
Rent and maintenance expenses	(88)	(100)
Insurance expenses	(88)	(95)
Fines and penalties	(29)	-
Taxes (other than income tax)	(5)	(7)
Other expenses	(637)	(172)
Total administrative and other operating expenses	(26,364)	(12,291)

9 Income tax

(a) Components of income tax expense / (income)

Income tax expense recognised in profit or loss for the year comprises the following components:

<i>In millions of UZS</i>	2024	2023
Current income tax expense	10,815	4,092
Deferred tax (income) / expense	(2,373)	(956)
Total income tax expense for the year	8,442	3,136

(b) Reconciliation of income tax expense with accounting profit multiplied by the applicable tax rate

The table below provides a reconciliation of the theoretical income tax expense to the actual income tax expense recognised in profit or loss:

<i>In millions of UZS</i>	2024	2023
Profit before tax	106,998	27,645
Theoretical income tax at the statutory rate (2024: 15%; 2023: 15%)	16,050	4,147
Tax effects of non-deductible or non-taxable items:		
- Non-taxable income from government securities	(8,388)	(1,274)
- Non-deductible expenses	780	263
Total income tax expense for the year	8,442	3,136

(c) Deferred tax analysis by type of temporary differences

Differences between IFRS and the tax legislation of the Republic of Uzbekistan result in temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases. The table below provides a detailed breakdown of movements in these temporary differences and their tax effects:

<i>In millions of UZS</i>	1 January 2023	Recognised in profit or loss	1 January 2024	Recognised in profit or loss	31 December 2024
Deferred tax assets related to:					
Allowance for expected credit losses (ECL)	740	853	1,594	1,719	3,312
Other accruals	316	103	419	654	1,074
Net deferred tax asset	1,057	956	2,013	2,373	4,386

10 Cash and cash equivalents

<i>In millions of UZS</i>	31 December 2024	31 December 2023
Balances on accounts with the CBU with credit ratings from BB- to BB+	2,234	45,291
Less allowance for expected credit losses	(3)	(49)
Total cash and cash equivalents	2,231	45,242

10 Cash and cash equivalents (continued)

The tables below disclose the changes in the allowance for credit losses and the gross carrying amount of cash and cash equivalents measured at amortised cost that occurred between the beginning and end of the reporting and comparative periods.

<i>In millions of UZS</i>	Allowance for expected credit losses (ECL)		Gross carrying value	
	Stage 1 (12-month ECL)	Total	Stage 1 (12-month ECL)	Total
Cash and cash equivalents				
As at 1 January 2024	49	49	45,291	45,291
<i>Changes during the period:</i>				
Derecognized during the period, net	(46)	(46)	(43,057)	(43,057)
Total changes during the period	(46)	(46)	(43,057)	(43,057)
As at 31 December 2024	3	3	2,234	2,234

<i>In millions of UZS</i>	Allowance for expected credit losses (ECL)		Gross carrying value	
	Stage 1 (12-month ECL)	Total	Stage 1 (12-month ECL)	Total
Cash and cash equivalents				
As at 1 January 2023	17	17	1,326	1,326
<i>Changes during the period:</i>				
Originated during the period, net	32	32	43,965	43,965
Total changes during the period	32	32	43,965	43,965
As at 31 December 2023	49	49	45,291	45,291

11 Deposits in banks

<i>In millions of UZS</i>	31 December 2024	31 December 2023
Deposits in other banks with an original maturity of more than three months with a credit rating of BB-	467,109	160,074
Less allowance for expected credit losses	(1,953)	(2,877)
Total deposits in banks	465,156	157,197

As at 31 December 2024, the largest deposit balances, collectively representing over 70% of total deposits, were held with three local banks: JSCB "Agrobank" (UZS 132,000 million, 28%); JSCB "Uzpromstroybank" (UZS 124,900 million, 27%); JSC "Xalq Bank" (UZS 95,000 million, 20%).

As at 31 December 2023, the largest deposit balances, collectively representing over 80% of total deposits, were held with three local banks: JSCB "Business Development Bank" (UZS 47,500 million, 30%); JSCB "Agrobank" (UZS 44,000 million, 28%); JSCB "Turonbank" (UZS 40,000 million, 25%).

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11 Deposits in banks (continued)

The tables below disclose the changes in the allowance for credit losses and the gross carrying amount of deposits in banks measured at amortised cost that occurred between the beginning and end of the reporting and comparative periods.

	Allowance for expected credit losses (ECL)		Gross carrying value	
	Stage 1 (12-month ECL)	Total	Stage 1 (12-month ECL)	Total
<i>In millions of UZS</i>				
Deposits in banks				
As at 1 January 2024	2,877	2,877	160,074	160,074
<i>Changes during the period:</i>				
Decreases due to change in credit risk	(445)	(445)	-	-
New financial assets originated	1,939	1,939	490,400	490,400
Financial assets that have been derecognised	(2,418)	(2,418)	(183,500)	(183,500)
Other changes	-	-	135	135
Total changes during the period	(924)	(924)	307,035	307,035
As at 31 December 2024	1,953	1,953	467,109	467,109

	Allowance for expected credit losses (ECL)		Gross carrying value	
	Stage 1 (12-month ECL)	Total	Stage 1 (12-month ECL)	Total
<i>In millions of UZS</i>				
Deposits in banks				
As at 1 January 2023	946	946	77,000	77,000
<i>Changes during the period:</i>				
Decreases due to change in credit risk	(95)	(95)	-	-
New financial assets originated	2,662	2,662	140,000	140,000
Financial assets that have been derecognised	(636)	(636)	(57,000)	(57,000)
Other changes	-	-	74	74
Total changes during the period	1,931	1,931	83,074	83,074
As at 31 December 2023	2,877	2,877	160,074	160,074

12 Loans to banks

<i>In millions of UZS</i>	31 December 2024	31 December 2023
Gross carrying value of loans to banks measured at amortised cost	4,493,001	3,212,522
Less allowance for expected credit losses	(17,052)	(7,149)
Total carrying amount of loans and advances to customers measured at amortised cost	4,475,949	3,205,373

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

12 Loans to banks (continued)

The following is an analysis of the credit quality of loans to banks measured at amortised cost as at:

	31 December 2024			31 December 2023		
	Gross carrying value	Allowance for expected credit losses	Net carrying amount	Gross carrying value	Allowance for expected credit losses	Net carrying amount
<i>In millions of UZS</i>						
Loans to banks with a credit rating of BB-	3,966,775	(13,579)	3,953,196	2,956,159	(5,928)	2,950,231
Loans to banks with a credit rating of B+	279,618	(1,122)	278,496	20,821	(71)	20,750
Loans to banks with a credit rating of B	246,608	(2,351)	244,257	235,542	(1,150)	234,392
Total loans to banks measured at amortised cost	4,493,001	(17,052)	4,475,949	3,212,522	(7,149)	3,205,373

The tables below disclose the changes in the allowance for credit losses and the gross carrying value of loans to banks measured at amortised cost that occurred between the beginning and end of the reporting and comparative periods.

<i>In millions of UZS</i>	Allowance for expected credit losses (ECL)		Gross carrying value	
	Stage 1 (12-month ECL)	Total	Stage 1 (12-month ECL)	Total
	Loans to banks			
As at 1 January 2024	7,149	7,149	3,212,522	3,212,522
<i>Changes during the period:</i>				
New financial assets originated	10,623	10,623	1,489,428	1,489,428
Financial assets that have been derecognised	(721)	(721)	(301,891)	(301,891)
Other changes	-	-	92,941	92,941
Total changes during the period	9,902	9,902	1,280,479	1,280,479
As at 31 December 2024	17,052	17,052	4,493,001	4,493,001

<i>In millions of UZS</i>	Allowance for expected credit losses (ECL)		Gross carrying value	
	Stage 1 (12-month ECL)	Total	Stage 1 (12-month ECL)	Total
	Loans to banks			
As at 1 January 2023	3,923	3,923	1,933,422	1,933,422
<i>Changes during the period:</i>				
New financial assets originated	4,140	4,140	1,347,405	1,347,405
Financial assets that have been derecognised	(913)	(913)	(109,891)	(109,891)
Other changes	-	-	41,586	41,586
Total changes during the period	3,227	3,227	1,279,100	1,279,100
As at 31 December 2023	7,149	7,149	3,212,522	3,212,522

12 Loans to banks (continued)

The allowance for expected credit losses on loans to banks recognised during the period is influenced by various factors. Information regarding the estimation of expected credit losses is presented in Note 21.

The following provides an analysis of collateral for loans to banks measured at amortised cost as at 31 December 2024:

<i>In millions of UZS</i>	Collateral			Total
	Loan portfolios	Government securities	Deposits	
Carrying amount of loans to banks measured at amortised cos	3,673,690	782,878	19,381	4,475,949
Fair value of collateral – for collateral measured as of the reporting date	-	782,878	19,381	802,259
Fair value at the recognition date / Fair value not determined as of the reporting date	3,673,690	-	-	3,673,690

The following provides an analysis of collateral for loans to banks measured at amortised cost as at 31 December 2023:

<i>In millions of UZS</i>	Collateral			Total
	Loan portfolios	Government securities	Deposits	
Carrying amount of loans to banks measured at amortised cos	2,490,873	526,720	187,780	3,205,373
Fair value of collateral – for collateral measured as of the reporting date	-	526,720	187,780	714,500
Fair value at the recognition date / Fair value not determined as of the reporting date	2,490,873	-	-	2,490,873

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

13 Investment securities

<i>In millions of UZS</i>	31 December 2024	31 December 2023
Gross carrying amount of investments in Government securities measured at amortised cost with credit rating BB-	596,443	49,294
Less allowance for expected credit losses	(3,075)	(549)
Total carrying amount of debt securities measured at amortised cost	593,368	48,745

The table below discloses the changes in the allowance for credit losses and the gross carrying amount of investment debt securities measured at amortised cost that occurred between the beginning and end of the reporting and comparative periods.

	Allowance for expected credit losses (ECL)		Gross carrying value	
	Stage 1 (12-month ECL)	Total	Stage 1 (12-month ECL)	Total
<i>In millions of UZS</i>				
Investment debt securities				
As at 1 January 2024	549	549	49,294	49,294
<i>Changes during the period:</i>				
New financial assets originated	3,075	3,075	724,307	724,307
Financial assets that have been derecognized	(549)	(549)	(219,512)	(219,512)
Other changes	-	-	42,353	42,353
Total changes during the period	2,525	2,525	547,149	547,149
As at 31 December 2024	3,075	3,075	596,443	596,443

	Allowance for expected credit losses (ECL)		Gross carrying value	
	Stage 1 (12-month ECL)	Total	Stage 1 (12-month ECL)	Total
<i>In millions of UZS</i>				
Investment debt securities				
As at 1 January 2023	50	50	51,860	51,860
<i>Changes during the period:</i>				
New financial assets originated	499	499	,41,812	41,812
Financial assets that have been derecognized	-	-	(45,149)	(45,149)
Other changes	-	-	772	772
Total changes during the period	499	499	(2,565)	(2,565)
As at 31 December 2023	549	549	49,294	49,294

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14 Property, equipment and intangible assets and Right-of-use assets

	Furniture and fittings	Office and computer equipment	Motor vehicles	Intangible assets	Total property, plant and equipment and intangible assets	Right-of-use assets (office premises)
<i>In millions of UZS</i>						
Balance at 1 January 2023	320	502	325	-	1,147	5,529
Additions	95	284	-	181	559	-
Disposals	-	-	-	-	-	(30)
Balance at 31 December 2023	414	786	325	181	1,706	5,499
Depreciation and amortisation						
Balance at 1 January 2023	(69)	(207)	(149)	-	(426)	(518)
Depreciation for the year	(55)	(251)	(65)	-	(372)	(272)
Accumulated depreciation at 31 December 2023	(125)	(459)	(214)	-	(797)	(790)
Carrying amount at 1 January 2023	250	295	176	-	721	5,011
At 31 December 2023	290	328	111	181	909	4,709
Balance at 1 January 2024						
Balance at 1 January 2024	414	786	325	181	1,706	5,499
Additions	308	415	-	100	823	1,134
Modification	-	-	-	-	-	(204)
Disposals	(35)	(15)	-	-	(50)	-
Balance at 31 December 2024	688	1,186	325	281	2,479	6,430
Depreciation and amortisation						
Balance at 1 January 2023	(125)	(459)	(214)	-	(797)	(790)
Depreciation for the year	(68)	(349)	(65)	(41)	(524)	(677)
Disposals	13	7	-	-	19	-
Accumulated depreciation at 31 December 2024	(180)	(801)	(279)	(41)	(1,302)	(1,467)
Carrying amount at 1 January 2024	290	328	111	181	909	4,709
At 31 December 2024	507	385	46	240	1,178	4,963

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15 Other assets

<i>In millions of UZS</i>	31 December 2024	31 December 2023
<i>Other non-finance assets</i>		
Prepayments to suppliers	9,981	4,693
Prepaid service expenses	796	259
Prepaid taxes (excluding income tax)	735	1
Corporate card account balances	10	6
Other	19	-
Total other non-financial assets	11,541	4,959
Total other assets	11,541	4,959

16 Borrowed funds

16.1 Borrowed funds

The table below provides information on borrowings as at 31 December 2024 and 31 December 2023:

<i>In millions of UZS</i>	Maturity date	Interest rate	Currency	31 December 2024	31 December 2023
MEF/ADB loan No. L3870	15/11/2039	11.5% - 12.0%	UZS	1,627,790	1,627,790
MEF/ADB loan No. L4245	15/08/2042	11.0% - 11.5%	UZS	1,906,410	1,233,097
IFC loan No.48606	26/07/2027	20.5%	UZS	334,306	-
Total borrowed funds				3,868,505	2,860,887

Ministry of Economy and Finance of the Republic of Uzbekistan (MEF) and Asian Development Bank (ADB)

The Company received two rounds of financing from the Ministry of Economy and Finance of the Republic of Uzbekistan under the ADB's Uzbekistan Mortgage Market Development Program.

The "Mortgage Market Development Programme" aims to establish a new institutional framework and financing mechanism to promote market-based mortgage financing in Uzbekistan, expand the accessibility of mortgage products to broader segments of the population, and transform the government's role and responsibilities in shaping housing finance policy and regulations.

On 12 December 2019 and 14 November 2022, the Asian Development Bank and the Republic of Uzbekistan entered into two loan agreements worth USD 150 million each under the Mortgage Market Development Programme, with maturities of up to 20 years and floating interest rates. The Republic of Uzbekistan and the Company signed refinancing agreements for the two ADB credit lines on 8 May 2020 and 16 March 2023, with the obligation of the Ministry of Economy and Finance of the Republic of Uzbekistan to disburse funds to the Company in local currency by converting the ADB credit line, at a fixed interest rate. The ADB and the Company entered into project agreements on 12 December 2019 and 14 November 2022, under which the Company acts as the implementing agency for projects under the ADB Mortgage Market Development Programme, specifically as the organisation disbursing programme funds to eligible commercial banks in Uzbekistan.

Management believes that no other financial instruments similar to the borrowed funds received from the ADB exist and that, due to the specific nature of these transactions, these products represent a distinct market. The borrowed funds were obtained through an ordinary transaction and, as such, were recognised at fair value on the initial recognition date, which equals their nominal value.

Under the project agreements between the Company and the ADB, the Company is required to comply with financial covenants, which are reviewed and agreed upon by both parties quarterly and annually.

The Company was in compliance with all specified covenants as of 31 December 2023 and 31 December 2024.

The Company and the International Finance Corporation (IFC)

On 26 July 2024, the Company entered into a loan agreement with the International Finance Corporation for USD 25 million in local currency at a fixed interest rate, with a 3-year term and an option to extend for an additional 3 years.

“Mortgage Refinancing Company of Uzbekistan” JSC
Notes to the Financial Statements for the year ended 31 December 2024

16 Borrowed funds (continued)

The purpose of the loan agreement is to provide the Company with financing that will be used to refinance eligible retail mortgage portfolios of qualifying commercial banks.

Management believes that no other financial instruments similar to the borrowed funds received from the IFC exist and that, due to the specific nature of these transactions, these products represent a distinct market. The borrowed funds were obtained through an ordinary transaction and, as such, were recognised at fair value on the initial recognition date, which equals their nominal value.

Under the loan agreement between the Company and the IFC, the Company is required to comply with financial covenants, which are reviewed and agreed upon by both parties quarterly and annually. The Company was in compliance with all specified covenants as at 31 December 2023 and 31 December 2024.

16.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

<i>In millions of UZS</i>	Liabilities			Total
	Borrowed funds	Debt securities issued	Lease liabilities	
Balance at 1 January 2024	2,860,887	145,539	5,315	3,011,741
Changes from financing cash flows				-
Proceeds from borrowed funds	947,937	-	-	947,937
Repayment of borrowed funds	-	-	-	-
Placements of debt securities issued	-	450,000	-	450,000
Recognition of lease liabilities	-	-	931	931
Repayment of lease liabilities	-	-	(687)	(687)
Other changes	(2,750)	-	-	(2,750)
Total changes from financing cash flows	3,806,074	595,539	5,558	4,407,171
Other changes				
Interest expense	389,012	48,127	545	437,684
Interest paid	(326,581)	(28,367)	(491)	(355,438)
Balance at 31 December 2024	3,868,505	615,299	5,613	4,489,417

<i>In millions of UZS</i>	Liabilities			Total
	Borrowed funds	Debt securities issued	Lease liabilities	
Balance at 1 January 2023	1,928,086	-	5,346	1,933,432
Changes from financing cash flows				-
Proceeds from borrowed funds	1,197,514	-	-	1,197,514
Repayment of borrowed funds	-	-	-	-
Placements of debt securities issued	-	140,000	-	140,000
Recognition of lease liabilities	-	-	39	39
Repayment of lease liabilities	-	-	(131)	(131)
Other changes	(300,000)	365	-	(295,635)
Total changes from financing cash flows	2,825,600	140,365	5,254	2,971,220
Other changes				
Interest expense	266,667	5,174	749	272,206
Interest paid	(231,381)	-	(688)	(231,926)
Balance at 31 December 2023	2,860,887	145,539	5,315	3,011,741

The accompanying notes on pages 11 to 46 are an integral part of these financial statements

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17 Debt securities issued

<i>In millions of UZS</i>	31 December 2024	31 December 2023
Bonds	590,000	140,000
Accrued interest	25,299	5,539
Total	615,299	145,539

<i>In millions of UZS</i>	Issue registration date	Maturity date	Fixed coupon rate	Currency	Interest payment terms	31 December 2024	31 December 2023
Bonds of the 1st issue	21/09/2023	17/10/2026	19.0%	UZS	Semi-annually	145,539	145,539
Bonds of the 2nd issue	26/06/2024	10/07/2027	19.0%	UZS	annually	163,664	-
Bonds of the 3rd issue	11/09/2024	18/09/2029	18.0%	UZS	Quarterly	50,370	-
Bonds of the 4th issue	08/11/2024	18/11/2027	19.0%	UZS	Quarterly	255,726	-
						615,299	145,539

The Company made its initial listing on the Republic of Uzbekistan Stock Exchange in 2023.

In June, September and November 2024, the Company registered its second, third and fourth bond issues totalling 450,000 bonds (with a PAR value of UZS 1,000,000 each). Through these bond issuances, the Company placed bonds with an aggregate nominal value equal to the issue amounts, carrying a coupon rate of 18-19% per annum and maturities of 3-5 years.

The Company's issued bonds are unsecured and traded in non-documentary form. During the years ended 31 December 2024 and 31 December 2023, the Company experienced no defaults or other breaches of repayment schedules or bond issuance terms regarding principal or interest payments.

All of the Company's bond issues are listed on the Republican Stock Exchange "Toshkent".

18 Lease liabilities

<i>In millions of UZS</i>	31 December 2024	31 December 2023
Maturity analysis		
Year 1	1,399	819
Year 2	1,399	819
Year 3	1,399	819
Year 4	1,399	819
Year 5	1,399	819
Onward	1,399	12,284
Total	8,395	16,379
Less: Unearned interest	(2,782)	(11,063)
Lease liability	5,613	5,315

19 Other liabilities

Other liabilities comprise the following items:

<i>In millions of UZS</i>	31 December 2024	31 December 2023
<i>Other financial liabilities measured at amortised cost</i>		
Accrued administrative expenses	1,255	215
Provision for employee leave liability	1,083	548
Deposits for share subscription	-	300,000
Other financial liabilities	124	-
Total other financial liabilities measured at amortised cost	2,462	300,763
<i>Other non-financial liabilities</i>		
Provisions for remuneration to employees	5,800	1,646
Other taxes payable	815	266
Income tax liabilities	532	245
Other non-financial liabilities	99	91
Accrued salary costs	-	13
Total other non-financial liabilities	7,246	2,261
Total other liabilities	9,708	303,024

20 Share capital

Share capital

<i>In Uzbek Soums, except for the number of shares</i>	Number of shares in circulation, thousand	PAR value	Ordinary shares, thousand
As at 1 January 2023	112,223	1,000	112,223
As at 31 December 2023	132,790	1,000	132,790
As at 31 December 2024	966,427	1,000	966,427

On 18 December 2023, the President of the Republic of Uzbekistan issued Resolution No. PP-394 “On measures for the financial support of the activities of the “Mortgage refinancing company of Uzbekistan” JSC”. In accordance with this Resolution, the Company’s share capital was required to be increased by UZS 808,100 million by 1 June 2024.

The increase in authorised and issued capital by UZS 808,100 million was made through contributions from existing and new shareholders amounting to UZS 508,100 million, and through the reallocation of a budget loan received in 2022 in the amount of UZS 300,000 million to increase the state’s share in the Company’s share capital.

The Company’s shares are listed on the Republican Stock Exchange “Toshkent”.

Dividends

Dividends payable by the Company are limited to the amount of the Company's retained earnings and are determined in accordance with the legislation of the Republic of Uzbekistan. In 2024, the Company capitalised retained earnings in the amount of UZS 26,927 million through the issuance of an additional 25,580,825 shares with a nominal value of UZS 1,000, which were allocated to shareholders in proportion to their existing shareholdings (2023: UZS 21,652 million).

21 Risk management

Risk management is carried out with respect to financial, operational, and legal risks. Financial risks include market risk (comprising currency risk, interest rate risk, and other price risks), credit risk, and liquidity risk. The main objective of risk management is to establish risk limits and ensure ongoing compliance with those limits. Operational and legal risk management aims to ensure appropriate adherence to internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Company is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Credit risk management. Credit risk is one of the most significant risks for the Company’s business. Accordingly, management pays particular attention to the control and management of credit risk.

Credit risk classification system. For the purpose of assessing credit risk and classifying financial instruments by credit risk level, the Company applies a unified approach based on the credit ratings assigned by international rating agencies (Standard & Poor’s – “S&P”, Fitch, Moody’s) to cash and cash equivalents, bank deposits, loans to banks, and investments in debt securities.

External credit ratings are assigned to counterparties by independent international credit rating agencies such as S&P, Moody’s, and Fitch. These ratings are publicly available.

Expected Credit Loss (ECL) assessment. *Expected credit losses* represent the present value of future cash shortfalls, weighted by the probability of default (i.e., the weighted average of credit losses using the respective default probabilities as weights). The assessment of ECL is objective and determined through the calculation of a range of possible outcomes.

The assessment of expected credit losses on an individual basis is conducted by weighting estimated losses for various potential outcomes by the likelihood of each outcome. For each loan under review, the Company identifies at least two possible scenarios, one of which results in a credit loss, even if such a scenario has a low probability. The individual ECL assessment is primarily based on the expert judgement of experienced staff within the Risk Management Department. These expert assessments are regularly back-tested to reduce discrepancies between estimated and actual losses.

External credit rating-based assessment principles. Certain instruments are assigned external credit ratings, which are used to assess the parameters of “probability of default” and “loss given default” based on default and recovery statistics published by the respective rating agencies.

Forward-looking information in ECL models. The assessment of a significant increase in credit risk and the calculation of expected credit losses require the inclusion of verifiable forward-looking information. The Company has not identified any economic variables that show correlation with changes in credit risk or expected credit losses.

As with any economic forecast, assumptions and the likelihood of their realisation are inherently subject to a high degree of uncertainty; therefore, actual results may differ significantly from those projected.

The Company regularly reviews its methodology and assumptions to minimise variances between projected and actual credit losses. Such back-testing is performed at least annually.

The results of back-testing of the expected credit loss assessment methodology are communicated to the Company’s management, and further steps for refinement of the models and assumptions are determined following discussions with authorised persons.

Maximum exposure to credit risk. The maximum exposure to credit risk is generally represented by the carrying amount of financial assets in the statement of financial position and the amount of unrecognised contractual commitments.

21 Risk management (continued)

The maximum exposure to credit risk in respect of financial assets as at the reporting date is presented as follows:

<i>In millions of UZS</i>	31 December 2024	31 December 2023
Cash and cash equivalents	2,231	45,242
Deposits in banks	465,156	157,197
Loans to banks	4,475,949	3,205,373
Investment securities	593,368	48,745
Total maximum exposure to credit risk	5,536,704	3,456,557

Market risk. The Company is exposed to market risk, primarily related to interest rate risk. Management sets limits on the level of risk undertaken and monitors compliance with these limits on a daily basis. However, the application of this approach cannot prevent losses exceeding these limits in the event of more significant market fluctuations.

Interest rate risk. The Company is exposed to risk arising from the impact of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase interest margin levels; however, unexpected interest rate movements could lead to a reduction in interest margins or result in losses. Management establishes limits on acceptable interest rate mismatches and monitors adherence to these limits on a daily basis.

The table below provides a summary analysis of the Company’s interest rate risk:

<i>In millions of UZS</i>	On demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2024						
Total financial assets	25,114	203,198	359,615	1,970,002	2,976,544	5,534,473
Total financial liabilities	13,721	104,219	136,881	1,578,177	2,656,419	4,489,417
Net interest rate gap as of 31 December 2024	11,393	98,979	222,734	391,826	320,125	1,045,056
31 December 2023						
Total financial assets	157,057	85,780	214,890	591,157	2,362,431	3,411,315
Total financial liabilities	-	35,139	29,956	648,000	2,298,646	3,011,741
Net interest rate gap as of 31 December 2023	157,057	50,641	184,934	(56,843)	63,784	399,574

Interest rate sensitivity analysis

The management of interest rate risk, based on the analysis of interest rate repricing periods, is supplemented by monitoring the sensitivity of financial assets and liabilities.

A sensitivity analysis of profit or loss and equity (net of tax) to interest rate changes (*interest rate repricing risk*) has been prepared using a simplified scenario of a parallel shift in yield curves by 100 basis points, either upwards or downwards, and the repricing positions of interest-bearing assets and liabilities as at 31 December 2024 and 2023. The results are presented below:

<i>In millions of UZS</i>	2024	2023
100 bp parallel fall	174,731	223,417
100 bp parallel rise	(174,731)	(223,417)

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21 Risk management (continued)

The table below outlines weighted average interest rates on the Company’s financial instruments:

% p.a.	2024 UZS	2023 UZS
Assets		
Deposits in banks	20.0%	19.5%
Loans to banks	14.0%	12.9%
Investment securities	11.9%	15.9%
Liabilities		
Borrowed funds	12.3%	11.6%
Debt securities issued	18.9%	19.0%
Lease liabilities	15.8%	15.8%

Geographical risk concentration. The geographical concentration of financial assets and financial liabilities as at 31 December 2024 is set out below:

<i>In millions of UZS</i>	Republic of Uzbekistan	Other countries	OECD	Total
Financial assets				
Cash and cash equivalents	2,231	-	-	2,231
Deposits in banks	465,156	-	-	465,156
Loans to banks	4,475,949	-	-	4,475,949
Investment securities	593,368	-	-	593,368
Total financial assets	5,536,704	-	-	5,536,704
Financial liabilities				
Borrowed funds	-	3,534,200	334,306	3,868,505
Debt securities issued	615,299	-	-	615,299
Other financial liabilities	8,075	-	-	8,075
Total financial liabilities	623,374	3,534,200	334,306	,4,491,879
Net position on non-derivative financial instruments	4,913,303	(3,534,200)	(334,306)	1,044,825

21 Risk management (continued)

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

<i>In millions of UZS</i>	Republic of Uzbekistan	Other countries	OECD	Total
Financial assets				
Cash and cash equivalents	45,242	-	-	45,242
Deposits in banks	157,197	-	-	157,197
Loans to banks	3,205,373	-	-	3,205,373
Investment securities	48,745	-	-	48,745
Total financial assets	3,456,557	-	-	3,456,557
Financial liabilities				
Borrowed funds	-	2,860,887	-	2,860,887
Debt securities issued	145,539	-	-	145,539
Other financial liabilities	306,078	-	-	306,078
Total financial liabilities	451,617	2,860,887	-	3,312,504
Net position on non-derivative financial instruments	3,004,940	(2,860,887)	-	144,053

Assets and liabilities are generally classified according to the country of residence of the counterparty.

Liquidity risk. Liquidity risk is the risk that the Company may encounter difficulties in meeting its financial obligations. The Company's Assets and Liabilities Committee is responsible for managing liquidity risk.

The Company maintains a stable funding base, primarily comprising borrowings from international financial institutions and issued bonds. It invests in diversified portfolios and holds liquid assets to ensure it can meet unexpected liquidity demands promptly and without constraint.

The Company's liquidity management involves assessing the level of liquid assets required to settle maturing obligations; maintaining access to diverse funding sources; implementing contingency funding plans; monitoring compliance with statutory liquidity requirements. The Company calculates liquidity ratios monthly in accordance with the Central Bank of the Republic of Uzbekistan (CBU) regulations. These ratios are computed under the National Accounting Standards of the Republic of Uzbekistan.

The Treasury Department monitors financial assets and liabilities. It maintains an adequate portfolio of short-term liquid assets, predominantly comprising liquid government securities, to preserve sufficient overall liquidity. The Treasury conducts monthly liquidity position reviews and regular stress testing under various scenarios, including both normal and adverse market conditions.

The table below presents the maturity profile of liabilities based on remaining contractual terms. The amounts represent undiscounted contractual cash flows, including gross finance lease liabilities (before future finance charge), gross loan commitments, financial guarantees. These undiscounted cash flows differ from amounts reported in the statement of financial position, which are based on discounted cash flows.

Where payment amounts are not fixed, figures reflect conditions existing at the end of the reporting period.

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

21 Risk management (continued)

The table below provides an analysis of undiscounted cash flows for financial assets and liabilities by contractual maturity as at 31 December 2024:

<i>In millions of UZS</i>	On demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total cash flows	Carrying value
Assets							
Cash and cash equivalents	2,231	-	-	-	-	2,231	2,231
Deposits in banks	-	40,863	156,073	381,085	-	578,020	465,156
Loans to banks	40,096	270,152	573,075	3,342,768	5,109,223	9,335,315	4,475,949
Investment securities	-	50,000	81,122	603,931	-	735,053	593,368
Total potential future receipts from financial assets	42,327	361,015	810,270	4,327,784	5,109,223	10,650,619	5,536,704
Liabilities							
Borrowed funds	-	231,954	451,950	2,563,891	4,561,319	7,809,115	3,868,505
Debt securities issued	14,220	14,223	83,176	802,333	-	913,952	615,299
Lease liabilities	117	350	933	5,596	1,399	8,395	5,613
Other financial liabilities	2,462	-	-	-	-	2,462	2,462
Total potential future payments on financial obligations	16,730	246,527	536,059	3,371,820	4,562,718	8,733,924	4,491,879
Liquidity gap in financial instruments	25,528	114,488	274,211	955,964	546,505	1,916,695	1,044,825

The table below provides an analysis of undiscounted cash flows for financial assets and liabilities by contractual maturity as at 31 December 2023:

<i>In millions of UZS</i>	On demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total cash flows	Carrying value
Assets							
Deposits in banks	-	-	150,922	35,853	-	186,774	157,197
Loans to banks	157,057	96,297	315,893	1,978,073	4,195,820	6,743,141	3,205,373
Investment securities	-	6,396	52,010	-	-	58,406	48,745
Total potential future receipts from financial assets	157,057	102,694	518,825	2,013,926	4,195,820	6,988,321	3,411,316
Liabilities							
Borrowed funds	-	52,723	262,498	1,734,478	4,039,215	6,088,914	2,860,887
Debt securities issued	-	-	26,746	193,127	-	219,873	145,539
Other financial liabilities	300,000	-	-	-	-	-	300,000
Lease liabilities	68	205	546	3,276	12,284	16,379	5,315
Total potential future payments on financial obligations	300,068	52,928	289,790	1,930,881	4,051,499	6,325,166	3,311,741
Liquidity gap in financial instruments	(143,011)	49,766	229,035	83,045	144,321	663,155	99,575

The Company calculates mandatory liquidity ratios in accordance with the requirements of the CBU.

The Liquidity Coverage Ratio (LCR) is calculated monthly and must not fall below 100%. As at 31 December 2024, the LCR stood at 16,168.43% (2023: 36,500.89%).

The Net Stable Funding Ratio (NSFR) is calculated monthly and must not fall below 100%. As at 31 December 2024, the NSFR stood at 105.53% (2023: 101.74%).

“Mortgage Refinancing Company of Uzbekistan” JSC
Notes to the Financial Statements for the year ended 31 December 2024

21 Risk management (continued)

The table below analyses the maturity profile of non-derivative financial assets and liabilities carried at amortised cost, based on contractual maturity dates. Impaired loans and advances are included at carrying amount (net of impairment provisions) according to expected cash inflow timing.

<i>In millions of UZS</i>	On demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	2,231	-	-	-	-	2,231
Deposits in banks	-	39,873	139,579	285,704	-	465,156
Loans to banks	25,114	114,428	144,911	1,214,952	2,976,544	4,475,949
Investment securities	-	48,896	75,125	469,347	-	593,368
Total financial assets	27,345	203,193	359,615	1,970,003	2,976,544	5,536,704
Liabilities						
Borrowed funds	-	98,013	130,826	984,556	2,655,110	3,868,505
Debt securities issued	13,674	6,102	5,523	590,000	-	615,299
Lease liabilities	48	103	532	3,620	1,310	5,613
Other financial liabilities	2,462	-	-	-	-	2,462
Total financial liabilities	16,184	104,218	136,881	1,578,176	2,656,420	4,491,879
Liquidity gap in financial instruments	11,161	98,979	222,734	391,827	320,124	1,044,825

The table below shows an analysis by contractual maturities as at 31 December 2023:

<i>In millions of UZS</i>	On demand and less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	45,242	-	-	-	-	45,242
Deposits in banks	-	-	128,156	29,041	-	157,197
Loans to banks	157,057	79,400	44,370	562,116	2,362,431	3,205,373
Investment securities	-	6,381	42,364	-	-	48,745
Deferred income tax assets	-	-	-	-	-	-
Total financial assets	202,299	85,781	214,890	591,157	2,362,431	3,456,557
Liabilities						
Borrowed funds	-	35,127	24,356	507,538	2,293,867	2,860,887
Debt securities issued	-	-	5,539	140,000	-	145,539
Lease liabilities	-	13	62	461	4,779	5,315
Other financial liabilities	300,763	-	-	-	-	300,763
Total financial liabilities	300,763	35,140	29,957	647,999	2,298,646	3,312,504
Liquidity gap in financial instruments	(98,464)	50,641	184,933	(56,842)	63,785	144,053

22 Capital management

In accordance with existing capital requirements established by the CBU, the Company shall maintain:

- A ratio of capital to risk-weighted assets ("capital adequacy ratio") above the mandatory minimum level
- A ratio of Tier 1 capital to total assets less intangible assets (Leverage) above the mandatory minimum level

As at 31 December 2024 and 31 December 2023, the Company complied with the above capital requirements.

The table below shows the total capital based on the Company's reports prepared in accordance with the accounting legislation of the Republic of Uzbekistan and relevant regulations:

<i>In millions of UZS</i>	31 December 2024	31 December 2023
Total Adjusted Tier 1 Capital	959,752	129,899
Adjusted Tier 2 Capital	115,635	31,063
Total Regulatory Capital	1,075,387	160,962
Risk Weighted Assets	585,780	358,207
Regulatory Capital Ratio	183.58%	44.94%

23 Contingent liabilities

Legal matters. In the ordinary course of business, the Company is subject to legal claims and disputes. Management believes that any probable liabilities (if any) arising from such claims or disputes will not have a material adverse effect on the Company's financial position or future operating results.

Tax legislation. The tax, customs and foreign exchange regulations of the Republic of Uzbekistan are subject to varying interpretations and frequent changes. Moreover, regulatory acts issued by different government bodies may contradict each other. Management's interpretation of the legislation as applied to the Company's transactions and operations may be challenged by the relevant authorities. Uzbek tax authorities may take a stricter position when interpreting legislation and assessing tax charges, and there is a possibility that transactions and activities not previously challenged may be disputed. As a result, significant additional taxes, fines and penalties could be assessed. Tax periods remain open for review by the relevant tax authorities for five calendar years preceding the year under review. In certain cases, audits may cover longer periods.

Management believes that its interpretation of the relevant legislation is correct and that the Company's tax, foreign exchange and customs positions will be sustained. Accordingly, as at 31 December 2024 and 31 December 2023, management has not recognised a provision for potential tax liabilities. The Company estimates that there are no potential tax liabilities, except for those that are remote.

24 Presentation of financial instruments by measurement categories

In accordance with IFRS 9 "Financial Instruments", the Company classifies its financial assets into the following categories: (a) Financial assets at fair value through profit or loss; (b) Financial assets at fair value through other comprehensive income; (c) Financial assets at amortised cost. The "financial assets at fair value through profit or loss" category has two subcategories: (i) Assets mandatorily measured at fair value through profit or loss; (ii) Assets designated into this category upon initial recognition. Additionally, finance lease receivables are presented as a separate category.

As at 31 December 2024 and 31 December 2023, all of the Company's financial assets and financial liabilities were measured at amortised cost.

25 Related party transactions

Parties are considered related if they are under common control, or one party has the ability to control the other or can exercise significant influence over the financial and operating decisions of the other party. When assessing whether a relationship constitutes a related party relationship, consideration is given to the substance of the relationship, not merely its legal form.

The State Assets Management Agency of the Republic of Uzbekistan, as well as the majority of the Company's shareholders, are controlled by the Republic of Uzbekistan. The ultimate controlling party of the Company is the Government of the Republic of Uzbekistan.

Transactions with the Supervisory Board and Executive Management members

Total compensation included in the "Personnel expenses" item (see Note 8):

<i>In millions of UZS</i>	2024	2023
Supervisory Board Members	1,637	1,406
Executive Management members	4,593	2,727
Total	6,230	4,133

Balances with Supervisory Board and Executive Management members as at the end of the reporting period are presented below:

<i>In millions of UZS</i>	2024	2023
Резерв по выплате вознаграждения	2,116	1,646

Transactions with other related parties

Other related parties under control of the Republic of Uzbekistan and relatives of the management. Below are the carrying amounts and corresponding weighted average interest rates as at 31 December 2024 and 31 December 2023, along with related profit or loss amounts from transactions with other related parties for the years ended 31 December 2024 and 31 December 2023.

25 Related party transactions (continued)

The outstanding balances and the related average interest rates as at 31 December 2024 and 31 December 2023 and related profit or loss amounts of transactions for the years ended 31 December 2024 and 31 December 2023 with organizations under control of the Republic of Uzbekistan are as follows:

<i>In millions of UZS</i>	2024		2023	
	Amount	Average interest rate	Amount	Average interest rate
Statement of financial position				
Assets				
Cash and cash equivalents	2,234	-	45,291	-
Deposits in banks	372,109	20.02%	160,074	19.47%
Loans to banks	2,482,330	13.76%	1,891,974	13.09%
Investment securities	596,443	15.00%	49,295	15.91%
Liabilities				
Borrowed funds	3,534,200	11.54%	2,860,887	11.59%
Debt securities issued	574,826	18.91%	145,539	19.00%
Other financial liabilities	-	-	300,000	-
Profit/ (loss)				
Interest income	360,245		194,240	
Interest expense	(413,239)		(255,566)	
Allowance for expected credit losses on interest-bearing assets	(7,109)		(4,318)	
Fee and commission expense	(1,664)		(317)	
Administrative and other operating expenses	(54)		(95)	

26 Fair value of financial instruments

The fair value measurement results are analysed and categorised into the fair value hierarchy levels as follows: (i) Level 1 comprises valuations using quoted (unadjusted) prices in active markets for identical assets or liabilities; (ii) Level 2 includes valuations using measurement techniques where all significant inputs used are directly or indirectly observable for the asset or liability (e.g., prices); and (iii) Level 3 valuations, which are measurements not based on observable market data (i.e., based on unobservable inputs). Management exercises professional judgement when categorising financial instruments within the fair value hierarchy. If observable inputs requiring significant adjustments are used in the fair value measurement, such measurement is classified as Level 3. The significance of inputs used is assessed in the context of the entire fair value measurement.

26 Fair value of financial instruments

Assets and liabilities not measured at fair value for which fair value disclosures are provided

The following presents an analysis of fair value by hierarchy level and the carrying amounts of assets not measured at fair value:

<i>In millions of UZS</i>	31 December 2024				31 December 2023			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
ASSETS								
Cash and cash equivalents	-	2,231	-	2,231	-	45,242	-	45,242
Deposits in banks	-	465,156	-	465,156	-	157,197	-	157,197
Loans to banks	-	-	4,475,949	4,475,949	-	-	3,205,373	3,205,373
Investment securities	-	593,368	-	593,368	-	48,745	-	48,745
TOTAL ASSETS	-	1,060,755	4,475,949	5,536,704	-	251,184	3,205,373	3,456,557
LIABILITIES								
Borrowed funds	-	-	3,868,505	3,868,505	-	-	2,860,887	2,860,887
Debt securities issued	-	615,299	-	615,299	-	145,539	-	145,539
Lease liabilities	-	-	5,613	5,613	-	-	5,315	5,315
Other financial liabilities	-	-	2,462	2,462	-	-	764	764
TOTAL LIABILITIES	-	615,299	3,876,580	4,491,879	-	145,539	2,866,966	3,012,505

27 Segment information

The Company's operations constitute a single reportable segment.

The Company primarily provides banking lending services in the Republic of Uzbekistan. The Company defines its segment in accordance with the criteria set out in IFRS 8 "Operating segments", based on how the Company's performance is regularly reviewed by the Chief Operating Decision Maker for performance assessment and resource allocation across business units.

The Company's General Director has been designated as the Chief Operating Decision Maker. This responsible officer reviews internal management reports to evaluate performance and allocate resources. Based on these internal reports, management has identified a single operating segment – banking services.

28 Abbreviations

The following is a list of abbreviations used in these financial statements:

Abbreviations	Descriptions
AC	Amortised cost
CCF	Credit conversion factor
CBU	Central Bank of the Republic of Uzbekistan
EAD	Exposure at default
ECL	Expected credit losses
EIR	Effective interest rate
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX, Forex	Foreign exchange differences
IFRS, IAS	International Financial Reporting Standards
Loans and AR	Loans and receivables
LGD	Loss given default
PD	Probability of default
POCI assets	Purchased or originated credit-impaired financial assets
ROU assets	Right-of-use assets
SICR	Significant increase in credit risk
SPPI	Solely payments of principal and interest
SPPI test	Assessment of whether the contractual cash flows of financial instruments are solely payments of principal and interest
