JOINT-STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK"

(incorporated in the Republic of Uzbekistan)

U.S.$300,000,000 5.75% Notes due 2024

Issue Price 98.934%

Joint-Stock Commercial Bank "Uzbek Industrial and Construction Bank" (the "**Issuer**"), a bank incorporated under the laws of the Republic of Uzbekistan, is issuing an aggregate principal amount of the U.S.$300,000,000 5.75% Notes due 2024 (the "**Notes**"). The Notes will be constituted by, subject to, and have the benefit of a trust deed to be dated 2 December 2019 (as may be amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and Citibank, N.A., London Branch as trustee (the "**Trustee**") for the benefit of Noteholders (as defined in the "*Terms and Conditions of the Notes*").

Interest on the Notes will accrue from 2 December 2019 (the "**Closing Date**") and will be payable semi-annually in arrear on 2 June and 2 December of each year (each an "**Interest Payment Date**"), commencing on 2 June 2020 (the "**Interest Commencement Date**").

The Notes mature on 2 December 2024 the ("**Maturity Date**") but may be redeemed before then at the option of the Issuer in whole but not in part, at any time, but on one occasion only, on giving not less than 30 nor more than 60 days' irrevocable notice, at a price equal to the principal amount thereof, plus the Make Whole Premium (as defined in the "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption at Make Whole*"). The Issuer may also redeem the Notes in whole, but not in part, at their principal amount together with any accrued and unpaid interest, if the Issuer has or will become obliged to pay certain additional amounts as further described under "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption for tax reasons*". If a Change of Control (as defined in the "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of Noteholders upon a Change of Control*") occurs, the Issuer shall, at the option of a holder of any Note, redeem or purchase such Note on the Change of Control Put Date (as defined in the "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of Noteholders upon a Change of Control*") at 100% of its principal amount together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Change of Control Put Date. See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of Noteholders upon a Change of Control*".

Application has been made to the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (the "**Financial Conduct Authority**") for the Notes to be admitted to the official list of the Financial Conduct Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments ("**MiFID II**").

Investing in the Notes involves risks. See "Risk Factors" starting on page 7 for a discussion of certain factors that should be considered in connection with an investment in the Notes.

The Notes are rated BB- by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and BB- by Fitch Rating Services ("**Fitch**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Fitch and S&P are established in the European Union and are registered under the Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). This list is available on the ESMA website (http://www.esma.europa.eu/page/list-registered-and-certified-CRAs) (last updated 1 October 2019).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes will be offered and sold in registered form and without interest coupons attached in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Notes will be represented by beneficial interests in an unrestricted global Note (the "**Global Note**"), in registered form and without interest coupons attached. The Global Note which will be registered in the name of a nominee for and will be deposited with a common depositary for Euroclear Bank SA/NA ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") on or about the Closing Date.

The Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive, fully registered, form, without interest coupons. See "*Summary of the Provisions relating to the Notes when in Global Form*". Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. It is expected that delivery of the Global Note will be made on or about the Closing Date. Except as described herein, definitive certificates for Notes will not be issued in exchange for beneficial interests in the Global Note.

Joint Global Coordinators and Joint Bookrunners

Citigroup **J.P. Morgan**

Joint Bookrunners

Commerzbank **Raiffeisen Bank International**

Prospectus dated 28 November 2019

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This prospectus (the "**Prospectus**") comprises a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council dated 14 June 2017 (the "**Prospectus Regulation**") and for the purpose of giving information with regard to the Issuer and its consolidated subsidiaries taken as a whole (the "**Group**"), the Notes, which, according to the particular nature of the Issuer, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Group, the rights attaching to the Notes and of the reasons for the issuance and its impact on the Issuer and the Group. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

THE NOTES ARE OF A SPECIALIST NATURE AND SHOULD ONLY BE BOUGHT AND TRADED BY INVESTORS WHO ARE PARTICULARLY KNOWLEDGEABLE IN INVESTMENT MATTERS. AN INVESTMENT IN THE NOTES IS SPECULATIVE, INVOLVES A HIGH DEGREE OF RISK AND MAY RESULT IN THE LOSS OF ALL OR PART OF THE INVESTMENT.

No person is authorised to give any information or to make any representation in connection with the offer or sale of the Notes other than as contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by the Issuer, the Trustee or any Joint Bookrunner (as defined in "*Subscription and Sale*"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the business and affairs of the Issuer or the Group since the date hereof or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or that the information contained in it is correct as at any time subsequent to the date on which it is supplied. No representation or warranty, express or implied, is made by any Joint Bookrunner or the Trustee as to the accuracy or completeness of such information. None of the Joint Bookrunners or the Trustee accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Issuer or the Notes. Each of the Joint Bookrunners and the Trustee accordingly disclaims all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

This Prospectus does not constitute an offer to sell, or a solicitation to subscribe for or purchase, by or on behalf of the Issuer, any Joint Bookrunner or any other person, any of the Notes in any jurisdiction where it is unlawful for such person to make such offer or solicitation. The distribution of this Prospectus and the offer and sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe such restrictions. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. Further information with regard to restrictions on offers and sales of the Notes and the distribution of this Prospectus is set out under "*Subscription and Sale*".

No action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus (in any form) in any jurisdiction where action is required for such purposes.

None of the Issuer, the Joint Bookrunners, the Trustee, or any of its or their respective representatives or affiliates makes any representation to any offeree or purchaser of Notes offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. The contents of this Prospectus should not be construed as legal, financial, business or tax advice. Each prospective investor should consult his or her own legal adviser, financial adviser or tax adviser for legal, financial or tax advice in relation to any purchase or proposed purchase of Notes.

To the fullest extent permitted by law, the Joint Bookrunners accept no responsibility whatsoever for the Notes, the Trust Deed or the Paying Agency Agreement (each as defined herein) (including the effectiveness thereof) or the contents of this Prospectus or for any other statement made or purported to be made by a Joint Bookrunner or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Joint Bookrunner accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of the Notes, the Trust Deed, the Paying Agency Agreement, this Prospectus or any such statement.

In connection with the Offering of the Notes, the Joint Bookrunners and any of their affiliates, acting as investors for their own accounts, may purchase Notes and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Notes and other securities of the Issuer or related investments in connection with the Offering of the Notes or otherwise. Accordingly, references in this Prospectus to the Notes being issued, offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or acquisition, placing or dealing by, the Joint Bookrunners and any of their affiliates acting as investors for their own accounts. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Recipients of this Prospectus are authorised to use it solely for the purpose of considering an investment in the Notes and may not reproduce, forward or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering an investment in the Notes.

Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe any such restrictions. Any consents or approvals that are needed in order to purchase any Notes must be obtained. The Issuer and the Joint Bookrunners are not responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. None of the Issuer, the Trustee, the Group or the Joint Bookrunners or any of the respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under relevant legal investment or similar laws. Such investors should consult their legal advisers regarding such matters.

The Joint Bookrunners and their respective affiliates may have performed and expect to perform in the future various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non-public market financing for, and enter into derivative transactions with, the Issuer and its affiliates (including its shareholders).

Prior to making any decision as to whether to invest in the Notes, prospective investors should read this Prospectus. In making an investment decision, prospective investors must rely upon their own examination of the Issuer and the Group and the terms of this Prospectus, including the risks involved. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes and, in particular, the information contained or incorporated by reference in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, the merit and risks of an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic considerations, interest rate volatility and other factors that may affect its investment and its ability to bear the applicable risks.

If investors are in any doubt about the contents of this Prospectus, investors should consult a stockbroker, bank manager, solicitor, accountant or other financial adviser.

Any investment in Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Fund of Guarantee of Citizens' Deposits in Banks of the Republic of Uzbekistan.

This document has been approved by the Financial Conduct Authority, as competent authority under the Prospectus Regulation. The Financial Conduct Authority only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus. Such approval should not be considered as an endorsement of the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability in investing in the Notes.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

Solely for the purpose of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

NOTICE TO THE UNITED KINGDOM INVESTORS

This Prospectus is directed solely at (i) persons outside the United Kingdom, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the "**Order**"), (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended ("**FSMA**") in connection with the issue or sale of any securities of the Issuer or any member of its Group may otherwise lawfully be communicated or caused to be communicated (all such persons in (i) (iv) above being "**relevant persons**"). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in Monetary Authority of Singapore (the **"MAS"**) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

STABILISATION

In connection with the issue of the Notes, Citigroup Global Markets Limited (the "**Stabilising Manager**") or any person acting on behalf of the Stabilising Manager may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

CERTAIN INFORMATION CONTAINED IN THIS PROSPECTUS

In this Prospectus, the Issuer relies on and refers to publicly available information released by official and unofficial sources other than the Issuer. These sources include, but are not limited to, the Central Bank of Uzbekistan (the "**CBU**"), research reports, analyst reports, press releases, securities filings and industry publications, including the State Committee of the Republic of Uzbekistan on Statistics and IMF. Although the Issuer believes that this information is reliable, it has not independently verified this information and cannot guarantee its accuracy and completeness. In addition, some of the information contained in this Prospectus has been derived from official data published by the Uzbekistan Government (the "**Uzbekistan Government**" or "**Government**"). Official statistics and other data published by Uzbekistan federal, regional and local governments are substantially less complete or transparent than those of Western countries. Official statistics may also be compiled on the basis of methodologies different from those used in Western countries. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced. As far as the Issuer is aware and is able to ascertain from information published by the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus includes market data and industry forecasts and projections that have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers' expertise in the industry, and there is no assurance that any of the forecasts or projections will be achieved. Similarly, the Issuer believes that the surveys and market research others have performed are reliable, but the Issuer has not independently verified this information.

In addition, the Issuer has included its own estimates, assessments, adjustments and judgements in preparing some market information, which have not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed exclusively to a third party source, subjective to a certain degree. Market information or that market information prepared by other sources may differ materially from the market information included herein.

The contents of the Issuer's websites (https://uzpsb.uz/en/) or any other websites referred to in this Prospectus do not form any part of the content of this Prospectus.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language, Uzbek, in order that the correct technical meaning may be ascribed to them under applicable law.

LIMITATIONS ON ENFORCEMENT OF ARBITRAL AWARDS AND JUDGMENTS

Substantially all of the Issuer's directors and executive officers reside in Uzbekistan. All or a substantial portion of their and the Group's assets are located in Uzbekistan. As a result, it may not be possible for you to:

- effect service of process outside Uzbekistan upon substantially all of the Issuer's directors and executive officers; or
- enforce non-Uzbek court judgments obtained against the Issuer or substantially all of its directors and executive officers in non-Uzbek courts in any action.

In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom, liabilities predicated upon English law, as applicable.

The United Kingdom is not party to a treaty on mutual recognition and enforcement of judgments with the Republic of Uzbekistan and even if an applicable international treaty is in effect, the recognition and enforcement in Uzbekistan of a foreign judgment will in all events be subject to exceptions and limitations provided for in the laws of the Republic of Uzbekistan. In the absence of such agreements, the courts of Uzbekistan may recognise and enforce a foreign judgment on the basis of the principle of reciprocity. The Uzbek legislation does not include clear rules on the application of the principle of reciprocity. Thus, there can be no assurance that the courts of Uzbekistan will recognise and enforce a judgment rendered by courts of a jurisdiction with which Uzbekistan has no agreement on the basis of the principle of reciprocity.

The Trust Deed will be governed by English law and will provide the option for disputes, controversies and causes of action brought by any party thereto against the Issuer to be settled by arbitration in accordance with the LCIA Rules in London, England. The Republic of Uzbekistan and the United Kingdom are parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (the "**New York Convention**"). However, an Uzbek court may refuse the recognition and enforcement of foreign arbitral awards in full or part if one of the following grounds exists:

- a party to the arbitration agreement is in any way incapable by the law applicable to it or the arbitration agreement is invalid under the chosen governing law, and in the absence of such governing law — according to the law of the country where a foreign arbitral award has been rendered;
- a party against which a foreign arbitral award is rendered has not been timely and duly notified about the proceedings, their time and place or due to other reasons could not provide its explanations;
- a foreign arbitral award is rendered in a dispute not provided for or not subject to the terms of the arbitration agreement or arbitration clause in the contract, or contains rulings on matters beyond the scope of the arbitration agreement or arbitration clause in the contract, unless rulings on matters covered by the arbitration agreement either by such agreement or reservation may be separated from those not covered by such agreement or reservation;
- a composition of the arbitration body or the arbitration process did not comply with the agreement of the parties or, in the absence thereof, did not comply with the law of the country where the arbitration took place;
- a foreign arbitral award is not final for the parties or cancelled, or suspended by the competent authority of the state where it was rendered, or of the country the laws of which are being applied;
- a dispute was resolved by an incompetent foreign court or arbitration.

The court may also refuse to recognise and enforce a foreign arbitral award if:

- enforcement of a foreign arbitral award will contradict the "public order" of the Republic of Uzbekistan;
- the subject matter of the dispute may not be subject to arbitration under the laws of the Republic of Uzbekistan;
- the statute of limitations for the enforcement of a foreign arbitral award has expired.

Recognition and enforcement of foreign arbitral awards in Uzbekistan may still be difficult, in particular, if the enforcement of a foreign arbitral award conflicts with the "public policy" of Uzbekistan. The laws of Uzbekistan do not provide any clear guidelines for determining what the "public policy" of Uzbekistan actually is. The ambiguity of the "public policy" concept may be used by Uzbek courts to deny recognition and enforcement of foreign arbitral awards rendered against Uzbekistan or threatening its interests.

In addition, an Uzbek court will ignore any dispute resolution agreement of the parties if it finds that under the Uzbekistan legislation it has exclusive jurisdiction over such disputes.

Although Uzbek law recognises choice of law principles for contractual obligations, the choice of foreign law will not exclude the application of mandatory rules of Uzbek law which cannot be derogated from by the agreement of the parties. According to Uzbek law, regardless of the choice of law applicable to the relations of the parties, certain mandatory rules of Uzbek law still shall be applied.

In Uzbekistan, upon receipt of a foreign arbitral award, the party seeking to enforce the award must submit an application for the recognition and enforcement of the foreign arbitral award to the relevant economic courts in the Republic of Uzbekistan. The court will review the award to ensure there are no grounds (as discussed above) to refuse recognition and enforcement. Upon a finding that the foreign arbitral award is satisfactory, the court will adapt a ruling on recognition and enforcement and issue a writ of execution, which must be submitted to the Bureau of Mandatory Enforcement within three years of the court's ruling on the foreign arbitral award.

As a condition for admissibility in evidence of any documents, the courts of Uzbekistan will require the submission of such documents either (i) as originally executed counterparts, or (ii) as duly notarised copies. In addition, in case of an official document issued outside Uzbekistan, unless a valid international agreement of Uzbekistan provides otherwise, such official document will be admissible in evidence by a court of Uzbekistan if (i) such official document is legalised by an Uzbek consul in the country of its issuance and a duly certified Uzbek language translation of such official document is notarised by an Uzbek notary or (ii) the apostil is affixed to such official document by the competent authority of the country of its issuance subject to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents dated 5 October 1961 and a duly certified Uzbek language translation of such official document is notarised by an Uzbek notary.

See "*Risk Factors– Risks Related to Republic of Uzbekistan – Enforcement of judgements or arbitral awards against the Bank can be difficult*".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact contained in this Prospectus, including, without limitation, those regarding the Group's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets in which the Group participates or seeks to participate, and any statements preceded by, followed by or that include the words "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements include, amongst other things, statements concerning:

- overall business conditions;
- changes in tax requirements (including tax rate changes, new tax laws and revised tax law interpretations);
- economic and political conditions in Uzbekistan;
- the timing, impact and other uncertainties of future actions;
- inflation, interest rate fluctuations, foreign currency and exchange rate fluctuations and other capital market conditions in Uzbekistan;
- the condition and performance of the economy, including the Uzbekistan's banking sector;
- the effects of, and changes in, the policy of the Government of the Republic of Uzbekistan;
- the effects of changes in laws, regulations and taxation or accounting standards or practices in Uzbekistan;
- the Bank's ability to maintain or increase market share for its products and services and control expenses;
- the Bank's ability to meet its funding obligations and develop and maintain additional sources of financing;
- the Bank's ability to continue to diversify its client base;
- the impact of the growth of the Bank's loan portfolio on its revenue potential and overall asset quality;
- technological changes; and
- the Bank's ability to manage the risks associated with the aforementioned factors.

The forward-looking statements included in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the Group's actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which the Group will operate in the future. You should be aware that a number of important factors provided above could cause the industry's or the Group's own actual results or performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

This list of important factors is not exhaustive. Additional factors that could cause actual results, performance or achievements to differ materially include those discussed under "*Risk Factors*". When considering forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as at the date on which they are

made, and the Issuer expressly disclaims any obligation or undertaking to release publically any updates or revisions to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The Issuer does not make any representation or warranty that the results anticipated by such forward-looking statements will be achieved.

PRESENTATION OF FINANCIAL INFORMATION

Presentation of Financial Information

The Group's financial information set forth herein has, unless otherwise indicated, been extracted, without material adjustment, from the Group's unaudited consolidated interim condensed financial information for the six-month period ended 30 June 2019 prepared in accordance with IAS 34 Interim Financial Reporting (the "**Interim Financial Statements**") and the Group's audited consolidated financial statements for the years ended 31 December 2018, 2017 and 2016 (the "**Annual Financial Statements**" and, together with the Interim Financial Statements, the "**Financial Statements**"), set forth on pages F-2 through F-119 of this Prospectus. The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as promulgated by the International Accounting Standards Board.

The Uzbek soum is the functional currency of the Bank and the presentation currency for the Financial Statements. The Financial Statements and financial information included elsewhere in this document have, unless otherwise noted, been presented in Uzbek soums.

Independent Auditors

The Annual Financial Statements included in the Prospectus have been audited by "Deloitte & Touche" Audit Organisation LLC ("**Deloitte**"), as stated in their report appearing herein. The unaudited consolidated interim condensed financial information for the six-month period ended 30 June 2018 contained in the Interim Financial Statements was neither audited nor reviewed by Deloitte. Accordingly, the degree of reliance upon such information should be restricted. The unaudited consolidated interim condensed financial information for the six-month period ended 30 June 2019 contained in the Interim Financial Statements was reviewed by Deloitte in accordance with ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity,* as stated in the review report appearing herein. With respect to such unaudited financial statements, Deloitte has reported that it applied limited procedures in accordance with the professional standards for review of such information, however, its report states that it did not audit and does not express an opinion on such interim financial information. Accordingly, the degree of reliance upon their reports on such information should be restricted in light of the limited nature of the review procedures applied. The address of Deloitte is 75 Mustakillik Avenue, Tashkent 100000, Republic of Uzbekistan. Deloitte has a licence authorising audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under registration number 00776 dated 5 April 2019 and a certificate authorising audit of banks registered by the CBU under registration number 3 dated 14 October 2013.

Certain Definitions and Currencies

In this Prospectus, all references to:

- "**the Group**" or "**the Bank**" are to JSCB "Uzbek Industrial and Commercial Bank" group of companies;
- "**CBU**" are to the Central Bank of Uzbekistan;
- "**CIS**" are to the Commonwealth of Independent States and its member states as at the date of this Prospectus, being Russia, Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan;
- "**EU**" are to the European Union;
- "**Listing Rules**" are to the rules of the Financial Conduct Authority relating to admission of to the Official List.
- "**US**" are to the United States of America;

- "**UFRD**" are to Uzbekistan's Fund for Reconstruction and Development.

In this Prospectus, the following currency terms are used:

- "**UZS**", "**Uzbek soums**" or "**soums**" means the lawful currency of the Republic of Uzbekistan;
- "**U.S.$**" or "**U.S. dollar**" means the lawful currency of the United States; and
- "**EUR**", "**Euro**" "**euro**" or "**€**" means the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended.

References in the Prospectus to "billions" are to thousands of millions.

Exchange Rate

The table below sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the Uzbek soum and the U.S. dollar, based on the official exchange rate quoted by the CBU. Fluctuations in the exchange rates between the Uzbek soum and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

	Uzbek soum per U.S.$1.00			
	High	**Low**	**Average[(1)]**	**Period end**
Year				
2014	2,422.40	2,203.22	2,314.85	2,422.40
2015	2,809.98	2,424.23	2,573.48	2,809.98
2016	3,231.48	2,816.47	2,968.90	3,231.48
2017	8,120.07	3,239.62	5,140.30	8,120.07
2018	8,339.55	7,783.05	8,068.05	8,339.55
2019 (up to and including 12 November 2019)	9,490.77	8,336.25	8,752.62	9,490.77

Source: CBU

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Unaudited Pro Forma Consolidated Financial Information

The unaudited pro forma consolidated financial information presented in "*Unaudited Pro Forma Consolidated Financial Information*" is based on (i) the Group's consolidated statement of financial position as at 30 June 2019 included in its Interim Financial Statements, (ii) the Group's consolidated statement of profit or loss for the six months ended 30 June 2019 included in its Interim Financial Statements, (iii) the Group's consolidated statement of financial position as at 31 December 2018 included in its audited consolidated financial statements as at and for the year ended 31 December 2018 and (iv) the Group's consolidated statement of profit or loss for the year ended 31 December 2018 included in its audited consolidated financial statements as at and for the year ended 31 December 2018.

In particular, the unaudited pro forma consolidated financial information assumes that the Transaction (as defined on page 29 of this Prospectus) has taken place as at 31 December 2018 and 30 June 2019 with respect to the unaudited pro forma statements of financial position, and as at 1 January 2018 and 1 January 2019 with respect to the unaudited pro forma statements of profit or loss.

Neither the adjustments nor the resulting unaudited pro forma consolidated financial information have been audited. The auditor's report as to the proper compilation of the unaudited pro forma financial information has been prepared by Deloitte which can be found on page 37 of this Prospectus. In evaluating the unaudited pro forma consolidated financial information, investors should carefully consider the Annual Financial Statements and the Interim Financial Statements included elsewhere in

this Prospectus.

As not all elements of the Transaction have been completed, pro forma adjustments are based upon available information and certain preliminary estimates and assumptions that management believes are reasonable and, therefore, bear uncertainties. The purpose of the pro forma adjustments described in the unaudited pro forma consolidated financial information are to replicate a hypothetical scenario of what the financial position and performance of the Group would be had the Group transferred the Non-core loans (as defined therein) to the UFRD and converted certain borrowings from the UFRD into equity as at reporting dates with respect to the unaudited pro forma statements of financial position, and as at 1 January 2018 and 1 January 2019 with respect to the unaudited pro forma statements of profit or loss. Because of its nature, the unaudited pro forma financial information is presented for illustrative purposes only and is not indicative of the financial position or the performance that the Group would have had if the Transaction had occurred on the dates assumed. The unaudited pro forma consolidated financial information is provided for information purposes only.

Key Performance Indicators

The key performance indicators ("**KPIs**") or alternative performance measures ("**APMs**") described below have been derived from the Financial Statements. Where used, the relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components and calculation method.

This Prospectus includes certain financial measures that are not measures of performance specifically defined by IFRS. These include return on average assets, return on average equity, cost-to-income ratio, net interest margin, total liquid assets and NPL ratio. The KPIs disclosed in this Prospectus should not, however, be considered as an alternative to, in isolation from or as substitutes for financial information reported under IFRS. The KPIs disclosed in this Prospectus are not measures specifically defined by IFRS and the Group's use of these measures may vary from other companies in its industry due to differences in accounting policies or differences in the calculation methodology of similar measures by other companies in its industry.

Translations

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. All translations in this Prospectus are direct and accurate translations of the original text.

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OVERVIEW OF THE BANK

This overview highlights certain information concerning the business of the Bank and the Notes. It does not contain all information that may be important to an investor in the Notes or an investment decision in relation to the Notes. This overview should be carefully read in conjunction with, and is qualified in its entirety by reference to, the more detailed information in this Prospectus, including the Financial Statements and unaudited pro forma consolidated financial information. Investors should also consider the matters set forth in "Risk Factors" before deciding to invest in the Notes. Certain statements in this Prospectus include forward-looking statements which also involve risk and uncertainties as described under "Cautionary Statement Regarding Forward-Looking Statements".

Overview

Established in 1922, the Bank is one of the leading universal banks in the Republic of Uzbekistan. According to the CBU, in 2018, the Bank ranked as second largest commercial bank in Uzbekistan by total assets (14.2% market share) and second largest by loan portfolio size (16.3% market share). The Bank offers a comprehensive range of banking services, including state, corporate and retail lending, deposit-taking, cash handling, international money transfers, letters of credit, guarantees, foreign exchange operations and other products. The Bank conducts its banking operations from its head office in Tashkent and 45 branches within Uzbekistan as at 30 June 2019.

The Bank has historically operated as a state financing vehicle on the basis of funding provided by state agencies, such as the Uzbekistan's Fund for Reconstruction and Development (the "**UFRD**") and the Ministry of Finance of the Republic of Uzbekistan, for subsidised financing of investment projects in a number of strategic industries, being mainly oil and gas, energy and chemicals, and has otherwise in its day-to-day operations relied on funding provided by the Uzbekistan Government in the form of predominantly subsidised loans, deposits, capital injections and state guarantees, as well as funding received as borrowings from the international financial organisations ("**IFIs**"). Since 2018, as part of the on-going economic reforms in Uzbekistan, the Bank is undergoing a transitional reform of its banking organisation dependent on state control, support and funding to more of a market-orientated commercial structure. Under this transition strategy, the Uzbekistan Government has been gradually decreasing its influence on the business and loan portfolio of the Bank, as well as reducing the state support financing available to the Bank as well as the state loans that borrowers of the Bank have benefitted from and which the Bank has received as credit support. See "*Business – Competitive Strengths – History of strong shareholder support*". Following such strategic transition, the Bank intends to gradually decrease the share of state ownership and expects to rely less on state subsidised financing in its funding base and instead to rely to a larger extent on funding from other sources, such as customer accounts, interbank lending markets and international capital markets. Furthermore, the Bank is taking steps to diversify its loan portfolio and client base to increase the share of higher-margin loans attributable to developing sectors of Uzbekistan's economy, such as manufacturing, agriculture and retail, as well as to develop further its long-standing relationships with large corporate clients in oil and gas, chemicals and energy sectors on more commercial and market orientated terms.

As at 30 June 2019, the Bank's total assets comprised 35,420,770 million soums. Total gross loans and advances to customers amounted to 31,942,348 million soums, with gross loans to state and municipal organisations, gross loans to corporate clients and gross loans to individuals accounting for 65.0%, 27.9% and 7.1% of total gross loans, respectively. As at 30 June 2019, the Bank's total equity constituted 3,698,900 million soums. For the year ended 31 December 2018 and six months ended 30 June 2019, the Bank generated profit of 219,396 million soums and 197,186 million soums, respectively.

The Bank was incorporated as a joint-stock commercial bank in 1991 and is domiciled in the Republic of Uzbekistan. It is registered in Uzbekistan as a joint-stock commercial bank under registration number 17 to carry out banking and foreign exchange activities and has operated under the banking license No. 17 issued by the CBU on 21 October 2017. Its registered and head office is located at Shaxrisabzkaya str. 3, 100000 Tashkent city, Republic of Uzbekistan. The telephone number of the registered office

and the head office of the Bank is +998 (71) 200-43-43. As at the date of this Prospectus, the Bank has the following long-term ratings: BB- from Fitch and BB- from S&P.

Competitive Strengths

The Bank's management believes that the Group has a number of competitive advantages, including the following:

- *History of strong shareholder support;*
- *Established position in the banking market and growing loan portfolio*;
- *Focus on sound asset quality*;
- *Comprehensive banking network; and*
- *Developed corporate governance and experienced management with a deep understanding of the local market.*

Strategy

The following are the key elements of the Bank's strategy:

- *Further diversification of the Bank's loan portfolio and funding base*;
- *Diversified product range and IT development*;
- *Further development of risk-management and credit policies;*
- *Further development of high-quality corporate governance and qualified personnel; and*
- *Social responsibility.*

Risk Factors

An investment in the Notes involves a high degree of risk. For a detailed discussion of the risks and other factors to be considered when making an investment decision with respect to the Notes, see "*Risk Factors*" and "*Cautionary Statement Regarding Forward-Looking Statements*". Prospective investors in the Notes should carefully consider the risks and other information contained in this Prospectus prior to making any investment decision with respect to the Notes. Prospective investors should note that the risks described in this Prospectus are not the only risks the Bank faces. The Bank has described only the risks it considers to be material. However, there may be additional risks that it currently considers immaterial or of which it is currently unaware.

OVERVIEW OF THE OFFERING

*The following overview contains basic information about the Notes and is not intended to be complete. For a more complete understanding of the Notes, please refer to the Terms and Conditions of the Notes ("**Conditions**"). Capitalised terms not defined in this section have the meanings given to them in the Conditions.*

Issuer	Joint-Stock Commercial Bank "Uzbek Industrial and Construction Bank"
Joint Global Coordinators and Joint Bookrunners	Citigroup Global Markets Limited and J.P. Morgan Securities plc
Joint Bookrunners	Commerzbank Aktiengesellschaft and Raiffeisen Bank International AG
Notes Offered	U.S.$300,000,000 aggregate principal amount of 5.75% Notes due 2024
Trustee	Citibank, N.A., London Branch
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Europe AG
Issue Price	98.934%
Closing Date	2 December 2019
Maturity Date	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 2 December 2024
Interest Rate	The Notes bear interest at the rate of 5.75% per annum payable in equal instalments semi-annually in arrear on 2 June and 2 December in each year, commencing on 2 June 2020
Risk Factors	An investment in the Notes involves a high degree of risk. See "*Risk Factors*".
Use of Proceeds	The Issuer will use the proceeds received from the issue and sale of the Notes for general corporate purposes. For more information, see "*Use of Proceeds*".
Form	The Notes will be in registered form, without interest coupons attached, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will be issued in the form of a Global Note, in registered form and without interest coupons attached. The Global Note will be registered in the name of a nominee for and deposited with the common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Note will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and their respective participants. Notes in definitive form will be issued only in limited circumstances.
Ranking of the Notes	The Notes constitute direct, general, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times

	rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may arise by mandatory operation of law and subject to Condition 4, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
Negative Pledge and Covenants	Conditions contain restrictions on or impose requirements to be complied with when conducting certain activities of the Issuer and its subsidiaries, including, without limitation: (a) limitation on the incurrence of security interest; (b) requirement for the maintenance of capital adequacy and financial ratios; (c) limitation on prepayment of subordinated debt and paying dividends on or redeeming or repurchasing share capital or making other distributions; (d) requirement for the provision of certain financial information; (e) limitations on engaging in mergers and consolidations; (f) limitation on asset sales; (g) limitation on engaging in affiliate transactions; (h) requirement for the maintenance of authorisations; and (i) limitation on change of business. There are significant exceptions to the requirements contained in these covenants, as more fully described in Condition 4 and Condition 5.
Events of Default	If an Event of Default occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer that the Notes are, and that they shall immediately become, due and repayable at their principal amount together with accrued interest, as more fully described in Condition 10.
Optional Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice, at the principal amount thereof together with accrued and unpaid interest to (but excluding) the date fixed by the Issuer for redemption, if the Issuer is or would be required to pay additional amounts (as defined in the Conditions) (subject to certain conditions) as a result of any change in, or amendment to, the laws or regulations of the Republic of Uzbekistan, occurring on or after the Issue Date as more fully described in Condition 7(b).
Make-Whole call option	The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time on giving not less than 30 and not more than 60 days irrevocable notice, at a price equal to the principal amount thereof, plus the Make Whole Premium, plus any accrued and unpaid interest,

	up to but excluding the date of redemption, as more fully described in Condition 7(c).
Optional Redemption by the Noteholders upon a Change of Control	If a Change of Control occurs, the holder of each Note will have the option to require the Issuer to redeem that Note on the Change of Control Put Date at 100% of its principal amount together with interest accrued to (but excluding) Change of Control Put Date, as more fully described in Condition 7(f).
Withholding Tax	All payments in respect of interest and principal on the Notes will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Uzbekistan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. If any such taxes, duties, assessments or governmental charges are payable, the Issuer shall (subject to certain exceptions) pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received had no such deduction or withholding been required, as more fully described in Condition 9.
Listing of Notes	Application has been made to the Financial Conduct Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market. The Market is a regulated market for the purposes of MiFID II.
Ownership Restrictions	Neither Euroclear nor Clearstream, Luxembourg, will monitor compliance with any transfer or ownership restrictions.
Governing Law and Arbitration	The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with any of them shall be governed by and construed in accordance with English law and contain provisions for arbitration in London, England.
Selling Restrictions	United States, United Kingdom, Uzbekistan, Singapore and any other jurisdiction relevant to the Offering. See "*Subscription and Sale*".
Ratings	The Notes are rated BB- by Fitch and BB- by S&P. Fitch and S&P are established in the European Union and are registered under the CRA Regulation. Credit ratings assigned to the Notes do not necessarily mean that the Notes are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. Credit ratings do not relate to the liquidity of the Notes or consider whether there is a market for the Notes. Any change in the credit rating of the Notes or of the Issuer could adversely affect the price that a subsequent purchaser would be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Security Identification	ISIN: XS2083131859 Common Code: 208313185

Legal Entity Identifier 213800C2NIFPFTXYIU69

RISK FACTORS

An investment in the Notes involves risks. Accordingly, you should carefully consider the risks described below, as well as the other information in this Prospectus, before making an investment decision. The risks and uncertainties below are not the only ones the Group faces. Additional risks and uncertainties not presently known to the Issuer, or that the Issuer currently believes are immaterial, could also impair its business operations. Factors which the Issuer believes are specific to the Issuers, the Group and/or the Notes and material for an informed investment decision with respect to investing in the Notes issued under are described below. In each category below the Issuer set out the most material risks, in its assessment, taking into account the negative impact of such risks on the Issuer and the Group and the probability of their occurrence. If any of the following risks actually materialises, the Group's business, results of operations and financial condition could be materially and adversely affected and it could affect the Issuer's ability to meet its obligations under the Notes.

The risks below have been classified into the following categories:

(i) Risks Related to the Group's Business and Industry;

(ii) Risks Related to the Group's Strategy;

(iii) Risks Related to the Group's Legal, Regulatory, Compliance and Governance Framework;

(iv) Risks Related to the Republic of Uzbekistan; and

(v) Risks Related to the Notes.

Risks Related to the Group's Business and Industry

The banking sector in Uzbekistan and the Bank are undergoing a transition period

The Bank has historically operated as a financing vehicle on the basis of funding provided by the state agencies, such as the UFRD and the Ministry of Finance of the Republic of Uzbekistan, for financing subsidised investment projects in a number of strategic industries, being mainly oil and gas, energy and chemicals, and has otherwise in its day-to-day operations relied on primarily subsidised funding provided by the Uzbekistan Government in the form of loans, deposits, capital injections and state guarantees, as well as funding received as borrowings from the IFIs.

Since 2018, as part of on-going economic reforms in Uzbekistan, the banking sector has been undergoing a transitional reform away from a model based on state control, support and funding to a more market-orientated and commercial model. In line with such reform, the Uzbekistan Government has been gradually decreasing its influence on the business and loan portfolio of the Bank, as well as reducing the state support available to the Bank and the state guarantees that borrowers of the Bank have benefitted from and which the Bank has received as credit support. See "*Business – Competitive Strengths – History of strong shareholder support*". Following its strategic transition, the Bank intends to gradually decrease the share of state ownership and state financing in its funding base and instead rely to a larger extent on funding from other sources, such as customer accounts, the interbank lending market and international capital markets. Furthermore, the Bank is taking steps to diversify its loan portfolio and client base to increase the share of higher-margin loans attributable to developing sectors of Uzbekistan's economy such as manufacturing, agriculture and retail banking customers, as well as to further develop its long-standing relationships with large corporate clients in the oil and gas, chemicals and energy sectors on more commercial and market orientated terms. However, in line with the general economic reforms in Uzbekistan, many of the Bank's existing corporate clients are undergoing either privatisations or similar transition processes, which are expected to result, among other things, both in these corporate clients experiencing volatility in their businesses and having to obtain funding on commercial market terms. There can be no assurance that following the transition of the Bank to a market based pricing policy and reduction of state support, long-term corporate clients of the Bank, who previously benefitted from state guarantees of their borrowings but are unlikely to do so going forward, will retain their low-risk credit profile nor can there be any assurance that, following

privatisation or transition to more independent management, the credit profiles of such corporate clients will not be negatively affected or such existing corporate clients would not attract financing from or place their deposits with the Bank's competitors offering better terms on banking products.

The transition of the Bank and the banking industry generally to a more market-orientated and commercial model will also likely result in increased competition for the Bank with other state-owned banks, foreign and private banks for the same client base. See "– *The Bank operates in a competitive industry*" below. Moreover, expansion of the Bank's client base to new industries and sectors holds an additional degree of operational and credit risk, as the Bank may not have sufficient knowledge, procedures and resources to adequately evaluate and measure creditworthiness of new types of customers, including retail and new sectors. See "– *The Bank may not be able to implement its strategy to grow its business, and may be subject to risks relating to its expansion*" and "- *The Bank may not be able to accurately assess the credit risk of potential and current borrowers or maintain the quality of its loan portfolio*" below.

Furthermore, as the transitional strategy of the Bank is in its early stages and is expected to take at least three years to complete given a number of internal, market and macroeconomic risks associated with such transition, there can be no assurance that the Bank will succeed in implementation of all the necessary stages of transformation or achieve the growth or profitability that it would expect. Failure to implement its transition strategy could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank and some of its customers would be adversely affected if it and they did not continue to receive capital support from the Uzbekistan Government

In terms of both funding and income, the Bank and some of its main state-owned corporate clients have been historically reliant on the Uzbekistan Government to a very significant extent. The Uzbekistan Government has been and remains a very significant source of the Bank's funding, as well as the ultimate controlling entity in respect of major clients of the Bank, such as JSC Uztransgaz, JSC Uzbekenergo and JSC Uzneftmahsulot.

The Bank received 753,917 million soums and 424,846 million soums in funding from the Uzbekistan Government in the form of capital injections in 2017 and 2018, respectively. From 1 January 2019 to the date of this Prospectus, the Bank received over 3,523,939 million soums and U.S.$139.2 million in funding from the Uzbekistan Government. In January 2019, the Bank received a capital injection from the UFRD in the amount of 292,467 million soums. In April 2019, the Bank received additional funding of 502,714 million soums and U.S.$17.1 million from the UFRD, the Ministry of Finance of the Republic of Uzbekistan and the CBU for the development of strategic industries in the Republic of Uzbekistan. Furthermore, in April 2019, the Bank received long-term deposits from the Ministry of Finance of the Republic of Uzbekistan in the total amount of U.S.$122.1 million. Further, as a result of the implementation of the Presidential Decree No. 4487, on 31 October 2019, borrowings from the UFRD in the amount of 2,465,358 million soums have been converted into the share capital of the Bank. Prior to the implementation of the transition strategy, a substantial part of the Bank's loan book was subsidised by the Government and covered by the state guarantees, which supported the Bank's portfolio quality and reduced credit risk. See "*Business – Competitive Strengths – History of strong shareholder support*" and "*Financial Review— Factors Affecting the Financial Statements – Non-compliance with certain covenants in the Bank's financing agreement with the Republic of Uzbekistan*". A material decrease in guaranteed loans subsidised by the Government may increase the Bank's credit and interest rate risks. See "– *The Bank's operations are subject to various market risks*" and "- *The Bank may not be able to accurately assess the credit risk of potential and current borrowers or maintain the quality of its loan portfolio*".

As such, in the period under review, the Bank received substantial funding from the Uzbekistan Government to fund loans to the Bank's major clients. However, if the Uzbekistan Government were to reduce or cease its funding of the Bank in the future or change the terms or basis of such funding, including the degree of subsidisation or not make any further capital injections, these events could have

a material adverse effect of the Bank's business, results of operations, financial condition and prospects. Furthermore, absence of sufficient funding from the Uzbekistan Government may hinder the Bank's ability to implement its growth strategy successfully and in a timely manner. See "*– Risks Related to the Group's Strategy - The Bank may not be able to implement its strategy to grow its business, and may be subject to risks relating to its expansion*". Similarly, any unplanned or unexpected reduction in state funding to any of the Bank's state-owned customers or radical shift in government policy towards the Bank resulting in the loss of the state-owned customers may result in a decrease in operational volumes for the Bank or failure of such customers to serve their obligations under the existing loans and other arrangements with the Bank, which could in turn have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

In addition, reduced support or participation from the Government may also adversely affect credit ratings of the Bank and/or the Bank's state-owned customers, hindering their ability to attract funding on the local and international capital markets at favourable terms, which could in turn have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank operates in a competitive industry

In recent years, Uzbekistan's banking sector has become increasingly competitive. According to the CBU, as at 30 June 2019, there were 29 commercial banks operating in Uzbekistan. The Bank competes with a number of these banks, including the NBU, Asaka Bank, Hamkorbank, Aloqabank and Ipoteka Bank in respect of retail and micro finance loans and in the corporate sector. In addition, the mortgage market is highly competitive in Uzbekistan, with some competitors implementing aggressive pricing policies in order to retain or build their market share. Furthermore, according to the CBU, as at 30 June 2019, there were five banks with foreign capital in Uzbekistan, which, following the liberalisation of the economy and transitional development of the banking sector, pose an increased competitive challenge for the local market. Although the Bank believes it continues to offer highly competitive products for its retail customers, there can be no assurance that the Bank's retail customers will not transfer a significant portion of their deposits and/or loans to one or more of the Bank's competitors or that the Bank will gain a significant share of new customers in the market.

Increased competition may have a negative impact on the Bank, particularly if the Bank's competitors possess greater financial resources (especially in the case of banks with foreign capital investment or banks which are branches or subsidiaries of non-resident foreign banks, by way of access to funding from foreign capital or their parent entity), have access to lower-cost funding, provide a broader offering of products, or if the Bank's competitors merged to significantly enhance their financial resources, access to funding and product offerings. Consequently, an increase in competition could lead to significant pressure on the Bank's market share and has already led to, and may, in the future, continue to lead to, increased pricing pressures on the Bank's products and services, which could in turn have a material adverse effect on the Bank's business results of operations, financial condition and prospects.

The Bank's corporate loan portfolio is concentrated

The Bank's largest corporate customers include state-owned enterprises like Uzbekneftegaz and Uzbekenergo, which have long history of cooperation with the Bank mainly as a result of subsidised funding provided to these companies by the Government through the Bank. As a result, the corporate loan portfolio of the Bank is concentrated. The Bank's top ten corporate borrowers accounted for 67.7% of the gross loan portfolio as at 30 June 2019, as compared to 71.9% as at 31 December 2018 and 83.7% as at 31 December 2017. As of 30 June 2019, 65% of the loans granted to top ten corporate borrowers were covered by state guarantees. The Bank aims to adhere strictly to the concentration limits set by the CBU for client exposures and regularly monitors the concentration in its loan portfolio and the financial performance of its largest borrowers. The maximum exposure to a single borrower or a group of related borrowers for unsecured loan portfolio of commercial banks shall not exceed 25% of a bank's Tier 1

capital. See "The *Banking Sector and Banking Regulation in the Republic of Uzbekistan – Mandatory Ratios*". As at 1 September 2019, the Bank was in compliance with the above mandatory ratio.

As at 30 June 2019, the Bank had loan outstanding to eight borrowers in the amount of 19,122,074 million soums (60.0% of total loans), which individually exceeded 10% of the Bank's equity. As at 31 December 2018 and 2017, loans to seven borrowers which individually exceeded 10% of the Bank's equity accounted for 18,563,205 million soums (65.2% of total loans) and 16,223,656 million soums (77.6% of total loans), respectively. The average maturity of the loan book attributable to these borrowers is 9.2 years. As of 30 June 2019, 72.4% of the loans granted to these eight borrowers were covered by state guarantees.

The majority of the Bank's major customers operate in the oil and gas, chemicals and energy sectors. The share of these sectors in the Bank's gross loan portfolio amounted to 59.8% as at 30 June 2019, 66.0% as at 31 December 2018 and 79.4% as at 31 December 2017. The Bank's financial condition is sensitive to volatility and downturns in the industry sectors in which its loans are concentrated. Furthermore, the Bank's retail sector growth strategy is based, *inter alia*, on attracting employees of the Bank's large corporate clients as retail customers, including those employed in the oil and gas, chemicals and energy sectors. Should this strategy prove to be successful, the Bank may become more vulnerable to shocks and downturns in these industry sectors. Accordingly, the Bank's significant exposure to the oil and gas, chemicals and energy sectors, combined with any downturn or adverse trends in these sectors, could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank also aims to mitigate the risk of credit losses from large exposures by using collateral to minimise loss given default on its largest exposures, reducing guarantee exposures and maintaining a well-diversified loan book. There can be no assurance, however, that any such measures will be successful. In addition, microeconomic shocks or industry-specific fluctuations may adversely affect the quality and price of collateral in respect of the Bank's loan portfolio, for example real estate in Uzbekistan. See "– *Collateral values may decline or may not be of such high credit value*" and "- *Risks Related to Republic of Uzbekistan - The Bank may be adversely affected by changes in Uzbekistan's economic, political and other conditions*". Any loss of a key corporate borrower or deterioration in the quality of the Bank's corporate loan portfolio could, in turn, have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's loan portfolio is heavily U.S. dollar denominated, and the quality of the Bank's loan portfolio may deteriorate as a result of slower economic growth and depreciations and devaluations of the soum

As at 30 June 2019 and 31 December 2018, approximately 77.0% and 74.42% of the Bank's loan portfolio, respectively, was denominated in foreign currency (predominantly U.S. dollars). In 2017, the CBU, with the intention to liberalise the currency market in Uzbekistan, devalued the soum against the U.S. dollar by about 92%, causing a devaluation in the soum from 4,210.35 soums per U.S.$1 to 8,100 soums per U.S.$1. The Bank sustained low NPLs (loans overdue for 90 days and longer) and default levels in its loan portfolio following the devaluation, partially due to capital injections from the UFRD and the Ministry of Finance.

Any further depreciation of the Uzbek soum against the U.S. dollar may result in customers having difficulty repaying their loans. In particular, should the share of loans in the Bank's portfolio issued on market terms with higher margins but not collateralised by state guarantees increase significantly in line with the Bank's strategy, the exchange rate risk of the portfolio will increase accordingly. The Bank's impairment charges and, in turn, the cost of credit risk may increase, even if a single large borrower defaults or a material concentration of smaller borrowers default. In addition, fluctuations of the soum against the U.S. dollar may cause the value of the Bank's loan portfolio to fluctuate. As a significant portion of the Bank's customers with foreign currency-denominated loans depends on soum-denominated income, any depreciation of the soum against the currency of the loan may result in

customers facing difficulties repaying their loans. Any of these events could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is subject to operational risk inherent in banking activities

The Bank is subject to the risk of incurring losses or undue costs due to the inadequacy or failure of internal processes or systems or human error, or from errors made during the execution or performance of operations, clerical or record-keeping errors, business disruptions (caused by various factors such as software or hardware failures and communication breakdowns), failure to execute outsourced activities, criminal activities (including credit fraud and electronic crimes), unauthorised transactions, robbery and damage to assets. The financial services industry is exposed to the risk of misconduct by employees, which could involve, among other things, the improper use or disclosure of confidential information, violation of laws and regulations concerning financial abuse and money laundering, or embezzlement and fraud, any of which could result in regulatory sanctions or fines, as well as serious reputational or financial harm for the Bank. The proper functioning of banking systems, risk management, internal controls, accounting, customer service and other information technology systems, such as loan origination, are critical to the Bank's operations.

Although the management believes that the Bank's risk management policies and procedures are adequate and that the Bank is currently in compliance in all material respects with all laws, standards and recommendations applicable to it, any failure of the Bank's risk management system to detect unidentified or unanticipated risks, or to correct operational risks, or any failure of third parties to adequately perform key outsourced activities, such as card processing and the transportation of cash, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank faces liquidity and funding risk

The Bank is exposed to liquidity risk when the maturities of its assets and liabilities do not coincide. Liquidity risk is inherent in banking operations and may be heightened by a number of factors, including an over-reliance on, or an inability to access, a particular source of funding, changes in credit ratings or market-wide phenomena, such as financial market instability. Credit markets worldwide have in recent years experienced, and may continue to experience, a reduction in liquidity and long-term funding as a result of global economic and financial factors. The availability of credit in emerging markets in particular, is significantly influenced by the level of investor confidence and, as such, any factors that affect investor confidence could affect the price or availability of funding for the Bank.

Other borrowed funds is the main source of funding for the Bank and amounted to 76.4% of the Bank's total funding as at 30 June 2019. The Bank has several open credit lines with international financial organisations, see "*Financial Review - Funding*". However, the Bank may face increased cost of funding and shortage in available liquidity should the Bank breach its covenants under the existing borrowing facilities. See "– *The Bank is required to comply with certain financial and other restrictive covenants*" below. Further, a significant portion of the Bank's funding is derived from customer deposits, accounting for 20.4% of the Bank's total liabilities as at 30 June 2019. According to Uzbekistan law, term deposits may be withdrawn by individual depositors at any time. Accordingly, there can be no assurance that if unexpected withdrawals of deposits by the Bank's customers result in liquidity gaps, the Bank will be able to cover such gaps. In the event of any downturn in confidence in the Bank or the banking sector in Uzbekistan in general, customers could seek to withdraw their deposits and consequently the Bank may not have the necessary funds to meet its liabilities as they fall due, which will have a material adverse effect on its business, financial condition, results of operations and prospects. Furthermore, as at 30 June 2019, 48.6% of the Bank's customer accounts were denominated in foreign currencies, therefore, should soum depreciate significantly against U.S. dollar and other foreign currency due to macroeconomic or political events, the Bank's customer accounts may increase in soum terms, which may have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank seeks to manage its liquidity risk by, among other things, maintaining a diverse funding base comprising short-term sources of funding (including corporate and retail customer deposits, inter-bank borrowings and borrowings from the foreign banks) and longer-term sources of funding (including term corporate deposits, borrowing from international multi-development and international banks, sales and purchases of securities). Also, historically, the Bank in its day-to-day operations relied significantly on liquidity provided by the Uzbekistan Government. See "*Business – Competitive Strengths – History of strong shareholder support*". Following its strategic transition, the Bank intends to gradually decrease the level of state financing in its funding and liquidity base and instead rely to a larger extent on customer accounts, the interbank lending market and international capital markets. However, these liquidity sources and the Bank's current liquidity may be affected by unfavourable financial market conditions. If assets held by the Bank to provide liquidity become illiquid or devalue substantially, the Bank may be required, or may choose, to rely on other sources of funding to finance its operations and future growth. Only a limited amount of funding, however, is available in Uzbekistan's inter-bank market, and recourse to other funding sources may pose additional risks, including the possibility that other funding sources may be more expensive and less flexible. In addition, the cost of funding in Uzbekistan may significantly increase in the case of unfavorable financial market conditions, economic reforms implemented by the Uzbekistan Government or other macroeconomic changes. Recently, the refinancing rate in Uzbekistan increased significantly, leading to growth of interest rates on the interbank money market. As at 31 December 2018, the CBU's main policy interest rate (the "**refinancing rate**") was 16.0% as compared to 14.0% as at 31 December 2017 and 9.0% as at 31 December 2016. Following the increase in the refinancing rate, the average interest rate on the interbank money market grew from 8.9% in 2016 to 13.1% in 2017 and to 14.9% in 2018, thus increasing the cost of funding for the Bank on the local inter-bank lending market. Should the cost of funds on the inter-bank lending market further increase and the availability of this source of funding to the Bank diminish, or should the Bank fail to procure timely sources of other funding at market rates, it may hinder the Bank's ability to service its liabilities and have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank's operations are subject to various market risks

Assets and liabilities of the Bank are denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. As at 30 June 2019, 23.0% of the Bank's loans to customers were denominated in soums, 72.9% in U.S. dollars and the remaining 4.1% in other currencies. Volatility in the money market and significant exchange rate fluctuations may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. See "*Financial Review – Factors Affecting the Financial Statements - Currency Fluctuations*" and "*Risk Management*".

The Bank faces interest rate risk resulting from movements in interest rates that affect income or the value of financial instruments. For example, instruments on both the asset and liability side may exhibit different sensitivities to changes in interest rates, including changes in long-term and short-term interest rates relative to one another. If, for example, interest rates were to rise, this could negatively affect the value of the Bank assets with longer tenors that may have relatively lower fixed interest rates locked up until maturity relative to possible liabilities with shorter tenors. Although the Bank monitors interest rate fluctuations and its asset – liability matching in order to mitigate such interest rate risk, interest rate movements on both domestic and international markets may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank may face counterparty, systemic or contagion risk from other financial institutions

Financial service institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediates, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Bank interacts on a daily basis. The Bank routinely executes a high volume of transactions with numerous counterparties in the financial services industry, including brokers and dealers and commercial banks, resulting in significant credit

concentration. As a result, the Bank is exposed to counterparty risk and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. This could, in turn, have a material adverse effect on the Bank's ability to raise new funds and have a material adverse effect on the Banks's business, financial condition, results of operations and prospects.

Moreover, problems at certain financial institutions in Uzbekistan or in other countries could cause general market concerns over the health of financial institutions. Moreover, these problems could lead to reduced access to liquidity and funding for financial institutions and/or decline in the value of their debt or equity instruments, possibly including the Notes, such risk being sometimes referred to as "contagion effect". A default by, or even concerns about the stability of one or more financial service institutions, including institutions to which the Bank may not have direct exposure, or which may not even be among its counterparties, could lead to further significant systematic liquidity problems, or losses or defaults by other financial institutions that could materially and adversely affect the Bank's business, financial condition, results of operations and prospects.

The Bank may not be able to accurately assess the credit risk of potential and current borrowers or maintain the quality of its loan portfolio

Credit risk assessment is generally more difficult for Uzbekistan's banks than for banks operating in certain other jurisdictions due to the scarcity of reliable information in Uzbekistan about potential borrowers. In particular, it is difficult to make long-term forecasts with respect to a corporate borrower's financial position because the financial performance of Uzbekistan companies is generally more volatile and their credit quality is less predictable than those of similar companies in more mature markets and economies. Further, many potential corporate borrowers do not prepare audited accounts in accordance with IFRS and/or do not have extensive or externally verified credit histories. In addition, the availability of accurate and comprehensive financial and general credit information on small and medium enterprises ("**SMEs**") in Uzbekistan is even more limited, which makes it more difficult for the Bank to accurately assess the credit risk associated with such lending. The Bank periodically reviews its credit policies designed to manage the risk. The Bank's Credit Committees set counterparty limits by the use of a credit risk classification and scoring system and approve individual transactions. The credit quality review process is continuous and provides early identification of possible changes in the creditworthiness of customers, including regular collateral revaluations, potential losses and corrective actions needed to reduce risk, which may include obtaining additional collateral in accordance with underlying loan agreements. In addition, as the Bank is currently developing an automatic scoring system, the credit quality review process is currently done manually, which may expose the Bank to additional operational risk.

In extending retail loans, the Bank makes approval decisions on information derived from various sources, including data provided by the borrowers, as well as data provided by third parties (such as the Bureau of Credit Histories and the borrower's employer). Nevertheless, there is a risk that the Bank's procedures, controls and IT employed in loan origination and verification may generate errors, or the Bank's officer may fail to adhere to compliance procedures, which may lead to incorrect assessments of the level of risk of particular retail borrowers. The Bank may also be unable to accurately evaluate the current financial condition of each prospective borrower or independently assess information provided by prospective borrowers, and thus may be unable to determine the long-term economic outlook for each such borrower. Furthermore, the limited availability of recent and reliable credit information on retail and SME borrowers constrains the Bank's ability to detect and prevent fraudulent activities by potential borrowers, including the use of false information in order to obtain loans, which could lead in decreased loan recovery for the Bank.

Notwithstanding the risk assessment procedures and systems that the Bank has in place, there is no assurance that such procedures and systems, credit loss allowance and supporting collateral will be sufficient to protect the Bank against increased levels of defaults, losses or potential write-offs. Furthermore, the quality of the Bank's loan portfolio may deteriorate due to external factors beyond the Bank's control such as negative developments in Uzbekistan's economy or in the economies of its neighbouring countries, the unavailability or limited availability of credit information on certain of its

customers, as well as any failure of its risk management procedures or rapid expansion of its loan portfolio. See "*– The Bank's risk management strategies and procedures are developing and may not be completely effective*".

Failure to properly assess the risk of potential borrowers or deterioration in the financial condition of a significant number of the Bank's corporate or retail customers and any future deterioration in the quality of the loan portfolio or increase in its loan impairment charges may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's risk management strategies and procedures are developing and may not be completely effective

Although the Bank invests substantial time and effort in its risk management strategies and procedures, and is currently developing a modern and extensive risk management system tailored to cover the Bank's transition strategy and planned operational and internal control network, such strategies and procedures for risk management may nevertheless fail under certain circumstances, particularly when confronted with risks that it has not identified or anticipated. Further, there is no assurance that the Bank will succeed in the development and implementation of the updated risk management systems at a pace corresponding to the growth of the Bank's business and that any delays in such implementations will not limit the Bank's ability to develop and expand its business. In addition, the Bank's risk management methods may lack observations of historical market behaviour traditionally used as a base for risk management procedures due to limited availability of historic information. The Bank collects statistical information from CIS banking markets and applies statistical techniques to these observations to arrive at quantifications of its market risk exposures. See "*– The Bank is subject to operational risk inherent in banking activities", "- The Bank faces liquidity and funding risk"* and "*- The Bank's operations are subject to various market risks*". In developing its statistical models, the Bank may not identify or anticipate some circumstances and quantifications and may not take all risks into account. Moreover, there is no assurance that the Bank's risk management model will always be timely and efficient. If the Bank's measures to assess and mitigate risks prove insufficient or inaccurate, its losses may be greater than expected and this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's IT systems may malfunction, fail to secure the Bank against hacking, or be insufficient to support future business expansion

The Bank is subject to cyber-security threats, such as data leakage, insider threat and privilege abuse, cyber intrusion, network attacks, and targeted advance email attacks. Although cyber-security threats have not materially affected the Bank's operations to date, it is expected that such threats will continue to increase, which will require the Bank to closely monitor such threats.

The Bank has invested in upgrading its technologies, centralising its information systems and controlling the operation of its hardware and software, taking into account international best practices. In addition, the planned implementation of the transition strategy of the Bank and introduction of the more sophisticated risk management systems to the Bank's IT systems and procedures are expected to require significant development of the Bank's IT capabilities, both for internal management of the Bank's operations and for the digital products and services for the Bank's clients. However, the Bank cannot provide any assurance that its IT systems will be sufficiently developed and will continue to function in a manner that pre-empts significant disruptions or temporary loss of functionality, and the possibility of a systems failure that may adversely affect its operational activities and financial performance cannot be eliminated. Moreover, due to the rapid pace of development of financial technology and systems, which may render certain existing technology, equipment and systems obsolete, there can be no assurance that Bank's IT systems will at all times be as modern or as efficient as systems used by other financial institutions and competitors.

Further, the Bank's ability to operate its business depends on its ability to protect the computer systems and databases it operates and uses to inhibit the intrusion of third parties who may attempt to gain access to the Bank's computer systems, networks or databases through the Internet or otherwise. Although the

Bank believes that its computer systems, networks and databases are well protected from unauthorised access, given the potential technical and financial resources of intruders, full assurance cannot be given that its computer systems, networks and databases will not suffer from such attacks in the future.

In addition, the Bank develops the majority of its IT core systems software (including core banking software, Internet, mobile banking, and human resources software) with the assistance of Fido Business LLC, which as an independent company. The availability of Fido Business LLC's services to the Bank may be negatively affected by a number of factors, some of which are beyond the control of the Bank, including business interruptions, allocation of services to other purchasers, fluctuations in prices and increased costs. Should the Bank's relationship with Fido Business LLC deteriorate, or should any contracts with Fido Business LLC not be renewed/entered into on a timely basis or on commercially acceptable terms, or at all, the Bank's ability to operate its business may be adversely affected.

Also, given the operational growth of the Bank in the reporting period, should the Bank's business volumes continue to grow at a rapid pace, it could lead to significant increases in the utilisation of its IT systems, to a point where capacity limits could be reached and the systems would be unable to adequately support further growth. A failure of the Bank's IT systems to adequately support its operations and the growth of its business and to enable it to monitor and manage its operations effectively could result in a material adverse effect on its business, financial condition, results of operations and prospects.

Risks relating to financial reporting

As with many other banks in Uzbekistan and other CIS countries, the Bank's current system of internal financial reporting was not originally designed for the preparation of IFRS-based financial statements, leading to potential inaccuracies in the production of financial statements under IFRS. Preparation of the Bank's IFRS-based financial statements is a manual process that involves the transformation and reclassification of the Bank's statutory financial statements into IFRS through accounting adjustments, and requires an on-going review and update of applicable IFRS and related pronouncements that should be applied to the underlying Uzbekistan GAAP. This process is complicated, time-consuming and requires significant attention from the Bank's senior accounting personnel. Notwithstanding the above, the Bank has been preparing its annual financial statements in accordance with the IFRS reporting standards since 2000 and intends to continue doing so in the future in line with its continuing obligations in accordance with the Listing Rules as an Issuer with Notes listed on the Official List. Furthermore, the Bank targets to cure the following significant deficiencies: (i) need for implementation of training and investing into qualifications of its IFRS reporting specialists, (ii) necessity to implement certain changes in application of IFRS 15 and recognition of loan origination fees, (iii) need to further improve reporting process and internal controls at subsidiary level and (iv) requirement to implement certain IT solutions and practices. The Bank's management is taking several steps to address these matters and, in particular, improve its internal control and reporting procedures, including increasing operational effectiveness and the introduction of modern IT solutions. Any failure in the Bank's attempts to improve its internal control and reporting procedures, or any failure of its existing systems, may impact the Bank's operations, including its ability to report its financial performance in an accurate and timely manner, and consequently may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The unaudited pro forma consolidated financial information may not be indicative of the financial position or performance that the Group would have had if the Transaction had occurred on the dates assumed, or of the Group's future consolidated financial position or performance

The unaudited pro forma consolidated financial information included in this Prospectus has been prepared purely for illustrative purposes and, because of its nature, assumed that Transaction (as defined on page 29 of this Prospectus) has taken place as at 31 December 2018 and 30 June 2019 with respect to the unaudited pro forma statements of financial position, and as at 1 January 2018 and 1 January 2019 with respect to the unaudited pro forma statements of profit or loss. As a result, the unaudited pro forma consolidated financial information is not indicative of the financial position or the performance

that would have been achieved had the Transaction been consummated on the dates indicated above, or of the future financial position or performance of the Group.

In preparing the unaudited pro forma consolidated financial information, adjustments were made to the Group's consolidated financial statements based upon available information and certain preliminary estimates and assumptions, that the Group's management believed were reasonable, in order to reflect, on a pro forma basis, the impact of the Transaction. The estimates and assumptions used to compile the unaudited pro forma consolidated financial information in this Prospectus may be materially different from the Group's actual experience. Accordingly, investors are cautioned not to place undue reliance on the unaudited pro forma consolidated financial information included in this Prospectus.

Collateral values may decline or may not be of such high credit value

As at 30 June 2019, the Bank held collateral against gross loans covering 98.9% of the value of total gross loans. The main forms of collateral are charges over real estate, corporate and state guarantees, inventory, deposits and securities. Downturns in the residential and commercial real estate markets or a general deterioration of economic conditions in the industries in which the Bank's customers operate may result in asset illiquidity and a decline in the value of the collateral securing loans. In addition, declining or unstable prices of collateral in Uzbekistan may make it difficult for the Bank to accurately value the collateral it holds. If the fair value of the collateral that the Bank holds declines significantly, it could be required to record additional provisions and could experience lower than expected recovery levels on collateralised loans.

In addition, as part of its transition strategy to gradually decrease state support and expand the share of higher-margin loans in its portfolio, the share of the Bank's loan portfolio covered by collateral generally, and state guarantees in particular, is expected to decrease in the future, which may lead to additional provisions and lower than expected recovery levels on loans. Furthermore, the Bank may face difficulties with enforcing security under Uzbekistan law, which may also lead lower than expected recovery levels on collateralised loans. See "*Risk Management - Collateral*". If any of these risks materialise, they could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's insurance policies may not cover, or fully cover, certain types of losses

The Bank generally maintains insurance policies covering its assets, operations and certain employees in line with general business practices in Uzbekistan, including a comprehensive insurance policy with highly rated Uzbek insurance companies. The Bank seeks to insure against a range of risks, including fire, lightning, flooding, employee liability and employee fraud. However, there can be no assurance that all types of potential losses are insured or that policy limits would be adequate to cover them. Any uninsured loss or a loss in excess of insured limits could adversely affect the Bank's existing operations and create additional significant costs and liabilities and could, in turn, have a material adverse effect on the business, financial condition, results of operations and prospects.

The Bank depends on key management and qualified personnel

The current senior management team includes a number of individuals that the Bank believes contribute significant experience and expertise in the banking industry. The Bank's ability to continue to retain, motivate and attract qualified and experienced banking and management personnel is vital to its business. Further, following the on-going transition to independent operations from state direction, client diversification and the active development of Uzbekistan's banking sector, there is currently an intense competition in Uzbekistan banking industry for personnel with relevant expertise. There can be no assurance that the Bank will be able to successfully recruit and retain the necessary qualified personnel. The loss or diminution in the services of members of its senior management team or an inability to recruit, train or retain necessary personnel could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects as well as impair its ability to achieve its strategic objectives.

The Bank may fail to receive corporate approval in respect of certain transactions with related parties

In the past, the Bank has engaged in transactions with related parties under common control of the principal shareholders. See "*Certain Transactions with Related Parties*". The Bank's management expects that the Group will continue to enter into related party transactions in the future. Under the laws and regulations of Uzbekistan, certain related party transactions are required to be approved by the general shareholders meeting of the Bank prior to execution of such transactions. Failure to receive such approval may lead to invalidity of the transaction. If the shareholder(s) of the Bank is deemed to be the interested party and/or beneficiary of a related party transaction, such shareholder(s) must abstain from voting on the approval of the related party transaction. Should both the UFRD and the State Asset Management Agency of the Republic of Uzbekistan as the principal shareholders of the Bank be deemed interested in a related party transaction with the Bank and abstain from voting, the Bank's minority shareholders may not reach a quorum for voting or may not vote in favour of approving the transaction. See "*Principal Shareholders*". Failure to receive an approval and enter into a material related party transaction, such as a loan or deposit from/to the state agency or a state-owned company, could have an adverse effect on the Bank's business, results of operations, financial condition and prospects.

Risks Related to the Group's Strategy

The Bank may not be able to implement its strategy to grow its business, and may be subject to risks relating to its expansion

The Bank aims to achieve long-term sustainable growth and profitability of its business by increasing the relative and absolute size of its business, mostly by increasing its loan portfolio, funding base and fee-generating businesses. There can be no assurance, however, that the Bank will be able to achieve its major strategic objectives, including increasing its revenue or profitability. The Bank's ability to achieve its strategic objectives may be adversely affected by negative trends in Uzbekistan's economy, the economies of neighbouring countries and the performance of the global economy.

The Bank's strategic focus has historically been on provision of subsidised investment financing and corporate banking services to state-owned strategic companies. Recently, in line with the Government's policy shift and the Bank's transition strategy, the Bank has sought to increase its presence in retail and SME banking and increase the share of these sectors in its loan portfolio and deposit base. While the growth of the Bank's retail loan portfolio diversifies its overall loan portfolio, it also tends to increase the credit risk exposure in the loan portfolio, reflecting the high-risk nature of retail clients and respective lending products as well as the generally more limited information available to assess the credit worthiness of such borrowers. A greater degree of risk of default by such customers may result in an increase in overdue amounts and, consequently, in higher loan impairment provisions as well as negatively affect the Bank's net interest income.

In addition, the predominant part of the Bank's loan portfolio has historically contained a low degree of risk and was covered by state guarantees. Thus, with such increased exposure to credit risk as the Bank seeks to expand its business to both SME and retail customers and the ceasing of state guarantees, the Bank's risk management, internal control and operational capabilities may not be sufficient for such growth in the Bank's business under such strategy. For example, in order to deliver on the Bank's current strategy of increasing retail loans by at least 20% per annum, the Bank may consider extending loans to higher credit risk customers. The ability of the Bank to grow its customer base and expand its loan portfolio will depend on, amongst other things, the successful implementation of its credit policies and provisioning procedures, especially in retail lending, as well as the availability of affordable funding and maintaining its capital adequacy. Should the Bank fail to successfully implement such policies and procedures or maintain its capital adequacy or should affordable funding not be available, this may have material adverse consequences to its business, results of operations, financial condition and prospects. See "*– Risks Related to the Group's Business and Industry – The Bank's risk management strategies and procedures are developing and may not be completely effective*".

Furthermore, the level of trust in the Uzbekistan banking system from the population is currently low, and growth of the Bank's retail portfolio is dependent on increasing consumer understanding and

acceptance of credit products, particularly in smaller population centres outside of Tashkent. Sustainable development of consumer finance in Uzbekistan is dependent on economic stability and growth, increases in consumers' average disposable income and levels of consumer spending, which are linked to stable economic development of Uzbekistan. Therefore, external shocks or downturns in Uzbekistan's economy generally and banking and consumer finance sectors in particular may hinder the Bank's ability to implement its growth strategy, which may in turn have material adverse consequences to its business, results of operations, financial condition and prospects. See "– *Risks Related to Republic of Uzbekistan - The Bank may be adversely affected by changes in Uzbekistan's economic, political and other conditions*".

In addition, the Bank's strategic objectives are based, in part, on the expectation that Uzbekistan's banking sector will continue to grow in general and with respect to retail and SME banking in particular. There can be no assurance that these expectations will be met, which could, in turn, adversely affect the Bank's ability to achieve its objectives.

Notwithstanding the strategic aims, the Bank's overall goal is profitability and accordingly, it may not fulfil certain growth strategic goals if doing so would result in a negative impact on profitability. There can also be no assurance that the anticipated growth in retail and SME loans will offset any deterioration in the quality of the Bank's loan portfolio. Furthermore, the Bank's expansion strategy is expected to be financed by attracting more deposits, additional borrowings and possibly additional capital, as well as cash flows provided by operations. However, external financing and the cost of such financing are dependent on numerous factors, many of which are outside of the Bank's control. The Bank cannot provide any assurance that it will be able to arrange any such external financing on commercially reasonable terms, if at all, and the Bank's inability to access such funding at favourable rates could adversely affect its ability to implement its strategy. If any of these risks materialise, they could have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

The Bank's strategy is determined by the Uzbekistan Government as its major shareholder. Interests of the Bank's shareholders or management may conflict with those of the Noteholders

As at the date of this Prospectus, the Uzbekistan Government, through the UFRD and the State Asset Management Agency of the Republic of Uzbekistan, ultimately controls a stake exceeding 80% of the voting shares and the charter capital of the Bank. Currently, representatives of the UFRD, the State Asset Management Agency of the Republic of Uzbekistan and the Ministry of Finance of the Republic of Uzbekistan hold seven out of nine seats on the Bank's Supervisory Council. Certain of the Bank's directors and officers also serve as directors or officers of governmental agencies that regulate the Bank's business. See "*Management*".

The Uzbekistan Government is therefore able to determine the outcome of all material matters concerning the Bank that may be decided by the shareholders and can appoint the Bank's directors and management. Accordingly, the Uzbekistan Government could cause the Bank to pursue transactions or to make large dividend payments or other distributions or payments to shareholders that are designed to implement the policy of the Uzbekistan Government rather than benefit the Bank or the Noteholders, even though such transactions may involve increased risk for the Bank and, consequently, for the Noteholders. Although the Bank retains autonomy to determine day-to-day commercial matters, its overall strategy and, therefore, indirectly the focus of its loan portfolio, is prescribed by the Uzbekistan Government. The interests of the Bank's shareholders and management may, in some circumstances, conflict with the interests of the Noteholders and any such conflict could have a material adverse effect on the Noteholders' investment in the Notes.

Historically, through its loan book, the Bank assisted the Uzbekistan Government in financing infrastructural and development projects for the Uzbekistan oil and gas, chemicals and energy sectors. The Bank continues to issue loans to state-owned companies operating in those sectors using funding provided by the Government in the form of loans or deposits from the state agencies. Such loans typically have low margins and interest rates below market rates, thus affecting the Bank's net profit. Since 2018, in line with the general reform of the banking sector in Uzbekistan and the Bank's strategy,

the Uzbekistan Government has been gradually decreasing its influence on the business and loan portfolio of the Bank, as well as reducing the state support financing available to the Bank. See "*Business – Competitive Strengths – History of strong shareholder support*". Nevertheless, following the implementation of the Bank's transition strategy and decrease of the state financial support provided to the Bank, it still may be directed by the state as its major shareholder to invest in subsidiaries or to provide lending to companies and projects which are not commercially viable or at below market rates. Therefore, the state might require the Bank to engage in business practices in a way not necessarily consistent with the best interests of the Noteholders and which may negatively affect the Bank's net interest income.

Risks Related to the Group's Legal, Regulatory, Compliance and Governance Framework

The Bank is subject to substantial regulation and oversight, and future changes in regulations or relevant policies are unpredictable

As a commercial bank and participant of the financial market of the Republic of Uzbekistan, the Bank is subject to significant regulation and supervision by the CBU, the finance market regulator. If regulations change or the Bank expands its businesses, the Bank may become subject to additional rules and regulations, which may affect its operations. In November 2019, a new law "*On banks and banking activity*" was adopted. This law introduced changes to, *inter alia*, licencing requirements for banks, reporting and transparency rules, etc. See "*The Banking Sector and Banking Regulation in the Republic of Uzbekistan – Recent and Expected Banking Reforms*". Further, as at the date of this Prospectus, certain material laws and regulations in respect of the banking sector are being prepared by the Government, such as the new tax code. Future changes in regulation on financial market participants, fiscal or other policies are unpredictable and there is often a delay between the announcement of a change and the publication of detailed rules relating to such change. There can be no assurance that: the current regulatory environment in which the Bank operates will not be materially tightened; new or additional requirements or mandatory ratios will not be introduced, including as a result of a change in government in Uzbekistan; or the Bank will be able to comply with any or all resulting regulations. In addition, there can be no assurance that the current regulatory environment in which the Bank operates with respect to competition and anti-monopoly matters will not be subject to significant change in the future. If any of these risks materialise, they could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is subject to certain regulatory ratios

The Bank, like all regulated financial institutions in Uzbekistan, is required to comply with certain capital adequacy and regulatory ratios based on Uzbekistan GAAP and set by the CBU. The current CBU capital regulation is based on a combination of Basel II and III guidelines, with material regulatory discretion exercised by the CBU reflecting the specifics of the local banking industry. The main mandatory capital ratios reportable by Uzbekistan's banks are the Total Capital Adequacy Ratio, Tier I Capital Adequacy Ratio and the Leverage Ratio. The Bank does not intend to report any capital adequacy ratios under Basel III standards and/or based on IFRS during the life of the Notes. Therefore, the Noteholders may face difficulties tracking the Bank's capital adequacy ratios. See "*The Banking Sector and Banking Regulation in the Republic of Uzbekistan – Mandatory Ratios*" and "*Financial Review – Capital Management*".

As at 30 June 2019, the Bank was in compliance with all of the mandatory regulatory ratios set out by the CBU and calculated based on Uzbekistan GAAP: the Bank's Total Capital Adequacy Ratio amounted to 14.2%, Tier I Capital Adequacy Ratio amounted to 12.5% and Leverage Ratio amounted to 7.4%. However, should the Bank be in breach of any regulatory ratios, the Bank may face a material adverse effect on its reputation, business, financial condition, results of operations and prospects. Furthermore, should the CBU increase the minimum prescribed limits for mandatory capital ratios, the Bank may be required to adjust its business mix to conform to more strict capital and liquidity standards, which may limit the Bank's ability to exercise its strategy and have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Furthermore, certain of the Bank's financing facilities contain covenants on maintenance of capital adequacy and certain other mandatory ratios above a prescribed minimum, which may exceed the regulatory set level. See "- *The Bank is required to comply with certain financial and other restrictive covenants*". Failure of the Bank to comply with the contractual ratio levels may lead to breach of covenants under financial facilities, which in turn may cause acceleration of the Bank's indebtedness and cross defaults, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is required to comply with certain financial and other restrictive covenants

The Bank is subject to certain financial and other restrictive covenants under the terms of its indebtedness that impose certain restrictions on the Bank. The Bank's ability to meet its financial covenants and tests under the terms of its indebtedness are, to an extent, affected by events beyond the Bank's control, such events may include, *inter alia*, macroeconomic and political shocks, sharp fluctuations in foreign currency exchange rates and commodity prices, etc. The Bank is currently not in compliance with certain financial covenants contained in tripartite subsidiary loan agreements No. 3471 dated 5 April 2017 and No. 3673 dated 19 November 2018 between the Republic of Uzbekistan, the Rural Restructuring Agency and the Bank (the "**Subsidiary Loan Agreements**") issued in connection with a programme between the Republic of Uzbekistan and the Asian Development Bank ("**ADB**") and the project agreements with ADB. In particular, the Bank was not in compliance with the following ratios as at 31 December 2018 and 30 June 2019 (i) a cost to income ratio, (ii) a return on average assets ratio and (iii) a maximum limit on individual related party exposure, all calculated based on IFRS. The Subsidiary Loan Agreements are governed by Uzbek law and do not contain any event of default provisions. Therefore, no cross-default provisions under the Bank's other outstanding indebtedness were triggered as a result of the non-compliance with these covenants. At the same time, the Subsidiary Loan Agreements provide for the right of the Republic of Uzbekistan to demand prepayment of the relevant loans in case of a non-compliance with covenants. This required the Bank to classify the loans under the Subsidiary Loan Agreements as "demand and less than 1 month" loans in its Annual Financial Statements and Interim Financial Statements as further disclosed in Note 18 to the Annual Financial Statements and Note 16 to the Interim Financial Statements, respectively. As a result, the auditors' report on the Annual Financial Statements of the Bank classified the going concern as a key audit matter. The Bank has prepared and agreed with the ADB and the Republic of Uzbekistan an action plan to address the non-compliance and the Republic of Uzbekistan has agreed that it will not demand pre-payment of any of the Subsidiary Loan Agreements. See "*Financial Review— Factors Affecting the Financial Statements – Non-compliance with certain covenants in the Bank's financing agreement with the Republic of Uzbekistan*".

While the Bank endeavors to ensure compliance with all financial covenants applicable to it, and except as discussed above, the Bank is currently in compliance with the financial covenants in its loan agreements, the Bank's management cannot give any assurance that the Bank will be able to meet the tests imposed by the financial and other restrictive covenants under the terms of its indebtedness or that it will be able to obtain consents to amend or waivers in respect of such covenants in the future. A failure by the Bank to comply with the restrictions and covenants in its existing or future debt and other agreements, may result in a default under the terms of those agreements. In the event of a default under these agreements, the parties may terminate their commitments to further lend to the Bank or accelerate the loans and declare all amounts borrowed due and payable triggering events of default in other finance agreements. Such events may also trigger an event of default under the Notes. If any of these events occurs, the Bank cannot give any assurance that available assets would be sufficient to repay in full all of the Bank's affected indebtedness, or that the Bank would be able to secure alternative financing.

Even if the Bank could obtain alternative financing, the Bank's management cannot give any assurance that such financing would be on terms that are favourable or acceptable to the Bank.

The Bank's measures to prevent corruption, money laundering or terrorist financing may not be completely effective

The Bank considers itself in compliance with all applicable anti-corruption, anti-money laundering and anti-terrorist financing laws and regulations. The Bank has procedures and documents aimed at preventing corruption, money laundering and financing of terrorist activities, including a general anti-corruption, anti-money laundering policy and internal control procedures. The Bank has not been subject to any investigation with respect to its involvement in corruption, money laundering or terrorist financing. However, there can be no assurance that third parties will not attempt to use the Bank as a conduit for money laundering or terrorist financing without its knowledge, nor that the measures described above will be completely effective in pre-empting, identifying and/or terminating such activity. If the Bank fails to comply with anti-corruption, anti-money laundering or anti-terrorism financing laws or if it is otherwise associated with corruption, money laundering or terrorist financing, this could have a material adverse effect on its reputation, business, financial condition, results of operations and prospects.

Risks Related to Republic of Uzbekistan

The Bank may be adversely affected by changes in Uzbekistan's economic, political and other conditions

The Bank's operations are primarily located in, and the vast majority of its revenue is sourced from, Uzbekistan. The Bank's results of operations are, and are expected to continue to be, significantly affected by financial and economic developments in or affecting Uzbekistan and, in particular, by the level of economic activity in Uzbekistan. They can also be affected by political, social and legal developments in the country. Factors such as GDP, inflation, interest and currency exchange rates, as well as unemployment, personal income and the financial situation of companies, have a material impact on customer demand for the Bank's products and services.

Global and regional economic conditions remain volatile, and there is significant economic uncertainty. Real GDP growth in Uzbekistan slowed to 5.0% in 2018 and 5.2% in 2017, as compared to 6.2 % in 2016, according to the State Committee of the Republic of Uzbekistan on Statistics. This slowdown in 2018 and 2017 was due to a weaker external economic environment, which was reflected in weaker remittances, lower net exports from Uzbekistan and lower foreign direct investments. According to the IMF's World Economic Outlook published in April 2018, the near-term outlook for the CIS has worsened, with GDP growth projected to fall to 2.2% in 2019, from 2.8% in 2018, as decline in economic activity is expected in most economies in the region, primarily due to a spillover effect from the global economic slowdown and China-U.S. trade war. The IMF projects a 2.3% growth rate in CIS economies in 2020 and an average growth rate of 2.3% from 2019 to 2022. The IMF expects 5% real GDP growth in Uzbekistan in 2019 and growth to gradually increase to 5.5% by 2020, supported by new investment opportunities and structural reforms directed to further diversify the economy.

Uzbekistan continues to face significant risks to its growth prospects, including risks associated with the exchange rate, financial stability, inflation and capital flight. Market turmoil and economic deterioration in Uzbekistan may cause consumer spending to decline and have a material adverse effect on the liquidity and financial condition of the Bank's customers in Uzbekistan. Despite a stable political environment in Uzbekistan during the current period of economic reforms, uncertain and volatile global and regional political conditions, such as Brexit, and regional geopolitical developments, could also have substantial political and macroeconomic ramifications, which could, in turn, have a significant impact on the Uzbekistan's economy. If any of these risks materialise, they could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Uzbekistan's banking sector remains vulnerable to external shocks

Uzbekistan's banking system's low exposure to global financial markets, limited financial liberalisation, a partly integrated economic structure into the world trading system and large financial subsidies for key sectors largely shielded the sector from the effects of the global financial crisis in 2008/2009. However, Uzbekistan's banking sector is still concentrated, underdeveloped and vulnerable to macroeconomic shocks, such as further devaluation of the soum.

As at 30 June 2019, the banking sector of the Republic of Uzbekistan consisted of 29 active banks, comprising five wholly state-owned banks, 13 partly state-owned joint-stock commercial banks, five banks with foreign capital and six private banks. As at 30 June 2019, there was a high level of concentration in the banking sector, with the wholly and partly state-owned banks holding 85.5% of all of the banking sector's total assets, 89.4% of the banking sector's total loans, 86.2% of the banking sector's liabilities and 72.3% of the banking sector's total deposits. In addition, a large share of the banking sector's loans is comprised of loans to state-owned companies guaranteed by the state, exposing the sector to high loan concentration and to single borrower risk. Deterioration of the creditworthiness of the largest borrowers which are also key enterprises in the economy may lead to systemic shocks for the economy as a whole and the banking sector in particular.

In addition, as at 30 June 2019, the NPLs to total gross loans ratio ("**NPL ratio**") of the banking sector in Uzbekistan (based on the CBU standards) amounted to 1.47%. Based on a CBU initiative, going forward, banks will have to employ external audit companies to implement IFRS 9 standard models for valuation and measurement of their assets, which is likely to lead to an increase in NPL ratios and respective provisions in the banking sector. Furthermore, risk management in Uzbekistan's banking sector is at the development stage and has not yet reached international standards. Stress-testing and scoring systems, which have already been implemented based on IMF methodology, identified concentration as the main risk for state-owned banks. As at the date of this Prospectus, the maximum exposure to a single borrower or a group of related borrowers set by the CBU for the unsecured loan portfolio of commercial banks shall not exceed 25% of a bank's Tier 1 capital. See "*– The Banking Sector and Banking Regulation in the Republic of Uzbekistan – Mandatory Ratios*". As at 1 September 2019, the Bank was in compliance with the above mandatory ratio.

In 2017, following currency liberalisation, the banking sector also had a high level of loans denominated in U.S. dollars and other foreign currencies, giving rise to risks relating to currency fluctuations. The volume of loans denominated in foreign currencies increased from 68,838 billion soums in 2017 to 93,527.0 billion soums in 2018 as a result of the devaluation. According to CBU, as at 30 June 2019, foreign currency denominated loans constituted approximately 56.9% of total loans in the sector and foreign currency denominated deposits amounted to approximately 42.5% of the total deposit portfolio of the banking sector. The majority of these foreign currency denominated loans were long-term loans granted by the UFRD to state-owned enterprises for imports of equipment and machinery.

Therefore, the Uzbek banking sector remains concentrated, vulnerable and susceptible to foreign currency fluctuations and there can be no assurance that future turmoil in the global banking sector and the wider economy will not have a negative effect on Uzbekistan's banking sector and on its participants. A failure or default of any financial institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could prevent the Bank from raising new or additional funds in the capital markets and could also significantly reduce depositors' confidence in the banking industry in general and in the Bank in particular. All of these events could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects and the trading price of the Notes.

Uzbekistan's economy and the banking market has been undergoing significant changes

Since early 2017, the Government has introduced a number of measures aimed at the liberalisation of Uzbekistan's economy and encouraging growth and foreign investment. These reforms include currency and trade liberalisation, reforms of the tax and state budget processes, the restructuring and privatisation of state-owned entities and the reform of the agriculture and financial sectors. To increase

the efficiency of the banking sector, the Government is planning a number of further reforms, such as the privatisation of some state-owned banks, including through sales to foreign investors. However, there can be no assurance that such reforms will be successful or sufficient. Deficiencies in the Uzbekistan banking sector may result in the banking sector being more susceptible to future worldwide credit market downturns and economic slowdowns.

It is difficult to forecast how the changes in banking and financial market regulation will affect the Uzbekistan banking system, and no assurance can be given that the regulatory system will not change in such a way that will increase the Bank's expenses or impair the Bank's ability to provide a full range of banking services or to compete effectively, thus adversely affecting the Bank's credit ratings, business, financial condition, results of operations and prospects.

The Uzbekistan currency is subject to volatility and depreciation

Any depreciation of the soum against the U.S. dollar or other foreign currencies, and any future devaluations in the currencies of Uzbekistan's neighbouring countries (including countries forming part of the CIS, and specifically including Russia) may adversely affect the financial condition of the Bank, as well as the Bank's ability to repay its debt denominated in currencies other than the soum, including amounts due under the Notes.

Uzbekistan's economy is under inflationary pressure

The economy of Uzbekistan is significantly affected by inflationary pressure. Uzbekistan's inflation was equal to 14.3% in 2018, 14.4% in 2017, 5.7% in 2016 and 5.6% in 2015. The CBU expects inflation and CPI to remain high in 2019 on the back of price liberalisation reforms implemented in the country in 2018. Heavy and sustained inflation could lead to market instability, financial crises, reductions in consumer purchasing power and the erosion of consumer confidence. Any of these events could lead to decreased demand for the Bank's products and services and have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Withholding Tax

Pursuant to the Tax Code of the Republic of Uzbekistan effective as at 1 January 2008, as amended ("**Tax Code**"), any interest received from the international bonds issued by an Uzbek legal entity and made to a non-resident or resident legal entity is not subject to Uzbekistan taxation by way of withholding at source. Any interest of an individual holder received from the international bonds issued by an Uzbek legal entity will be subject to Uzbekistan withholding tax at the rate of 10% for non-resident individuals (subject to tax treaty relief if available) and 5% for resident individuals.

If interest payments in respect of any Notes are subject to Uzbekistan withholding tax, the Bank shall (subject to certain exceptions) pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received had no such withholding been required as more fully described in Condition 9. The Tax Code does not permit contractual provisions imposing on residents of the Republic of Uzbekistan an obligation to bear expenses in relation to tax obligations of foreign natural persons who are non-resident of the Republic of Uzbekistan (the "**Non-Uzbek natural persons**"). Whilst tax gross-up provisions of Condition 9 are expressed to impose on the Bank an obligation to pay additional amounts rather than to bear expenses in relation to tax obligations of the non-Uzbek natural persons, there is no assurance that an Uzbek court will agree with this interpretation and, therefore, there is a risk that such gross-up provisions may not be enforceable. So far as the Bank is aware, there has been no court case in the Republic of Uzbekistan in which tax gross-up or similar provisions were considered.

Enforcement of judgements or arbitral awards against the Bank can be difficult

The Bank has not submitted to the jurisdiction of any foreign courts in connection with the Notes. The Conditions provide that arbitration will be the exclusive remedy in relation to any dispute relating to the Notes. If a Noteholder is granted a monetary award in any arbitration proceedings in relation to the Notes, it may attempt to enforce that award or bring proceedings on the award as a debt owing to it in

Uzbekistan and attempt to obtain a judgment thereon. In addition, Uzbekistan and the United Kingdom are parties to the New York Convention and, accordingly, an arbitral award should generally be recognised and enforceable in Uzbekistan provided the conditions to enforcement set out in the New York Convention are met and subject to compliance with Uzbek law. See "*Limitations on Enforcement of Arbitral Awards and Judgments*" for more information on enforcing an arbitral award in Uzbekistan.

Uzbekistan's courts may not enforce a judgment obtained in a court outside Uzbekistan (including the judgement on an arbitral award) unless there is a treaty in effect between the relevant country and Uzbekistan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Uzbekistan and the United Kingdom. Even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Uzbek law.

For example, an Uzbekistan court may refuse to recognise or enforce a foreign arbitral award or a foreign judgement thereon if its recognition or enforcement would be contrary to Uzbekistan public policy. As a result, it may be difficult to obtain recognition or enforcement of a foreign arbitral award or a foreign judgement thereon in respect of the Notes.

It may also be difficult to enforce a foreign arbitral award or a foreign judgement thereon in Uzbekistan due to a number of factors, including the lack of experience of Uzbek courts in international commercial transactions and certain procedural irregularities, all of which could introduce delay and unpredictability into the process of enforcing any foreign arbitral award or a foreign judgement thereon in Uzbekistan. In addition, the judicial system and judicial officials in the Republic of Uzbekistan may not be fully independent of external social, economic and political forces. Therefore, judicial decisions could be unduly influenced.

Corporate governance standards in Uzbekistan differ from those in Western jurisdictions

Uzbekistan complies with corporate governance standards applicable to publicly listed Uzbekistan companies, which are not of the same standard as those in the United Kingdom. Accordingly, there are fewer protections for investors than would otherwise be the case if the Bank was required to comply with corporate governance principles or standards applicable to public companies in the United Kingdom. Furthermore, should the Bank fail to comply with existing corporate governance standards applicable under Uzbek law or provided for by the Listing Rules of the Tashkent Stock Exchange where the Bank's shares are listed, it could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Risks Related to the Notes

Insolvency and administrative laws in the Republic of Uzbekistan could negatively affect the ability of Noteholders to enforce their rights

Uzbekistan bankruptcy law provides that transactions or payments entered into or made within specified time periods before a bankruptcy petition is filed or at or after the time when a bankruptcy petition is filed may be declared void by a Uzbek court. After a bankruptcy petition is filed, the subject company is prohibited from paying any debt outstanding prior to the bankruptcy proceedings, subject to specified exceptions. After the subject company becomes insolvent, creditors of that company may not effectively pursue any legal action to obtain an order for payment of indebtedness, to set aside a contract for non-payment or to enforce the creditor's rights against any asset of the debtor outside the framework of the bankruptcy proceedings. Contractual provisions, which would accelerate the payment of the debtor's obligations upon the occurrence of certain bankruptcy events, are not enforceable under Uzbekistan law. In addition, an administrator may renounce or set aside executory contracts.

Additionally, if a court orders bankruptcy proceeding, it can prohibit the sale of an asset that it deems to be essential to the continued business of the debtor, and it can postpone the payment of debts owed by the debtor. Uzbekistan bankruptcy law assigns priority to the payment of certain creditors, including

creditors on personal injury obligations, employees, secured creditors, the government, tort plaintiffs and certain post-petition creditors.

The Notes are pari passu securities

Subject to the restrictions on levels of indebtedness in other agreements and under prudential norms, there is no restriction on the amount of securities the Issuer may issue and which may rank equally in right of payment with the Notes. The issue of any such securities may reduce the amount investors may recover in respect of the Notes in certain scenarios as the incurrence of additional debt could affect the Issuer's ability to repay principal of, and make payments of interest on, the Notes. This could have a material adverse effect on the trading price of the Notes.

The Notes constitute unsecured obligations of the Issuer

The Issuer's obligations under the Notes will constitute unsecured obligations of the Issuer. Accordingly, any claims against the Issuer under the Notes would be unsecured claims, which would be satisfied only after any secured creditors, if at all. The ability of the Issuer to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows.

There is no public market for the Notes

There is no existing market for the Notes, and there can be no assurance regarding the future development of a market for the Notes. Application has been made for admission to trading of the Notes on the Official List. However, an active trading market in the Notes may not develop or be maintained after listing. No assurance can be made as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell the Notes or the price at which Noteholders may be able to sell the Notes. The liquidity of any market for the Notes will depend on the number of Noteholders, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Bank's financial condition, performance and prospects, as well as recommendations of securities analysts. Disruptions in the global capital markets may lead to reduced liquidity, increased credit risk premiums and a reduction in investment in securities. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes.

The trading price of the Notes may be volatile

The trading price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Bank's operating results and those of the Bank's competitors, adverse business developments, changes to the regulatory environment in which the Bank operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including the credit rating of the Bank. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that cause substantial volatility in the prices of such securities. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the trading price of the Notes without regard to the Bank's operating results, financial conditions or prospects or credit rating.

The Notes may or must be redeemed prior to maturity for certain reasons

On the occurrence of one of the early redemption events described in Condition 7, the Issuer may, or in some cases must, redeem the Notes in whole or in part together with accrued and unpaid interest at any time, and the Issuer shall redeem all outstanding Notes in accordance with the Conditions. On such redemption, or at maturity, the Issuer may not have the funds to fulfil its obligations under the Notes and it may not be able to arrange for additional financing. Further, if the Issuer is able or perceived to be able to redeem the Notes prior to their maturity then this may adversely affect the market price of the Notes from time to time.

Modification and waivers

The Conditions contain provisions for calling meetings of the Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of certain provisions of the Notes or the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature and is made to correct a manifest error, (ii) any other modification thereof (subject as provided in the Trust Deed) or any waiver or authorisation of any breach or proposed breach thereof which in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders.

The Notes may only be transferred in accordance with the procedures of the depositaries in which the Notes are deposited

Except in limited circumstances, the Notes will be issued only in global form, with interests therein held through the facilities of Euroclear and/or Clearstream, Luxembourg. Ownership of beneficial interests in the Notes is shown on, and the transfer of that ownership is effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg, or their nominees and the records of their participants. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in the Notes. Because Euroclear and/or Clearstream, Luxembourg, can only act on behalf of their participants, which, in turn, act on behalf of owners of beneficial interests held through such participants and certain banks, the ability of a person having a beneficial interest in a Note to pledge or transfer such interest to persons or entities that do not participate in the Euroclear and/or Clearstream, Luxembourg systems may be impaired.

USE OF PROCEEDS

The net proceeds from this Offering, after payment of commissions related to the Offering, will be approximately U.S.$295,230,000. This figure does not include expenses related to the Offering and admission to trading, estimated to be approximately £2,000.

The Issuer will use the net proceeds from the issuance of the Notes for general corporate purposes.

CAPITALISATION

The following table sets forth the Group's capitalisation as at 30 June 2019 and is extracted from the Interim Financial Statements. For further information regarding the Group's financial position, see "*Financial Review*" and the Financial Statements included elsewhere in this Prospectus.

	As at 30 June 2019
	millions soums (unaudited)
Liabilities	
Due to other banks	914,756
Customer accounts	6,472,316
Debt securities in issue	58,954
Other borrowed funds	24,127,349
Other liabilities	47,755
Deferred tax liability	97,407
Reserves for insurance contracts	3,333
Total liabilities	**31,721,870**
Equity	
Share capital	2,177,348
Treasury shares	(685)
Retained earnings	1,509,903
Revaluation reserve of financial assets at fair value through other comprehensive income	7,395
Non-controlling interest	4,939
Total equity	**3,698,900**
Total liabilities and equity	**35,420,770**

Subsequent to the reporting date, the Bank received additional funding in the total amount of 206,000 million soums from the Ministry of Finance and 57,400 million soums from the UFRD, which constituted a related party transaction for the Bank.

Subsequent to reporting date, the Bank also received additional funding from five IFIs in the total amount of U.S.$78 million.

As a result of the implementation of the Presidential Decree No. 4487, on 31 October 2019, borrowings from the UFRD in the amount of 2,465,358 million soums have been converted into the share capital of the Bank.

Other than as described above, since 30 June 2019, there have been no material changes in the consolidated capitalisation and indebtedness of the Bank.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

1. Introduction

Historically, the share of the Government in the banking sector of the Republic of Uzbekistan has been significant. This is primarily due to extending the government funds accumulated in the UFRD to the strategic national projects via state owned commercial banks including the Bank through loans increasing their assets and liabilities.

A reduction of the Government (the "**state**") control in the banking sector was determined to be one of the core pillars of the national reforms. On 9 October 2019, a Presidential Decree No. 4487 (the "**Decree**") was issued outlining priority measures to strengthen the financial standing of the banking sector which, among other plans for action, stipulated a withdrawal of government directed low-margin and subsidised assets out from the state owned banks, including the Group, to improve their return on assets and performance.

Specifically, the Decree requires the Group to execute the following transactions by the end of the year ending 31 December 2019 that in the management's view will have a significant impact on the financial position of the Group (collectively referred to as the "**Transaction**"):

- Reduce the share of low-margin loans funded by the Government in the loan portfolio of the Group. The Group will execute the transaction by transferring from its loan portfolio 22 loans specified in the Decree (the "**Non-core loans**") to the UFRD. To compensate for the reduction of assets, the Group simultaneously will be discharged from its liabilities by decreasing the "*Other borrowed funds*" from the UFRD for the same amount. In accordance with the Decree, these loans, denominated predominantly in U.S. dollars and lesser in euros, were provided to twelve large state-owned companies to fund national projects in the energy, oil and gas, chemicals and transportation sectors of the economy and amounted to an equivalent of 11,475,320 million soums as at 1 October 2019. The actual amount of the transaction will be based on the outstanding balances of the Non-core loans as at the date of transfer.

- In accordance with the Decree, increase the share capital of the Group and the UFRD's stake in it, respectively, by capitalising seven loans (the "**Capitalised loans**") funded by the UFRD. The transaction occurred by converting the Group's borrowings, obtained from the UFRD to fund these loans, into the Group's share capital. These loans were provided to three large state-owned companies to fund the national projects in oil and gas, chemicals and transportation sectors of economy and amounted to U.S.$258.5 million (2,465,358 million soums) as at the date of actual transaction which has been executed as at 31 October 2019.

- Convert the currency denomination of U.S.$15 million of borrowings from the UFRD to fund a government program "*Each family – entrepreneur*" into soums using the exchange rate effective as at the date of transaction.

Since the Transaction summarized above is expected to have a material impact on the financial position and performance of the Group, the following unaudited pro forma consolidated financial information was prepared by management of the Group ("**management**"), comprising the unaudited pro forma consolidated statements of financial position as at 31 December 2018 and 30 June 2019 ("**pro forma statements of financial position**") and unaudited pro forma consolidated statements of profit or loss for the year ended 31 December 2018 and the six months ended 30 June 2019 ("**pro forma statements of profit or loss**") and related notes (collectively, the "**pro forma financial statements**"). Management determines the impact of the Transaction to be material as the change in the total assets of the Group is expected to be more than 25%.

The purpose of the pro forma financial statements is to show the material effects that the Transaction would have had on the historical consolidated financial statements and information of the Group as if it had occurred as at 31 December 2018 and 30 June 2019 with respect to the pro forma statements of

financial position, and as at 1 January 2018 and 1 January 2019 with respect to the pro forma statements of profit or loss.

Because of their nature, the pro forma financial statements are presented for illustrative purposes only and are not indicative of the financial position or the performance that the Group would have had if the Transaction had occurred as at 31 December 2018 and 30 June 2019 with respect to the unaudited pro forma consolidated statements of financial position, and as at 1 January 2018 and 1 January 2019 with respect to the pro forma statements of profit or loss, nor are the pro forma financial statements indicative of the future operating results or financial position of the Group. The pro forma financial statements address only a hypothetical situation and, therefore, do not represent the Group's actual financial position or results after the execution of the Transaction.

The pro forma financial statements have been prepared for illustrative purposes only and in accordance with Annex 20 of the Prospectus Delegated Regulation, and should be read in conjunction with the notes set out below.

2. Basis of preparation

The pro forma financial statements have been prepared consistent with the accounting policies adopted by the Group in its audited consolidated financial statements for the year ended 31 December 2018 and unaudited interim condensed consolidated financial information for the six months ended 30 June 2019 both prepared in accordance with IFRS.

Only pro forma adjustments that are factually supportable, directly attributable to the Transaction and that can be estimated reliably at the date the pro forma financial statements are prepared have been taken into account. Therefore, the pro forma financial statements do not reflect any adjustments dependent on management's actions to be taken following the execution of the Transaction, even where their actions are central to the Group's purpose in executing the Transaction. In respect of adjustments associated with pro forma statements of profit or loss, management has clearly identified as those expected to have a continuing impact on the Group and those which are not. The pro forma financial statements do not reflect the effects of any transactions that are not directly attributable to the Transaction subsequent to the date of the historical information included in the pro forma financial statements, unless specified in the notes.

The pro forma financial statements have been prepared in millions of soums. The transactions and pro forma adjustments denominated in foreign currency and reflected in the pro forma statements of profit or loss have been converted into soums using the average U.S. dollar/soum exchange rate for the corresponding periods; the balances and pro forma adjustments reflected in the pro forma statements of financial position have been converted using the closing rates published by the CBU as at each reporting date. The applicable exchange rates are as follows:

	31 December	30 June	Average rate for the year ended 31 December	Average rate for the six months ended 30 June
	2018	2019	2018	2019
U.S. dollar.....	8,339.55	8,562.34	8,069.05	8,427.58
Euro	9,479.57	9,731.96	9,536.51	9,520.35

3. Historical Financial Information

The pro forma financial statements should be read in conjunction with:

- audited consolidated financial statements of the Group for the year ended 31 December 2018 prepared in accordance with IFRS;
- unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 prepared in accordance with IFRS.

The pro forma financial statements are not meaningful on a stand-alone basis.

The information in the "Historical" column of the pro forma financial statements was derived, without material adjustment, from the Group's historical consolidated financial statements and information for the period and as at the date presented and does not reflect any adjustments related to the Transaction.

The information in the "Pro Forma" column in the pro forma financial statements reflect the historical information corrected for pro forma adjustments which are further described in the accompanying notes below.

The table below presents the unaudited pro forma consolidated statement of financial position as at 30 June 2019.

	30 June 2019	Pro forma adjustments	Notes	30 June 2019
		million soums		
	(IFRS - unaudited) Historical	(unaudited)		Pro forma (unaudited)
Assets				
Cash and cash equivalents	1,787,718	-		1,787,718
Due from other banks	1,455,272	-		1,455,272
Loans and advances to customers	31,278,577	(10,335,831)	A-B-C	20,942,746
Financial assets at fair value through other comprehensive income	232,885	-		232,885
Investment in associates	587	-		587
Premises, equipment and intangible assets	341,418	-		341,418
Other assets	307,623	-		307,623
Non-current assets held for sale	16,690	-		16,690
Total assets	**35,420,770**	**(10,335,831)**		**25,084,939**
Liabilities				
Due to other banks	914,756	-		914,756
Customer accounts	6,472,316	-		6,472,316
Debt securities in issue	58,954	-		58,954
Other borrowed funds	24,127,349	(12,900,651)	A+E	11,226,698
Deferred income tax liability	97,407	(46,682)	I	50,725
Other liabilities	47,755	66,574	J	114,329
Reserves for insurance contracts	3,333	-		3,333
Total liabilities	**31,721,870**	**(12,880,759)**		**18,841,111**
Equity				
Share capital	2,177,348	2,465,358	E	4,642,706
Treasury shares	(685)	-		(685)
Retained earnings	1,509,903	79,570	B+C+I-J	1,589,473
Revaluation reserve of financial assets at fair value through other comprehensive income	7,395	-		7,395
Net assets attributable to the Bank's owners	3,693,961	2,544,928	E+B+C +I-J	6,238,889
Non-controlling interest	4,939	-		4,939
Total equity	**3,698,900**	**2,544,928**		**6,243,828**
Total liabilities and equity	**35,420,770**	**(10,335,831)**		**25,084,939**

The table below presents the unaudited pro forma consolidated statement of financial position as at 31 December 2018.

	31 December 2018	Pro forma adjustments	Notes	31 December 2018
		million soums		
	(IFRS - audited) Historical	(unaudited)		Pro forma (unaudited)
Assets				
Cash and cash equivalents	1,897,133	-		1,897,133
Due from other banks	812,092	-		812,092
Loans and advances to customers	28,020,629	(9,715,559)	A-B-C	18,305,070
Financial assets at fair value through other comprehensive income	41,804	-		41,804
Investment in associates	587	-		587
Premises, equipment and intangible assets	200,407	-		200,407
Other assets	52,613	-		52,613
Non-current assets held for sale	813	-		813
Total assets	**31,026,078**	**(9,715,559)**		**21,310,519**
Liabilities				
Due to other banks	676,700	-		676,700
Customer accounts	5,129,176	-		5,129,176
Debt securities in issue	67,741	-		67,741
Other borrowed funds	21,756,155	(12,271,519)	A+E	9,484,636
Deferred income tax liability	86,865	(48,507)	I	38,358
Other liabilities	105,972	73,290	J	179,262
Total liabilities	**27,822,609**	**(12,246,736)**		**15,575,873**
Equity				
Share capital	1,884,882	2,465,358	E	4,350,240
Treasury shares	(1,330)	-		(1,330)
Retained earnings	1,312,607	65,819	B+C+I-J	1,378,426
Revaluation reserve of financial assets at fair value through other comprehensive income	2,261	-		2,261
Net assets attributable to the Bank's owners	3,198,420	2,531,177	E+B+C +I-J	5,729,597
Non-controlling interest	5,049	-		5,049
Total equity	**3,203,469**	**2,531,177**		**5,734,646**
Total liabilities and equity	**31,026,078**	**(9,715,559)**		**21,310,519**
	-	**-**		**-**

The table below presents the unaudited pro forma consolidated statement of profit or loss for the six months ended 30 June 2019.

	Six months ended 30 June 2019	Pro forma adjustments	Notes	Six months ended 30 June 2019
		million soums		
	(IFRS - unaudited) Historical	(unaudited)		Pro forma (unaudited)
Continuing operations				
Interest income	1,014,214	(185,286)	D-B	828,928
Interest expense	(505,990)	177,432	F	(328,558)
Net interest income before provision on loans and advances to customers	**508,224**	**(7,854)**		**500,370**
(Provision for) / recovery of credit losses on loans and advances to customers	(201,842)	90,282	C	(111,560)
Initial recognition adjustment on interest bearing assets	(1,661)	-		(1,661)
Net interest income	**304,721**	**82,428**		**387,149**
Fee and commission income	156,532	-		156,532
Fee and commission expense	(38,065)	-		(38,065)
Net (loss)/gain on foreign exchange translation	6,221	1,495	H	7,716
Net gain from trading in foreign currencies	9,453	-		9,453
Insurance operations income	119	-		119
Insurance operations expense	(494)	-		(494)
Dividend income	5,243	-		5,243
Other operating income	6,669	-		6,669
Provision for impairment of other assets	(3,412)	-		(3,412)
Administrative and other operating expenses	(205,944)	-		(205,944)
Profit before tax	**241,043**	**83,923**		**324,966**
Income tax expense	(43,857)	(16,785)	I-J	(60,642)
Profit for the period	**197,186**	**67,138**		**264,324**
Attributable to:				
- Owners of the Bank	197,296	67,138		264,434
- Non-controlling interest	(110)	-		(110)
Profit for the period	**197,186**	**67,138**		**264,324**

The table below presents the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2018.

	Year ended 31 December 2018	Pro forma adjustments	Notes	Year ended 31 December 2018
		million soums		
	(IFRS - audited) Historical	(unaudited)		Pro forma (unaudited)
Continuing operations				
Interest income	1,359,390	(332,188)	D-B	1,027,202
Interest expense	(687,788)	326,294	F	(361,494)
Net interest income before provision on loans and advances to customers	**671,602**	**(5,894)**		**665,708**
(Provision for) / recovery of credit losses on loans and advances to customers	(99,526)	80,932	C	(18,594)
Initial recognition adjustment on interest bearing assets	(6,833)	-		(6,833)
Net interest income	**565,243**	**75,038**		**640,281**
Fee and commission income	255,141	-		255,141
Fee and commission expense	(51,751)	-		(51,751)
Net (loss)/gain on foreign exchange translation	(25,880)	10,549	H	(15,331)
Net gain from trading in foreign currencies	19,528	-		19,528
Dividend income	3,261	-		3,261
Other operating income	3,214	-		3,214
Provision for impairment of other assets	(4,078)	-		(4,078)
Administrative and other operating expenses	(497,539)	10,939	G	(486,600)
Share of result from associates	(253)	-		(253)
Profit before tax	**266,886**	**96,526**		**363,412**
Income tax expense	(48,695)	(26,086)	I-J	(74,781)
Profit for the year from continuing operations	**218,191**	**70,440**		**288,631**
Discontinued operations				
Profit for the year from discontinued operations	1,205	-		1,205
Profit for the year	**219,396**	**70,440**		**289,836**
Attributable to:				
- Owners of the Bank	219,823	70,440		290,263
- Non-controlling interest	(427)	-		(427)
Profit for the year	**219,396**	**70,440**		**289,836**

4. Pro Forma Adjustments

As the Transaction has not been completed, pro forma adjustments are IFRS-related and based upon available information and certain preliminary estimates and assumptions detailed in the notes below that management believes are reasonable and, therefore, bear uncertainties. The purpose of the pro forma adjustments described below are to replicate a hypothetical scenario of what the financial position and performance of the Group would be like had the Group transferred the Non-core loans to UFRD and converted certain borrowings from UFRD into equity as at reporting dates with respect to the pro forma statements of financial position, and as at 1 January 2018 and 1 January 2019 with respect to the pro forma statements of profit or loss.

Loans and advances to customers and related interest income

The pro forma adjustments associated with the "*Loans and advances to customers*" are constructed to reflect only the effects of the transfer of Non-core loans since Capitalised loans are due to remain in the portfolio of the Group under their existing contractual terms. The estimated amounts of the Non-core loans, which are U.S. dollars and euro - denominated, have been converted into soums using the closing exchange rate of the CBU at each reporting date.

A. It has been assumed that the Non-core loans will be transferred to the UFRD at their outstanding nominal values measured as at each reporting date which is expected to approximate the cash flows from repayment of principal had these loans been repaid as at each reporting date. The nominal values are derived from the accounting records of the Group

and represent the outstanding amounts of the principals of Non-core loans as at each reporting date. The nominal values exclude IFRS related adjustments, which the Group posts at a financial statement level. Notes B and C below discuss the effects of IFRS related adjustments in more detail.

In October 2019, the Group together with the impacted borrowers and the UFRD (the "**Parties**") have started engaging in preliminary activities and discussions of the details of the expected Transaction. During this process, the Parties have prepared and signed reconciliation acts to timely address significant gaps, if any, in the accounting records of the Parties in relation to the outstanding balances of loans and borrowings and the related accrued interest as at 31 December 2018 and 30 June 2019 and interest income and expense accrued during the year ended 31 December 2018 and six months ended 30 June 2019.

The total outstanding nominal values of the Non-core loans as at 31 December 2018 and 30 June 2019 amounted to 9,806,161 million soums and 10,435,293 million soums, respectively.

B. Under IFRS, the Group amortises the loan origination fees over the life of the loans, as these fees are integral to the effective interest rate relating to the creation of the loans. The pro forma adjustments are recognized to expedite the amortization of the associated loan origination fees assuming that the Non-core loans have been transferred to UFRD at the beginning of the respective period. The unamortized portion of the loan origination fees as at the end of each reporting period has been amortized through *"Interest income"* of the pro forma statements of profit or loss during the reporting period. The pro forma adjustments related to loan origination fees amounted to 9,670 million soums and 9,180 million soums for the year ended 31 December 2018 and the six months ended 30 June 2019. These pro forma adjustments are non-recurring in nature.

For the purposes of pro forma statements of financial position as at 31 December 2018 and 30 June 2019, the amortization of the loan origination fee was recorded through "*Retained earnings*".

C. As at 31 December 2018 and 30 June 2019, Non-core loans were carried net of the associated allowance for expected credit losses ("**ECL**") accumulated and recognized in the historical financial statements and information of the Group prepared in accordance with IFRS. Considering that the Decree stipulates that the transfer of Non-core loans will result in the discharge of the Group's liabilities for the same amount, management treated this as an event triggering a recovery of the expected credit losses recognized and assumed that it has occurred during the reporting periods. As a result, the pro forma adjustments are posted to release the entire amount of allowances for ECL associated with Non-core loans accumulated as at the reporting dates. The release of allowances for ECL resulted in a recognition of a gain through the pro forma statements of profit or loss in the amount of 80,932 million soums and 90,282 million soums for the year ended 31 December 2018 and the six months ended 30 June 2019. These pro forma adjustments are non-recurring in nature. No further adjustments were made to ECL including statistics on which the historical ECL assumptions were based, see Significant assumptions used below.

For the purposes of pro forma statements of financial position as at 31 December 2018 and 30 June 2019, the release of allowances for ECL was recorded through "*Retained earnings*".

D. For the purposes of pro forma statements of profit or loss, the interest income that the Group has recognized on the Non-core loans for the year ended 31 December 2018 and the six months ended 30 June 2019 have been reversed through the same period as pro forma adjustments with the assumption that the Non-core loans did not exist as at the beginning of the respective periods. The interest income associated with Non-core loans de-recognised for the year ended 31 December 2018 and the six months ended 30 June 2019 amounted to 341,858 million soums and 194,466 million soums, respectively. These pro forma adjustments are recurring in nature.

For the purposes of pro forma statements of financial position as at 31 December 2018 and 30 June 2019, the interest accrued on the Non-core loans up to the reporting dates were assumed to be earned by the Group and any outstanding balances of accrued interest were not reversed and remained as assets of the Group.

Significant assumptions used

Allowance for ECL represents estimates of expected credit losses weighted at probability of a default and calculated as present value of all expected losses in amounts due. The allowance is based on the Group's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record. As at 31 December 2018 and 30 June 2019, management calculated the probability of default ("**PD**") and the loss given default ("**LGD**") rates based on the historical performance of Group's loan portfolio that has been impacted by the debt servicing experience of the Non-core loans. Given the qualitative and quantitative significance of the Non-core loans in relation to the Group's total loan portfolio, the PD and LGD rates adjusted for the effects of the transfer of the Non-core loans could result in materially different ECL values on the residual loan portfolio. The pro forma adjustments on ECL do not reflect the effects of the Transaction on the PD and LGD rates and are simply based on the inputs used in the calculation of ECL for the year ended 31 December 2018 and the six months ended 30 June 2019.

Share capital, Other borrowed funds and related interest expense

The pro forma adjustments posted on "*Other borrowed funds*" comprise two components – transfer of Non-core loans to the UFRD and a conversion of the Group's borrowings from UFRD into the Group's equity shares.

A. The carrying value of "*Other borrowed funds*" was reduced for the nominal values (as defined in the Note A above) of the Non-core loans transferred to UFRD measured as at each reporting date, since the Decree stipulates a simultaneous extinguishment of the Group's liabilities for the same amount.

E. The pro forma adjustments also reflect the conversion of the borrowings from UFRD into the Group's equity shares based on the actual values of conversion that the Group has executed on 31 October 2019. The transaction value was based on the nominal values (as defined in the Note A above) of the Capitalised loans as at the date of conversion and amounted to U.S.$258.5 million (2,465,358 million soums equivalent).

   For information purposes only, the outstanding nominal values of the converted borrowings were 2,253,733 million soums and 2,201,146 million soums as at 30 June 2019 and 31 December 2018, respectively. Management did not use these values in forming its pro forma adjustments considering the actual transaction value has already been determined as indicated above.

F. For the purposes of pro forma statements of profit or loss, the interest expense that the Group has recognized on "*Other borrowed funds*" from UFRD used to fund Non-core loans and Capitalised loans for the year ended 31 December 2018 and the six months ended 30 June 2019 have been reversed through the same period via pro forma adjustments with the assumption that these borrowings from UFRD did not exist as at the beginning of the respective periods. The interest expense associated with the borrowings from UFRD de-recognized for the year ended 31 December 2018 and the six months ended 30 June 2019 amounted to 326,294 million soums and 177,432 million soums, respectively. These pro forma adjustments are recurring in nature.

   For the purposes of pro forma statements of financial position as at 31 December 2018 and 30 June 2019, the interest on such borrowings accrued up to the reporting dates were assumed

to be incurred by the Group and any outstanding balances of accrued interest were not reversed and remained as liabilities of the Group.

Administrative and other operating expenses

G. The pro forma adjustment reflects the tax savings of the Group on the obligatory contributions to non-budgetary funds levied at a rate of 3.2% from gross revenue. Had the Group not earned interest income on Non-core loans during the year ended 31 December 2018, the total expenses recognized within "*Administrative and other operating expenses*" would have been less by 10,939 million soums. Accrual of obligatory contributions to non-budgetary funds was no longer required from 1 January 2019 and, therefore, no pro forma adjustment was posted for the same effect in the pro forma statements of profit or loss for the six months ended 30 June 2019.

For the purposes of pro forma statements of financial position as at 31 December 2018 and 30 June 2019, no pro forma adjustment was recorded for the effects of obligatory contributions to non-budgetary funds since it was assumed that the Transaction only occurred as at the reporting dates and, therefore, did not yet have any impact on the gross revenue used as a taxable base for such contributions.

Net gain/(loss) on foreign exchange translation

H. As stipulated in the Decree, the Group expects to convert U.S.$15 million of borrowings from the UFRD obtained to fund a government program "*Each family – entrepreneur*" into soums. The pro forma adjustment represents the amount of revaluation foreign exchange losses that the Group could have avoided had the U.S. dollar denominated liabilities been converted in soums as at the beginning of the reporting periods.

Considering the loans and borrowings that take part in the Transaction were predominantly U.S. dollar-denominated, the pro forma adjustments also reflect the net effects of reversal of the foreign exchange gains/losses recognized on such loans in the historical financial information. The pro forma adjustments amounted to 10,549 million soums for the year ended 31 December 2018 and 1,495 million soums for the six months ended 30 June 2019.

Other liabilities, deferred and current income taxes

I. Due to the differences in accounting for credit losses and loan origination fees under the tax and IFRS rules, the transfer of Non-core loans to the UFRD resulted in a pro forma de-recognition of deferred tax liabilities on "*Loans and advances to* customers" in the amount of 48,507 million soums and 46,682 million soums as at and for the year 31 December 2018 and as at and for the six months ended 30 June 2019, respectively.

J. For the purposes of pro forma statements of profit or loss, the tax adjustment also includes the impact of the Transaction on the current income tax, calculated by applying the tax rate of 22% and 20%, respectively. The total amount of pro forma adjustment related to current income tax is 74,593 million soums and 63,467 million soums or the year ended 31 December 2018 and the six months ended 30 June 2019, respectively.

For the purposes of pro forma statements of financial position, the pro forma adjustment related to current income tax includes the effects of only the release of credit loss allowances recognized under the tax rules (not IFRS) on "Non-core loans" as it was assumed that their recovery has occurred as at the reporting date. This pro forma adjustment was posted through 'Retained earnings' and 'Other liabilities' as taxes payable in the amount of 73,290 million soums and 66,574 million soums as at 31 December 2018 and 30 June 2019, respectively.

The auditor's report as to the proper compilation of the pro forma financial information has been prepared by Deloitte.

INDEPENDENT AUDITORS' REPORT ON UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank".

We report on the pro forma consolidated financial information of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" and its subsidiaries (the "**Group**") consisting of the pro forma consolidated statements of financial position as at 31 December 2018 and 30 June 2019, the pro forma consolidated statements of profit or loss for the year ended 31 December 2018 and the six months ended 30 June 2019 and related notes (the "**pro forma financial information**") set out in Part "*Unaudited Pro Forma Consolidated Financial Information*" of the prospectus prepared by the Group for the purposes of its debut issuance of U.S. dollar denominated notes (the "**Prospectus**"), which has been prepared on the basis described in the Note 2, for illustrative purposes only, to provide information about how the transfer of government financed loans from the Group's loan portfolio and the capital injection stipulated in the Presidential Decree No.4487 from 9 October 2019 might have affected the financial information presented on the basis of the accounting policies adopted by the Group in preparing the consolidated financial statements for the year ended 31 December 2018 and interim condensed consolidated financial information for the six months ended 30 June 2019. As part of this process, information about the Group's consolidated financial position and financial performance has been extracted from the Group's consolidated financial statements for the year ended 31 December 2018, on which an audit report has been published and from the Group's interim condensed consolidated financial information for the six months ended 30 June 2019 on which a review report has been published. This report is required by the Commission delegated regulation (EU) 2019/980 (the "**Prospectus Delegated Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the management of the Group ("**Management**") to prepare the Pro forma financial information in accordance with Annex 20 sections 1 and 2 of the Prospectus Delegated Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex 20 section 3 of the Prospectus Delegated Regulation.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.5R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex 7 item 1.3 of the Prospectus Delegated Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any historical financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with management.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Group.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2018 and 30 June 2019 would have been as presented.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.5R(2)(f) we are responsible for this report as part of the Prospectus and declare that to the best of our knowledge, the information contained in this report is, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 7 item 1.2 of the Prospectus Delegated Regulation.

"Deloitte & Touche" Audit Organisation LLC

License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019

Certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan under #3 dated 14 October 2013

28 November 2019
Tashkent, Uzbekistan

Erkin Ayupov

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

Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central Bank of the Republic of Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

SELECTED FINANCIAL INFORMATION

The financial information set forth below as at and for the six-month periods ended 30 June 2018 and 30 June 2019 and for the years ended 31 December 2016, 2017 and 2018 has been extracted without material adjustment from the Financial Statements. The financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and related notes included elsewhere in this Prospectus and "Financial Review".

Selected Statement of Profit or Loss and Other Comprehensive Income

	Six-month period ended 30 June	Six-month period ended 30 June	Year ended 31 December		
	2019	2018	2018	2017	2016
			million soums		
Continuing operations:	(unaudited)			(audited)	
Interest income	1,014,214	592,456	1,359,390	745,972	476,046
Interest expense	(505,990)	(307,655)	(687,788)	(381,282)	(228,358)
Net interest income before provision on loans and advances to customers	508,224	284,801	671,602	364,690	247,688
(Provision for)/recovery of credit losses on loans and advances to customers	(201,842)	(15,177)	(99,526)	50,732	(66,638)
Initial recognition adjustment on interest bearing assets	(1,661)	(3,867)	(6,833)	(3,996)	(1,517)
Net interest income	**304,721**	**265,757**	**565,243**	**411,426**	**179,533**
Fee and commission income	156,532	113,718	255,141	201,658	146,911
Fee and commission expense	(38,065)	(23,204)	(51,751)	(38,645)	(32,477)
Net (loss)/gain on foreign exchange translation	7,307	(33,633)	(25,880)	759,801	57,000
Net gain from trading in foreign currencies	8,367	1,011	19,528	9,191	4,123
Insurance operations income	119	-	-	-	-
Insurance operations expense	(494)	-	-	-	-
Dividend income	5,243	1,003	3,261	1,973	1,743
Other operating income	6.669	6,540	3,214	4,286	3,417
Provision for impairment of other assets	(3,412)	1.925	(4,078)	(5,888)	(11,853)
Provision for impairment of investment securities available for sale	-	-	-	(5,000)	-
Administrative and other operating expenses	(205,944)	(192,580)	(497,539)	(338,218)	(246,908)
Share of results from associates	-	(253)	(253)	(2,631)	68
Profit before tax	**241,043**	**140,284**	**266,886**	**997,953**	**101,557**
Income tax expense	(43,857)	(33,615)	(48,695)	(99,446)	(12,421)
Profit for the period from continuing operations	**197,186**	**106,669**	**218,191**	**898,507**	**89,136**
Discontinued operations:					
Profit/(loss) for the period from discontinued operations	-	-	1,205	829	(2,581)
Profit for the period	**197,186**	**106,669**	**219,396**	**899,336**	**86,555**
Attributable to:					
- Owners of the Bank	197,296	107,169	219,823	896,663	86,555
- Non-controlling entities	(110)	(500)	(427)	2,673	-
Other comprehensive income:					
Fair value gain on financial assets as fair value through other comprehensive income	6,418	2,340	1,743	3,504	199
Tax effect	(1,284)	(515)	(349)	(771)	(43)
Other comprehensive income	**5,134**	**1,825**	**1,394**	**2,733**	**156**
Total comprehensive income for the period	**202,320**	**108,494**	**220,790**	**902,069**	**86,711**

Selected Statement of Financial Position Information

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
		million soums		
	(unaudited)		(audited)	
Cash and cash equivalents	1,787,718	1,897,133	3,059,367	959,586
Due from other banks	1,455,272	812,092	669,375	535,769
Loans and advances to customers	31,278,577	28,020,629	20,360,591	8,568,525
Investment securities held to maturity	-	-	-	13,209
Investment securities available for sale	-	-	19,864	14,484
Financial assets at fair value though other comprehensive income	232,885	41,804	-	-
Investment in associates	587	587	840	3,471
Premises, equipment and intangible assets	341,418	200,407	146,933	112,616
Deferred income tax asset	-	-	-	28,943
Other assets	307,623	52,613	31,695	26,408
Non-current assets held for sale	16,690	813	17,895	45,997
Total assets	**35,420,770**	**31,026,078**	**24,306,560**	**10,309,008**
Due to other banks	914,756	676,700	376,560	193,969
Customer accounts	6,472,316	5,129,176	3,900,334	2,568,972
Debt securities in issue	58,954	67,741	68,885	78,885
Other borrowed funds	24,127,349	21,756,155	17,380,160	6,572,295
Other liabilities	47,755	105,972	52,400	40,639
Deferred tax liability	97,407	86,865	62,849	-
Liabilities directly associated with disposal groups held for sale	-	-	1,991	586
Reserves for insurance contracts	3,333	-	-	-
Total liabilities	**31,721,870**	**27,822,609**	**21,843,179**	**9,455,346**
Total equity	**3,698,900**	**3,203,469**	**2,463,381**	**853,662**
Total liabilities and equity	**35,420,770**	**31,026,078**	**24,306,560**	**10,309,008**

Selected Key Performance Indicators

	As at or for the six-month period ended 30 June		As at or for the year ended 31 December			
	2019		2018		2017	2016
		As adjusted[7]		*As adjusted*[7]		
	%					
Financial Performance						
Return on average assets[1]	0.6		0.8		5.2	0.9
Return on average equity[2]	5.7		7.7		54.2	11.0
Cost-to-income ratio[3]	83.5		86.7		49.3	87.1
Net Interest Margin[4]	1.7		2.8		2.5	2.6
Allowance for loan losses / Gross loans[5]	2.1		1.6		2.6	3.2
Liquidity						
Total liquid assets[6] / total assets	5.0		6.1		12.6	9.3
Capital Adequacy						
Total Capital Adequacy Ratio[7]	14.2	27.9	13.4	32.1	16.3	15.4
Tier I Capital Adequacy Ratio[7]	12.5	26.8	12.6	30.8	15.6	14.0
Credit Quality						
Non-performing loans as a proportion of the gross loans to customers (NPL ratio)[8]	0.1		0.2		0.2	0.2
Non-performing Loans Coverage[9]	18.1x		8.8x		10.8x	18.1x
Problem loans / gross loans [10]	1.0		0.8		1.4	0.5

Due to adoption of new accounting standards by the Bank, certain comparative KPIs may not be comparable.

Notes:

(1) Return on average assets is calculated as profit for the period divided by the average balance of total assets. The average balance of total assets is calculated as simple average of total assets as at the beginning and ending of the period.

(2) Return on average equity is calculated as profit for the period divided by the average of total equity. The average equity is calculated as simple average of total equity as at the beginning and the ending of the period.

(3) Cost-to-income ratio is calculated as the sum of operating expense and non-operating expense divided by the sum of operating income and non-operating income. Sum of operating income and non-operating income is calculated as sum of all positive gains from continuing operations for the period. Sum of operating expense and non-operating expense is calculated as sum of all negative losses from continuing operations for the period.

(4) Net interest margin is calculated as net interest income before provision for impairment of loans divided by average interest-earning assets. The average interest-earning assets is calculated as simple average of interest-earning assets at the beginning and the ending of the period.

(5) Allowance for loan losses / Gross loans is calculated as Allowance for expected credit losses (provision for loan impairment in the Bank's audited financial statements for the years ended 31 December 2017 and 2016) as at the period end divided by gross loans and advances to customers as at the period end.

(6) Total liquid assets represent cash and cash equivalents.

(7) Total Capital Adequacy Ratio and Tier I Capital Adequacy Ratio are calculated based on Uzbekistan GAAP and CBU standards; Total Capital Adequacy Ratio and Tier I Capital Adequacy Ratio in the "As adjusted" columns are calculated taking into account the impact of capital injection and disposal of loans pursuant to the Presidential Decree No. 4487 dated October 2019, as described under "*Unaudited Pro Forma Consolidated Financial Information*".

(8) Non-performing loans are defined as gross loans and advances to customers with overdue payments of principal loan amount and/or interest by more than 90 days.

(9) Non-performing loans coverage is calculated as the amount of allowance for expected credit losses (2017 and 2016: Provision for loan impairment) as at period end divided by the total amount of the Non-performing loans (as defined in Note 8 above) as at the period end.

(10) Problem Loans (sum of Doubtful and Non-Performing Loans) calculated as a percentage of gross loans and advances to customers. Sum of Doubtful and Non-Performing Loans is defined as all gross loans and advances to customers with overdue payments of principal loan amount and/or interest by more than 30 days.

FINANCIAL REVIEW

The following discussion and analysis of the Bank's financial condition and results of operations covers the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019. The financial information presented in this discussion has been extracted or derived from the Financial Statements. This section should be read together with the Financial Statements and the notes thereto, as well as the other financial information included elsewhere in this Prospectus.

The following discussion contains forward-looking statements. The Bank has based these forward-looking statements on its current projections and expectations about future events. The actual results of the Bank may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set for the under "Risk Factors" and elsewhere in this Prospectus.

The Interim Financial Statements for the periods indicated below include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim period. The interim results are not necessarily indicative of the results that may be expected for a full year.

Overview

Established in 1922, the Bank is one of the leading universal banks in the Republic of Uzbekistan. According to the CBU, in 2018, the Bank ranked as second largest commercial bank in Uzbekistan by total assets (14.2% market share) and second largest by loan portfolio size (16.3% market share). The Bank offers a comprehensive range of banking services, including state, corporate and retail lending, deposit-taking, cash handling, international money transfers, letters of credit, guarantees, foreign exchange operations and other products. The Bank conducts its banking operations from its head office in Tashkent and 45 branches within Uzbekistan as at 30 June 2019.

The Bank has historically operated as a state financing vehicle on the basis of funding provided by state agencies, such as the UFRD and the Ministry of Finance of the Republic of Uzbekistan, for subsidised financing of investment projects in a number of strategic industries, being mainly oil and gas, energy and chemicals, and has otherwise in its day-to-day operations relied on funding provided by the Uzbekistan Government in the form of predominantly subsidised loans, deposits, capital injections and state guarantees, as well as funding received as borrowings from the IFIs. Since 2018, as part of the on-going economic reforms in Uzbekistan, the Bank is undergoing a transitional reform of its banking organisation dependent on state control, support and funding to more of a market-orientated commercial structure. Under this transition strategy, the Uzbekistan Government has been gradually decreasing its influence on the business and loan portfolio of the Bank, and reducing the state support financing available to the Bank as well as the state loans that borrowers of the Bank have benefitted from and which the Bank has received as credit support. See "*Business – Competitive Strengths – History of strong shareholder support*". Following such strategic transition, the Bank intends to gradually decrease the share of state ownership and expects to rely less on state subsidised financing in its funding base and instead to rely to a larger extent on funding from other sources, such as customer accounts, interbank lending markets and international capital markets. Furthermore, the Bank is taking steps to diversify its loan portfolio and client base to increase the share of higher-margin loans attributable to developing sectors of the Uzbekistan's economy, such as manufacturing, agriculture and retail, as well as to develop further its long-standing relationships with large corporate clients in oil and gas, chemicals and energy sectors on more commercial and market orientated terms.

As at 30 June 2019, the Bank's total assets comprised 35,420,770 million soums. Total gross loans and advances to customers amounted to 31,942,348 million soums, with gross loans to state and municipal organisations, gross loans to corporate clients and gross loans to individuals accounting for 65.0%, 27.9% and 7.1% of total gross loans, respectively. As at 30 June 2019, the Bank's total equity constituted 3,698,900 million soums. For the year ended 31 December 2018 and six months ended 30 June 2019, the Bank generated profit of 219,396 million soums and 197,186 million soums, respectively.

Factors Affecting the Financial Statements

Key factors affecting the Bank's financial results during the period under review and expected to continue to affect the Bank's financial results in the future are discussed below.

Macroeconomic Conditions

The Bank's results of operations and financial condition are substantially affected by the overall macroeconomic conditions globally and in Uzbekistan. Changes in both the global and domestic environment have in the past resulted in lower liquidity levels across the banking sector, tighter credit conditions for Uzbekistan companies and pressure on the soum and may continue to affect the Bank and Uzbekistan's banking sector generally in the future. In addition, Uzbekistan economy is, to a significant degree, dependent on exports of key commodities, such as gold, natural gas and cotton. Dramatic decreases in the prices of these commodities in the world market may lead to sharp decreases in revenues of the Government and revenues of companies operating in these sectors, which, in turn, negatively impact the overall Uzbekistan economy. Accordingly, the Bank's results of operations and financial condition are, and will continue to be in the future, significantly affected by Uzbekistan's economic factors, including those in the below table.

	Six months ended 30 June	Year ended 31 December		
	2019	2018	2017	2016
Nominal GDP at current prices, *soums billion*	222,022.0	407,514.5	302,536.8	242,495.5
Real GDP growth yoy, total *(%)*	5.8	5.1	4.5	6.1
GDP per capita at current prices, *soums thousand*	6,622.7	12,254.0	9,264.2	7,548.6
Inflation *%*	13.6	14.3	14.4	5.7
Total public debt as a % of GDP	33.2	29.4	19.7	11.6

Source: The State Committee of the Republic of Uzbekistan on Statistics. Actual numbers measured on a yearly basis.

Between 2013 and 2018, the average annual increase of Uzbekistan's GDP in real terms was approximately 6.3%. In 2018, the GDP of the Republic of Uzbekistan in current prices amounted to 407,514.5 billion soums, a growth in real terms of 5.1% compared with 2017. However, there was a sharp decline in nominal GDP in U.S. dollar terms in 2017 and 2018, mainly due to the managed devaluation of the official exchange rate of the soum to the then prevailing market levels in September 2017, which occurred as a result of currency liberalisation reforms. In 2016, the average annual exchange rate was 2,968.9 soums per U.S. dollar, before rising sharply to an annual average rate of 5,140.30 soums per U.S. dollar in 2017 and an average rate of 8,069.05 soums in 2018. As a result, nominal GDP in U.S. dollar terms declined from U.S.$81.7 billion in 2016 to U.S.$58.9 billion in 2017 and to U.S.$50.5 billion in 2018. As at 30 June 2019, nominal GDP in U.S. dollar terms amounted to U.S.$26.3 billion.

The economy of Uzbekistan is also significantly affected by inflationary pressure. Uzbekistan's inflation was equal to 14.3% in 2018, 14.4% in 2017 and 5.7% in 2016. The increase in inflation in 2017 was to a large extent linked to the currency liberalisation reform implemented by the Government in 2017. See "– *Currency Fluctuations*" below. The expenses of the Bank are mostly denominated in soums and, accordingly, are potentially affected by inflation. For example, employee wages have been, and are likely to continue to be, particularly sensitive to monetary inflation in Uzbekistan.

Stronger economic conditions tend to result in increased demand for the Bank's banking products and services, including loans, deposits and other products. On the other hand, any deterioration of the economy affects the Uzbekistan banking sector by the reduction of profits, accumulation of losses and growth in the percentage of non-performing loans on the balance sheets of banks. Customers' and investors' lack of confidence in the banking industry may cause volatility in the funding markets, leading to higher borrowing costs and restricting access to liquidity for banks.

Currency Fluctuations

The functional currency of the Bank, which is the currency of the primary economic environment in which the Bank operates, and the Bank's presentation currency, is the Uzbek soum. Monetary assets and liabilities are translated into the Bank's functional currency as the official exchange rate of the CBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Bank's functional currency at the period-end official exchange rates of the CBU are recognised in profit or loss.

In September 2017, in accordance with the Decree of the President of the Republic of Uzbekistan No.UP-5177 "*On priority measures for liberalisation of monetary policy*" dated 2 September 2017, the official rate of Uzbek soum was devaluated from 4,210.35 soums per U.S.$1 to 8,100.0 soums per U.S.$1, representing a 92% decrease. The devaluation allowed market mechanisms to determine the exchange rate rather than being administratively set. As a result, the Bank's net gain on foreign exchange translation increased by more than 12 times for the year ended 31 December 2017 as compared to the year ended 31 December 2016. For the year ended 31 December 2017, the Bank recorded net gain on foreign exchange translation of 759,801 million soums, as compared to net gain on foreign exchange translation of 57,000 million soums in the year ended 31 December 2016. The foreign exchange gain in the year ended 31 December 2017 was the most significant item that positively impacted the Bank's non-interest income in the periods under review. This was a one-off event that may not reoccur in the future.

In addition, the Bank is exposed to volatility in foreign currency rates. Assets and liabilities of the Bank are denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. The Bank plans to access the international capital markets, which subjects it to risks inherent in currency fluctuations and the uncertainty of these markets as a reliable funding source. Despite the Bank's strategy to balance its foreign currency position, any depreciation of the Uzbek soum against the U.S. dollar could negatively affect the Bank in a number of ways, including, among other things, by increasing the actual cost to the Bank of financing its U.S. dollar based liabilities and by making it more difficult for Uzbekistan borrowers to service their U.S. dollar loans. See "*Risk Factors – Risks Related to the Group's Business and Industry – The Bank's loan portfolio is heavily U.S. dollar denominated, and the quality of the Bank's loan portfolio may deteriorate as a result of slower economic growth and depreciations and devaluations of the soum*" and "*- The Bank's operations are subject to various market risks*". As at 30 June 2019, 23.0% of the Bank's loans to customers were denominated in soums, 72.9% in U.S. dollars and the remaining 4.1% in other currencies.

Changes in the size and composition of the Loan Portfolio

Increases or decreases in the overall size of the Bank's loan portfolio and in the mix of its portfolio significantly impact the Bank's total interest income and net interest margin. As at 30 June 2019, the Bank's gross loans and advances to customers amounted to 31,942,348 million soums, representing a 12.1% increase as compared to loans and advances to customers as at 31 December 2018. In 2018, gross loans and advances to customers increased by 7,583,090 million soums, or 36.3%, as compared to 31 December 2017. The size of the Bank's loan portfolio in soums has continued to increase as a result of growth in lending activity, in particular in construction and retail sectors, depreciation of Uzbek soum against the U.S. dollar, the higher proportion of the Bank's loan portfolio denominated in U.S. dollars as compared to soums and general development of the banking sector in Uzbekistan.

In addition, the focus of the composition of the Bank's loan portfolio has shifted to higher-margin products in line with the general transition in the Bank's strategy and business mix. Historically, the Bank's loan book and lending strategy was predominantly focused on low risk loans to state and municipal organisations and state-owned companies, which were funded through deposits and loans from the UFRD, the Ministry of Finance of the Republic of Uzbekistan and other state agencies. However, as such loans were typically provided on subsidised low margin terms, the profitability of these loans to the Bank is significantly lower as compared to loans and advances to customers issued at

commercial interest rates, which are based on market conditions. As part of the Bank's strategy to gradually decrease the subsidised loans in its portfolio and increase profitability and the share of higher-margin products, the Bank has increased the share of loans issued to private corporate clients and retail customers as at 30 June 2019 as compared to 31 December 2018. For example, the share of retail loans in the gross loan portfolio of the Bank has increased from 5.9% as at 31 December 2018 to 7.1% as at 30 June 2019.

Important changes to the loan portfolio of the Bank were introduced by the Decree. The Decree implemented certain measures to strengthen the financial standing of the banking sector which, among other thing, included a managed withdrawal of Government-directed low-margin and subsidised assets from the state-owned banks, including the Bank, in order to improve their return on assets and performance. In particular, the Decree provided for the following measures in relation to the Bank:

(i) disposal of 22 back-to-back loans funded by the UFRD by transferring these loans to the UFRD and simultaneously reducing the Bank's liabilities due to the UFRD for the same amount. In accordance with the Decree, these loans were advanced to twelve large state-owned companies to fund certain national projects in the energy, oil and gas, chemicals and transportation sectors of economy and amounted to equivalent of 11,475,320 million soums as at 1 October 2019. The actual amount of disposed loans will be based on the outstanding balances of these loans as at the date of transfer which will take place within two months from the date of the Decree;

(ii) increase of the UFRD's stake in the capital of the Bank by way of capitalising seven back-to-back loans provided by the UFRD, which was implemented on 31 October 2019. These loans were provided to three large state owned companies to fund national projects in the oil and gas, chemicals and transportation sectors and amounted to 2,465,358 million soums as at 31 October 2019; and

(iii) convertion of U.S.$15 million of borrowings from the UFRD into soums using the exchange rate effective as at the date of the transaction to fund a government program "*Each family – entrepreneur*".

See "*Unaudited Pro Forma Consolidated Financial Information*".

Changes in Funding Base

The Bank has historically operated on the basis of subsidised funding provided by the state agencies, such as the UFRD and the Ministry of Finance of the Republic of Uzbekistan, for subsidised financing of strategic projects in a number of strategic industries, mainly energy and chemicals, and has otherwise relied on funding provided by the Government in the form of subsidised loans, deposits, capital injections and state guarantees, as well as borrowings from the IFIs. Following its strategic transition, the Bank intends to gradually decrease the share of state funding in its funding base and instead to rely to a larger extent on funding from other sources, such as customer accounts, interbank lending market and international capital markets.

As a result of the first steps in implementation of the above-mentioned transitional strategy, the share of customer accounts within the total liabilities of the Bank amounted to 20.4% as at 30 June 2019, as compared to 18.4% as at 31 December 2018 and 17.9% as at 31 December 2017. As at 30 June 2019, the Bank's customer accounts amounted to 6,472,316 million soums, representing a 26.2% increase as compared to 31 December 2018. Customer accounts increased by 1,228,842 million soums, or 31.5%, as at 31 December 2018 as compared to 2017 and by 1,331,362 million soums, or 51.8%, as at 31 December 2017 as compared to 31 December 2016. This gradual increase in customer accounts was primarily attributable to the increase in the volume of operations and introduction of deposit products more attractive to customers. For example, as at 30 June 2019, term deposits of other legal entities increased by 366.8% as compared to 31 December 2018 on the back of new originations from foreign clients and deposits from individuals increased by 14.7% in the corresponding period. Thus, the share of the customer accounts in the Bank's total funding base also increased to 20.5% as at 30 June 2019 as compared to 18.6% as at 31 December 2018 and 18.0% as at 31 December 2017. In addition, as at

30 June 2019, the share of due to other banks in the total funding base of the Bank increased to 2.9% from 2.4% as at 31 December 2018 and 1.7% as at 31 December 2017. Furthermore, the Bank has other sources of available funding, including under existing agreements with international financial organisations, see "- *Funding*".

Non-compliance with certain covenants in the Bank's financing agreements with the Republic of Uzbekistan

In 2017 and 2018, ADB advanced two loans to the Republic of Uzbekistan in connection with the financing of the Horticulture Value Chain Development Project in Uzbekistan (the "**Project**"). The Republic of Uzbekistan on-lent a portion of these loans to the Bank under the Subsidiary Loan Agreements. The loan agreements between ADB and the Republic of Uzbekistan require the latter to cause the Bank to ensure the maintenance of certain financial covenants throughout the implementation period of the Project. The same financial covenants are included in the Subsidiary Loan Agreements. Under the terms of the Subsidiary Loan Agreements, the Bank has to comply with, among others, the following financial covenants: (i) a cost to income ratio, (ii) a return on average assets ratio and (iii) a maximum limit on individual related party exposure, all calculated based on IFRS. As at 31 December 2018 and 30 June 2019, the Bank was not in compliance with these covenants.

The Subsidiary Loan Agreements are governed by Uzbek law and do not contain any event of default provisions. Non-compliance with these covenants has not triggered any cross-default provisions under or, to the knowledge of the Bank, breached the terms of the Bank's other outstanding indebtedness. At the same time, the Subsidiary Loan Agreements provide for the right of the Republic of Uzbekistan to demand prepayment of the relevant loans in case of a non-compliance with covenants. This required the Bank to classify the loans under the Subsidiary Loan Agreements as "demand and less than 1 month" loans in its Annual Financial Statements and Interim Financial Statements as further disclosed in Note 18 to the Annual Financial Statements and Note 16 to the Interim Financial Statements, respectively. As a result, the audit report of the Auditors on the Annual Financial Statements of the Bank classified this event as a key audit matter.

The Bank proactively communicated with both ADB and the Republic of Uzbekistan and established a strategic action plan in relation to financial years 2019-2024 to bring the Bank into compliance with the financial covenants in the future (the "**Action Plan**"). On 5 November 2019, ADB issued a letter to the Bank confirming ADB's agreement with the Action Plan and the fact that ADB remains committed to the Project and to continuing relationships with the Republic and the Bank under the Project. In addition, on 5 November 2019 the Republic of Uzbekistan confirmed to the Bank that it would not take any action to demand a prepayment of the loans advanced to the Bank under the Subsidiary Loan Agreements as a consequence of past and/or on-going non-compliance with these covenants.

The Bank believes that non-compliance with these covenants is not expected to adversely affect the financial condition and results of operation of the Bank, and in particular its liquidity position. As at 30 June 2019, 299,130 million soums was outstanding from the Bank under the Subsidiary Loan Agreements.

As a result of the implementation of the Presidential Decree No. 4487 dated 9 October 2019, on 31 October 2019 the UFRD increased its ownership in the Bank through a capital contribution of borrowings from the UFRD in the amount of 2,465,358 million soums. In addition, loans in the amount of 10,335,831 million soums, or 33% of the Bank's loan portfolio as at 30 June 2019, will be transferred from the Bank to the UFRD within two months of the date of the Decree. See "*Unaudited Pro Forma Consolidated Financial Information - Introduction*". As a result of the implementation of the Decree, the Bank expects to achieve compliance with the return on average assets ratio and the maximum limit on individual related party exposure contained in the Subsidiary Loan Agreements by 31 December 2019. In line with the Action Plan, compliance with the cost to income ratio in the Subsidiary Loan Agreements is expected to be achieved by 31 December 2024. See "*Risk Factors – The Bank is required to comply with certain financial and other restrictive covenants*".

Negative Liquidity Gap

The Bank had a cumulative liquidity shortfall of 324,804 million soums up to six months as at 31 December 2018 and a cumulative liquidity shortfall of 285,797 million soums up to six months as at 30 June 2019. These liquidity shortfalls reflect the effects of the decision to classify 299,130 million soums due to the Republic of Uzbekistan as "demand and less than 1 month" as a result of a non-compliance with financial covenants stipulated in the Subsidiary Loan Agreements. Subsequent to 30 June 2019, the Republic of Uzbekistan confirmed to the Bank in writing that it will not take any action to demand prepayment of the loans as a consequence of past and/or ongoing non-compliance with the financial covenants stipulated in these Subsidiary Loan Agreements. In addition, as a result of the implementation of the Presidential Decree No. 4487, on 31 October 2019, borrowings from the UFRD in the amount of 2,465,358 million soums have been converted into the share capital of the Bank. As an unmatched liquidity position may increase the risk of losses, as part of its risk management, the Bank maintains a contingency plan, which is regularly reviewed and adjusted, to be able to withstand any unexpected outflow of customer funds and respond to financial stress. The contingency plan is primarily based on the Bank's ability to access state resources due to its state ownership and strategic importance to the national banking system. The management of the Bank believes that through its contingency plan the Bank will be able to attract resources sufficient to cover any potential negative liquidity gap as at 31 December 2018 and 30 June 2019. For detailed information on the Bank's contingency plan for 2018, please see Note 32 to the Annual Financial Statements and Notes 3 and 27 to the Interim Financial Statements.

Results of Operations for the Six Months Ended 30 June 2019 and 2018

For the six-month period ended 30 June 2019, the Bank generated profit of 197,186 million soums, an increase of 90,517 million soums, or 85.0%, from 106,669 million soums for the six-month period ended 30 June 2018.

The following table sets forth the components of the Bank's profit for the periods indicated.

	Six-month periods ended 30 June	
	2019	**2018**
	million soums (unaudited)	
Continuing operations:		
Interest income	1,014,214	592,456
Interest expense	(505,990)	(307,655)
Net interest income before provision on loans and advances to customers	508,224	284,801
(Provision for)/recovery of credit losses on loans and advances to customers	(201,842)	(15,177)
Initial recognition adjustment on interest bearing assets	(1,661)	(3,867)
Net interest income	**304,721**	**265,757**
Fee and commission income	156,532	113,718
Fee and commission expense	(38,065)	(23,204)
Net (loss)/gain on foreign exchange translation	7,307	(33,633)
Net gain from trading in foreign currencies	8,367	1,011
Insurance operations income	119	-
Insurance operations expense	(494)	-
Dividend income	5,243	1,003
Other operating income	6,669	6,540
(Provision for)/recovery of impairment of other assets	(3,412)	1.925
Administrative and other operating expenses	(205,944)	(192,580)
Share of results from associates	-	(253)
Profit before tax	**241,043**	**140,284**
Income tax expense	(43,857)	(33,615)
Profit for the period from continuing operations	**197,186**	**106,669**
Profit for the period	**197,186**	**106,669**

Net Interest Income

Net interest income has historically been the largest component of the Bank's operating income. For the six-month period ended 30 June 2019, net interest income before provision on loans and advances to customers increased by 223,423 million soums, or 78.4%, as compared to the six-month period ended 30 June 2018 as a result of an increase in interest income. For the six-month period ended 30 June 2019, the Bank's net interest margin amounted to 1.7%.

Provision for credit losses on loans and advances to customers increased by 186,665 million soums for the six-month period ended 30 June 2019 as compared to the six-month period ended 30 June 2018 as a result of an increase in the Bank's loans portfolio to individuals and legal entities with higher degree of credit risk in line with the Bank's strategy to issue higher-margin loans. See "*– Financial Position – Loan Portfolio*".

Interest Income

The Bank's interest income for the six-month period ended 30 June 2019 amounted to 1,014,214 million soums, an increase of 421,758 million soums, or 71.2%, from 592,456 million soums for the six-month period ended 30 June 2018.

The following table sets forth the principal components of the Bank's interest income for the periods indicated.

	Six-month periods ended 30 June			
	2019		2018	
	million soums	*% of total*	*million soums*	*% of total*
Interest income	(unaudited)		(unaudited)	
Interest on loans and advances to customers	993,358	97.9%	577,300	97.4%
Interest on balances due from other banks	20,856	2.1%	15,156	2.6%
Interest investment securities held to maturity	-	-	-	-
Total interest income	**1,014,214**	**100.0%**	**592,456**	**100.0%**

The increase in the Bank's interest income during the period under review mainly resulted from a 72.1% growth in interest on loans and advances to customers on the back of increased interest rates and an 11.6% increase in net loan portfolios as at 30 June 2019 as compared to as at 31 December 2018. In addition, interest income on balances due from other banks increased by 37.6% to 20,856 million soums for the six-month period ended 30 June 2019 as a result of the increase in due from other banks.

Interest Expense

The Bank's total interest expense increased by 198,335 million soums, or 64.5%, to 505,990 million soums for the six-month period ended 30 June 2019 from 307,655 million soums for the six-month period ended 30 June 2018. The following table sets forth the principal components of the Bank's interest expense for the periods indicated.

	Six-month periods ended 30 June			
	2019		2018	
	million soums	*% of total*	*million soums*	*% of total*
	(unaudited)		(unaudited)	
Interest expense				
Interest on other borrowed funds	317,873	62.8%	244,068	79.3%
Interest on customer accounts	125,078	24.7%	44,436	14.4%
Interest on balances due to banks	58,930	11.6%	15,375	5.0%
Interest on debt securities in issue	4,109	0.8%	3,776	1.2%
Total interest expense	**505,990**	**100.0%**	**307,655**	**100.0%**

The overall increase in the Bank's interest expense for the six-month period ended 30 June 2019 mainly resulted from an increase in interest expense on all components, mainly interest expense on other borrowed funds and interest expense on customer accounts.

Interest expense on other borrowed funds increased by 73,805 million soums, or 30.2%, to 317,873 million soums for the six-month period ended 30 June 2019 as compared to the expense of 244,068 million soums for the six-month period ended 30 June 2018. This increase mainly resulted from a 10.9% increase in other borrowed funds. See "*– Financial Position – Total Liabilities*".

Interest expense on customer accounts increased by 80,642 million soums, or 181.5%, to 125,078 million soums for the six-month period ended 30 June 2019 as compared to 44,436 million soums for the six-month period ended 30 June 2018. Expense on interest on customer accounts increased for the six-month period ended 30 June 2019 on the back of the general increase in interest rates paid on customer accounts, as well as an increase in customer accounts as at 30 June 2019 as compared to 30 June 2018. See "*– Financial Position – Total Liabilities*".

Net Fee and Commission Income

One of the largest sources of the Bank's non-interest income is its fee and commission income. The Bank's fee and commission income primarily comprises commissions generated by settlement transactions, foreign currency exchange, guarantees and letters of credit and other operations. For the six-month period ended 30 June 2019, the Bank had net fee and commission income of 118,467 million soums as compared to net fee and commission income of 90,514 million soums for the six-month period ended 30 June 2018.

The following table sets forth the components of the Bank's net fee and commission income for the periods indicated.

	Six-month periods ended 30 June			
	2019		2018	
	million soums	*% of total*	*million soums*	*% of total*
	(unaudited)		(unaudited)	
Fee and commission income				
Settlement transactions	102,972	65.8%	74,799	65.8%
Foreign currency exchange	21,225	13.6%	22,139	19.5%
International money transfers	13,579	8.7%	8,468	7.4%
Services of engineers for conducting control measurements	2,695	1.7%	4,477	3.9%
Letters of credit	2,532	1.6%	2,339	2.1%
Guarantees issued	12,888	8.2%	1,496	1.3%
Other	641	0.4%	-	-
Total fee and commission income	**156,532**	**100.0%**	**113,718**	**100.0%**
Fee and commission expense				
Cash collection	(12,298)	32.3%	(10,319)	44.5%
Settlement transactions	(21,486)	56.4%	(9,330)	40.2%
Foreign currency exchange	(2,147)	5.6%	(1,434)	6.2
Other	(2,134)	5.6%	(2,121)	9.1%
Total fee and commission expense	**(38,065)**	**100.0%**	**(23,204)**	**100.0%**
Net fee and commission income	**118,467**		**90,514**	

The increase in the Bank's net fee and commission income for the six-month period ended 30 June 2019 is mostly attributable to a growth in fees from foreign currency exchange operations and guarantees issued. The Bank recorded fees from foreign currency exchange operations of 21,225 million soums for the six-month period ended 30 June 2019 as a result of the market growth following the currency liberalisation reform in Uzbekistan. Fee income on guarantees issued has increased by 11,392 million soums for the six-month period ended 30 June 2019 as compared to the six-month period ended 30 June 2018 as a result of introduction of new attractive guarantee products in the Bank's product range.

Net Gain/(Loss) on Foreign Exchange Translation

The functional currency of the Bank, which is the currency of the primary economic environment in which the Bank operates, and the Bank's presentation currency is Uzbek soum. Monetary assets and liabilities are translated into the Bank's functional currency at the official exchange rate of the CBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Bank's functional currency at the period-end official exchange rates of the CBU are recognised in profit or loss.

For the six-month period ended 30 June 2019, the Bank recorded net gain on foreign exchange translation of 7,307 million soums as compared to net loss on foreign exchange translation of 33,633 million soums for the six-month period ended 30 June 2018. The fluctuations in the Bank's foreign exchange loss for the six-month period ended 30 June 2019 are mainly attributable to devaluation of soum against U.S. dollars and euro in the corresponding period. See "*– Factors Affecting the Financial Statements - Currency Fluctuations*".

Net Gain from Trading in Foreign Currencies

Net gain from trading in foreign currencies sharply increased by 7,356 million soums to 8,367 million soums for the six-month period ended 30 June 2019 as compared to 1,011 million soums for the six-month period ended 30 June 2018, as a result of the increase in the volume of conversion operations with foreign currencies after the liberalisation of the foreign exchange market.

Provision for Impairment of Other Assets

For the six-month period ended 30 June 2019, the Bank recorded provision for impairment of other assets of 3,412 million soums as compared to a recovery of impairment of other assets of 1,925 million soums for the six-month period ended 30 June 2018.

Administrative and Other Operating Expenses

The main components of the Bank's administrative and other operating expenses are staff costs, taxes other than income tax, depreciation and amortisation, security services, membership fees, charity expenses, stationery and other low value items and other operating expenses. Administrative and other operating expenses increased by 13,364 million soums, or 7.0%, to 205,944 million soums for the six-month period ended 30 June 2019 as compared to 192,580 million soums for the six-month period ended 30 June 2018, driven mainly by a 28.4% increase in staff costs attributable to an increase in the remuneration of the Bank's employees.

Income Tax Expense

For the six-month period ended 30 June 2019, the Bank recorded income tax expense of 43,857 million soums as compared to 33,615 million soums for the six-month period ended 30 June 2018. The increase in income tax expense for the six-month period ended 30 June 2019 resulted mainly from the 71.8% increase in profit before tax, which is attributable to the growth in the majority of components of the Bank's interest and non-interest income.

Profit for the Period

As a result of the factors described above, the Bank generated net profit for the period in the amount of 197,186 million soums and 106,669 million soums for the six-month periods ended 30 June 2019 and 2018, respectively, representing growth of 84.9%.

Results of Operations for the Years Ended 31 December 2018, 2017 and 2016

For the year ended 31 December 2018, the Bank's profit for the year decreased by 679,940 million soums to 219,396 million soums from 899,336 million soums for the year ended 31 December 2017, which in turn was an increase by 812,781 million soums to 899,336 million soums from 86,555 million soums for the year ended 31 December 2016.

The following table sets forth the components of the Bank's profit for the periods indicated.

	Year ended 31 December		
	2018	**2017**	**2016**
		million soums (audited)	
Continuing operations:			
Interest income	1,359,390	745,972	476,046
Interest expense	(687,788)	(381,282)	(228,358)
Net interest income before provision on loans and advances to customers	671,602	364,690	247,688
(Provision for)/recovery of credit losses on loans and advances to customers	(99,526)	50,732	(66,638)
Initial recognition adjustment on interest bearing assets	(6,833)	(3,996)	(1,517)
Net interest income	**565,243**	**411,426**	**179,533**
Fee and commission income	255,141	201,658	146,911
Fee and commission expense	(51,751)	(38,645)	(32,477)
Net (loss)/gain on foreign exchange translation	(25,880)	759,801	57,000
Net gain from trading in foreign currencies	19,528	9,191	4,123
Dividend income	3,261	1,973	1,743
Other operating income	3,214	4,286	3,417
Provision for impairment of other assets	(4,078)	(5,888)	(11,853)
Provision for impairment of investment securities available for sale	-	(5,000)	-
Administrative and other operating expenses	(497,539)	(338,218)	(246,908)
Share of results from associates	(253)	(2,631)	68
Profit before tax	**266,886**	**997,953**	**101,557**
Income tax expense	(48,695)	(99,446)	(12,421)
Profit for the period from continuing operations	**218,191**	**898,507**	**89,136**
Discontinued operations:			
Profit/(loss) for the period from discontinued operations	1,205	829	(2,581)
Profit for the period	**219,396**	**899,336**	**86,555**

Net Interest Income

Net interest income is one of the largest components of the Bank's operating income. For the year ended 31 December 2018, net interest income increased by 153,817 million soums, or 37.4%, to 565,243 million soums from 411,426 million soums for the year ended 31 December 2017, which in turn was an increase of 231,893 million soums, or 129.2%, from 179,533 million soums for the year ended 31 December 2016. These increases were mainly due to the growth of interest income, which increased by 82.2% for the year ended 31 December 2018 and by 56.7% for the year ended 31 December 2017. In 2018, the Bank focused more on higher-margin loans, such as small business and retail lending, which led to a sharp increase in these segments. At the same time, a decrease in the issuance of lower-margin loans in accordance with state programmes contributed to an increase in the yield of the loan portfolio, which led to a sharp increase in interest income.

The Bank recorded provision for expected credit losses on loans and advances to customers of 99,526 million soums in 2018 as compared to recovery of expected credit losses on loans and advances to customers of 50,732 million soums in 2017 and provision for expected credit losses on loans and advances to customers of 66,638 million soums in 2016. The fluctuations in the Bank's provisions in 2018-2016 resulted from adoption of IFRS 9 standards by the Bank in 2017 and subsequently adjusting the risk weights and classification of assets.

The Bank's net interest margin was relatively stable in the periods under review and amounted to 2.8% and 2.5% for the years ended 31 December 2018 and 2017, respectively.

Interest Income

For the year ended 31 December 2018, the Bank's interest income increased by 613,418 million soums, or 82.2%, to 1,359,390 million soums from 745,972 million soums for the year ended 31 December 2017, which in turn was an increase of 269,926 million soums, or 56.7%, to 745,972 million soums from 476,046 million soums for the year ended 31 December 2016.

The following table sets forth the principal components of the Bank's interest income for the periods indicated.

	Year ended 31 December					
	2018		2017		2016	
	million soums	*% of total*	*million soums*	*% of total*	*million soums*	*% of total*
	(audited)		(audited)		(audited)	
Interest income						
Interest on loans and advances to customers	1,323,370	97.4%	731,292	98.0%	471,182	99.0%
Interest on balances due from other banks	36,020	2.6%	14,384	1.9%	3,730	0.8%
Interest investment securities held to maturity	-	-	296	0.1%	1,134	0.2%
Total interest income	**1,359,390**	**100.0%**	**745,972**	**100.0%**	**476,046**	**100.0%**

The increases in the Bank's interest income during the periods under review resulted primarily from a 81.0% increase in interest income from loans and advances to customers for the year ended 31 December 2018 as compared to the year ended 31 December 2017 and a 55.2% increase in interest income from loans and advances to customers for the year ended 31 December 2017 as compared to the year ended 31 December 2016. This growth was mainly driven by the (i) currency liberalisation reform; (ii) a general increase in the volume of interest-bearing products in the Bank's portfolio, mainly 36.3% and 136.0% increases in gross loans to customers for the years ended 31 December 2018 and 2017, respectively, and (iii) the increase in average interest rates on loans in soums, which amounted to 10.8% as at 31 December 2016, 19.8% as at 31 December 2017 and 14.8% as at 31 December 2018 as a result of an increase in refinancing rate from 9% in 2017 to 16% in 2018. See "*– Financial Position – Loan Portfolio*".

In addition, interest income on balances due from other banks increased by 150.4% to 36,020 million soums for the year ended 31 December 2018 as compared to 14,384 million soums for the year ended 31 December 2017, which in turn increased almost threefold as compared to 3,730 million soums for the year ended 31 December 2016. This increase was mainly due to currency liberalisation reform and increased interbank financing in the Uzbekistan banking market, including overnight borrowings, in line with the general market trend for diversification of funding sources for commercial Uzbek banks. Furthermore, in 2018 the Bank's mandatory cash balance with the CBU decreased by 36.5% as compared to 2017, which allowed the Bank to increase placements with other banks with original maturities of more than three months.

Interest Expense

For the year ended 31 December 2018, the Bank's interest expense increased by 306,506 million soums, or 80.4%, to 687,788 million soums from 381,282 million soums for the year ended 31 December 2017, which in turn was an increase of 152,924 million soums, or 67.0%, to 381,282 million soums from 228,358 million soums for the year ended 31 December 2016.

The following table sets forth the principal components of the Bank's interest expense for the years indicated.

	Year ended 31 December					
	2018		2017		2016	
	million soums	*% of total*	*million soums*	*% of total*	*million soums*	*% of total*
	(audited)		(audited)		(audited)	
Interest expense						
Interest on other borrowed funds	(519,267)	75.5%	(293,999)	77.1%	(156,400)	68.5%
Interest on customer accounts	(102,583)	14.9%	(64,423)	16.9%	(55,868)	24.5%
Interest on balances due to banks	(58,950)	8.6%	(15,737)	4.1%	(10,847)	4.7%
Interest on debt securities in issue	(6,988)	1.0%	(7,123)	1.9%	(5,243)	2.3%
Total interest expense	**(687,788)**	**100.0%**	**(381,282)**	**100.0%**	**(228,358)**	**100.0%**

The overall increase in the Bank's interest expense during the periods under review mainly resulted from increases in interest expense on other borrowed funds and interest on customer accounts.

Interest expense on other borrowed funds increased by 225,268 million soums, or 76.6%, to 519,267 million soums for the year ended 31 December 2018 as compared to the expense of 293,999 million soums for the year ended 31 December 2017, which in turn represented an increase of 137,599 million soums, or 88.0%, as compared to the expense of 156,400 million soums for the year ended 31 December 2016.

Interest expense on customer accounts increased by 38,160 million soums, or 59.2%, to 102,583 million soums for the year ended 31 December 2018 as compared to 64,423 million soums for the year ended 31 December 2017, which in turn was an increase by 8,555 million soums, or 15.3%, as compared to expense of 55,868 million soums for the year ended 31 December 2016. Expense on interest on customer accounts increased in the period under review on the back of 31.5% and 51.8% increases in customer accounts for the years ended 31 December 2018 and 2017, respectively. Interest expense on customer accounts increased in 2018 mainly as a result of a sharp increase in term deposits due to an increase in interest rates. See "– *Financial Position – Total Liabilities*".

Net Fee and Commission Income

One of the largest source of the Bank's non-interest income is its fee and commission income. The Bank's fee and commission income primarily comprises commissions generated by settlement transactions, foreign currency exchange, guarantees and letters of credit and other operations. For the year ended 31 December 2018, the Bank had net fee and commission income of 203,390 million soums as compared to net fee and commission income of 163,013 million soums for the year ended 31 December 2017 and 114,434 million soums for the year ended 31 December 2016.

The following table sets forth the components of the Bank's net fee and commission income for the years indicated.

	Year ended 31 December					
	2018		2017		2016	
	million soums	*% of total*	*million soums*	*% of total*	*million soums*	*% of total*
	(audited)		(audited)		(audited)	
Fee and commission income						
Settlement transactions	184,740	72.4%	130,466	64.7%	115,934	78.9%
Foreign currency exchange	31,885	12.5%	37,237	18.5%	11,141	7.6%
International money transfers	21,933	8.6%	14,816	7.3%	8,506	5.8%
Services of engineers for conducting control measurements	7,430	2.9%	6,139	3.0%	3,509	2.4%
Letters of credit	6,155	2.4%	2,602	1.3%	2,102	1.4%

Guarantees and letters of credit issued	2,289	0.9%	6,432	3.2%	4,482	3.1%
Other	709	0.3%	3,966	2.0%	1,237	0.8%
Total fee and commission income	**255,141**	**100.0%**	**201,658**	**100.0%**	**146,911**	**100.0%**
Fee and commission expense						
Cash collection	(21,843)	42.2%	(18,833)	48.7%	(14,958)	46.1%
Settlement transactions	(21,220)	41.0%	(11,394)	29.5%	(9,746)	30.0%
Foreign currency exchange	(3,335)	6.4%	(4,271)	11.1%	(1,530)	4.7%
Loan commission expenses	(420)	0.8%	(772)	2.0%	(1,920)	5.9%
Other	(4,933)	9.5%	(3,375)	8.7%	(4,323)	13.3%
Total fee and commission expense	**(51,751)**	**100.0%**	**(38,645)**	**100.0%**	**(32,477)**	**100.0%**
Net fee and commission income	**203,390**		**163,013**		**114,434**	

The increases in the Bank's net fee and commission income for the years ended 31 December 2018 and 2017 are mostly attributable to growth in fees from settlement transactions, which increased by 41.6% for the year ended 31 December 2018 and by 12.5% for the year ended 31 December 2017 primarily as a result of the increase in the volume of the Bank's operations on the back of general growth of the banking market and fees from foreign currency exchange operations, which increased by 234.2% in 2017 as compared to the year ended 31 December 2016. The increase of fee income from foreign currency exchange for the year ended 31 December 2017 was a one-off event resulting from the currency liberalisation reform in Uzbekistan and may not reoccur in the future. See "– *Factors Affecting the Financial Statements - Currency Fluctuations*".

The increase of the Bank's fee and commission income was partially offset by the growth in the majority of components of the fee and commission expense due to the general increase in the volume of operations in line with the increase in the fee and commission income and the corresponding increase in the volume of commissions paid.

Net Gain/(Loss) on Foreign Exchange Translation

The functional currency of the Bank, which is the currency of the primary economic environment in which the Bank operates, and the Bank's presentation currency is Uzbek soum. Monetary assets and liabilities are translated into the Bank's functional currency at the official exchange rate of the CBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Bank's functional currency at the period-end official exchange rates of the CBU are recognised in profit or loss.

For the year ended 31 December 2018, the Bank recorded net loss on foreign exchange translation of 25,880 million soums as compared to net gain on foreign exchange translation of 759,801 million soums for the year ended 31 December 2017 and net gain on foreign exchange translation of 57,000 million soums for the year ended 31 December 2016. In September 2017, as part of the currency liberalisation reform in Uzbekistan, the official rate of Uzbek soum was devalued from 4,210.35 soums per U.S.$1 to 8.100.0 soums per U.S.$1, representing a 92% decrease. As a result, the Bank's net gain on foreign exchange translation increased by more than 12 times for the year ended 31 December 2017 as compared to the year ended 31 December 2016. See "– *Factors Affecting the Financial Statements - Currency Fluctuations*".

Net Gain from Trading in Foreign Currencies

Net gain from trading in foreign currencies increased by 10,337 million soums, or 112.5%, to 19,528 million soums for the year ended 31 December 2018 as compared to 9,191 million soums for the year ended 31 December 2017, which in turn represented an increase of 5,068 million soums, or 122.9%, as compared to gain of 4,123 million soums for the year ended 31 December 2016. The increase in net gain from trading in foreign currencies for the years ended 31 December 2016, 2017 and 2018 was primary driven by the increase in the volume of conversion operations with foreign currencies after the liberalisation of the foreign exchange market.

Other Operating Income

Other operating income decreased by 1,072 million soums, or 25.0%, to 3,214 million soums for the year ended 31 December 2018 as compared to 4,286 million soums for the year ended 31 December 2017, which in turn represented an increase of 869 million soums, or 25.4%, as compared to income of 3,417 million soums for the year ended 31 December 2016. The decrease in other operating income for the year ended 31 December 2018 as compared to the year ended 31 December 2017 primarily reflected the decrease in gain on disposal of property and equipment.

Provision for Impairment of Other Assets

For the year ended 31 December 2018, the Bank recorded provision for impairment of other assets of 4,078 million soums, representing a 30.7% decrease in provision as compared to the year ended 31 December 2017. For the year ended 31 December 2017, the Bank recorded provision for impairment of other assets of 5,888 million soums, which was a 50.3% decrease in provision as compared to the year ended 31 December 2016. The decrease in provision for impairment of other assets for the years ended 31 December 2018, 2017 and 2016 resulted from a significant provision created in 2016 in respect of property the Bank received as a collateral. In 2017-2018, provision for impairment of other assets decreased as the relevant property was sold.

Provision for Impairment of Investment Securities Available for Sale

For the year ended 31 December 2017, the Bank recorded a provision for impairment of investment securities available for sale in the amount of 5,000 million soums. This provision was recorded as a result of a write off based on deemed absence of future economic benefit of the asset.

Administrative and Other Operating Expenses

The main components of the Bank's administrative and other operating expenses are staff costs, taxes other than income tax, depreciation and amortisation, security services, membership fees, charity expenses, stationary and other low value items and other operating expenses. Administrative and other operating expenses increased by 159,321 million soums, or 47.1%, to 497,539 million soums for the year ended 31 December 2018 as compared to 338,218 million soums for the year ended 31 December 2017, which in turn represented an increase of 91,310 million soums, or 37.0%, as compared to 246,908 million soums for the year ended 31 December 2016.

The increase in administrative and other operating expenses for the year ended 31 December 2018 as compared to the year ended 31 December 2017 principally resulted from a 55.5% growth in staff costs due to an increase in the remuneration of the Bank's employees.

The increase in administrative and other operating expenses for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was mainly driven by a 32.8% growth in staff costs on the back of increase in the remuneration of the Bank's employees and an increase in general inflation, as well as 35.6% increase in expenses on taxes other than income tax, a 30.1% increase in depreciation and amortisation expenses and a 96.0% increase in stationery and other low value items expenses, which resulted from expansion of the Bank's operations.

Income Tax Expense

For the year ended 31 December 2018, the Bank recorded income tax expense of 48,695 million soums as compared to 99,446 million soums for the year ended 31 December 2017 and 12,421 million soums for the year ended 31 December 2016. While the decrease in income tax expense for the year ended 31 December 2018 was mainly driven by changes in tax regulation, the increase in income tax expense for the year ended 31 December 2017 resulted mainly from growth in profit before tax for 2017 as a result of the sharp 129% increase in net interest income.

Discontinued Operations

For the years ended 31 December 2018, 2017 and 2016, the Bank reported profit from discontinued operations in the amount of 1,205 million soums, profit from discontinued operations in the amount of 829 million soums and loss from discontinued operations in the amount of 2,581 million soums, respectively.

Profit for the Period

As a result of the factors described above, the Bank generated net profit for the year in the amount of 219,396 million soums, 899,336 million soums and 86,555 million soums for the years ended 31 December 2018, 2017 and 2016, respectively.

Financial Position

The following discussion of the Bank's assets and liabilities should be read in conjunction with "Risk Management" and, in particular, with the data provided under "Risk Management - Credit Risk", "Risk Management - Market Risk" and "Risk Management - Liquidity Risk".

Total Assets

The following table sets forth the principal components of the Bank's total assets as at the dates set forth below.

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
		million soums		
	(unaudited)		(audited)	
Cash and cash equivalents	1,787,718	1,897,133	3,059,367	959,586
Due from other banks	1,455,272	812,092	669,375	535,769
Loans and advances to customers	31,278,577	28,020,629	20,360,591	8,568,525
Investment securities available for sale	-	-	19,864	14,484
Investment securities held to maturity	-	-	-	13,209
Financial assets at fair value though other comprehensive income	232,885	41,804	-	-
Investment in associates	587	587	840	3,471
Premises, equipment and intangible assets	341,418	200,407	146,933	112,616
Deferred income tax asset	-	-	-	28,943
Other assets	307,623	52,613	31,695	26,408
Non-current assets held for sale	16,690	813	17,895	45,997
Total assets	**35,420,770**	**31,026,078**	**24,306,560**	**10,309,008**

As at 30 June 2019, the Bank had total assets of 35,420,770 million soums as compared to 31,026,078 million soums as at 31 December 2018, 24,306,560 million soums as at 31 December 2017 and 10,309,008 million soums as at 31 December 2016.

The increase in total assets by 4,394,692 million soums, or 14.2%, as at 30 June 2019 as compared to 31 December 2018, was mainly driven by the growth in due from other banks, loans and advances to customers, financial assets at fair value through other comprehensive income, premises, equipment and intangible assets and other assets and partially offset by a decline in cash and cash equivalents. Due from other banks grew by 643,180 million soums, or 79.2%, as at 30 June 2019 as compared to 31 December 2018 on the back of a 159.6% increase in placements with other banks with original maturities of more than three months. Loans and advances to customers increased by 3,257,948 million soums, or 11.6%, as at 30 June 2019 as compared to 31 December 2018 as a result of organic growth in loan portfolio in line with the Bank's strategy. See "– *Loan Portfolio*" below. Financial assets at fair value through other comprehensive income grew by 191,081 million soums, or 457.1%, as at 30 June 2019 as compared to 31 December 2018 due to a commercially-based investment in "Steel Property Construction" LLC in the amount of 184,513 million soums. Premises, equipment and intangible assets

increased by 141,011 million soums, or 70.4%, as at 30 June 2019 as compared to 31 December 2018 driven by the branch network rebranding and renovation programme implemented in 2019.

The increase in total assets by 6,719,518 million soums, or 27.6%, as at 31 December 2018 as compared to the year 2017 was in line with the growth of the Bank's business and is primarily attributable to the increases in loans and advances to customers, which was partially offset by the decrease in cash and cash equivalents. The increase of 7,583,090 million soums, or 36.3%, in gross loans and advances to customers as at 31 December 2018 as compared to 31 December 2017 reflected the growth across all the components of the Bank's loan portfolio: (i) loans to state and municipal organisations increased by 13.9% and reached 20,614,186 million soums; (ii) corporate loans increased by 197.2% and reached 6,193,791 million soums; and (iii) loans to individuals increased by 131.8% and reached 1,673,984 million soums. The increase in loans and advances to customers reflected greater demand for loans from both corporate and state-owned enterprises, in particular, in energy, manufacturing, agriculture and construction industries, as a result of the on-going economic shift implemented by the Government and macroeconomic growth in Uzbekistan in 2018. The increase in total assets as at 31 December 2018 was, however, partially offset by the decrease of 1,162,234 million soums, or 38.0%, in cash and cash equivalents as compared to 31 December 2017.

The increase in total assets by 13,997,552 million soums, or 135.8%, as at 31 December 2017 as compared to the year 2016 is primarily attributable to the increases in cash and cash equivalents and loans and advances to customers. The increase of 12,044,708 million soums, or 136.0%, in gross loans and advances to customers in 2017 as compared to 2016 reflected the growth across all the components of the Bank's loan portfolio: (i) loans to state and municipal organisations increased by 139.5% and reached 18,092,489 million soums; (ii) corporate loans increased by 102.1% and reached 2,084,143 million soums; and (iii) loans to individuals increased by 168.0% and reached 722,239 million soums. The sharp increase in loans and advances to customers in 2017 mainly resulted from devaluation of the Uzbek soum against the foreign currencies, as U.S. dollar-devaluated loans significantly increased in the soum equivalent. In addition, the Bank's total assets in 2017 as compared to 2016 were affected by the increase of 2,099,781 million soums, or 218.8%, in cash and cash equivalents. This increase principally resulted from an increase of 1,603,608 million soums, or 463.1%, in correspondent accounts and overnight placements with other banks due to an increase in overnight deposits in foreign currencies.

Loan Portfolio

Loans and advances to customers (net of allowance for expected credit losses) are the largest components of the Bank's total assets, accounting for 88.3%, 90.3%, 83.8%, and 83.1% of total assets as at 30 June 2019, 31 December 2018, 2017 and 2016, respectively.

General

As at 30 June 2019, the Bank's gross loans and advances to customers amounted to 31,942,348 million soums, representing a 12.1% increase as compared to loans and advances to customers as at 31 December 2018. In 2018, gross loans and advances to customers increased by 7,583,090 million soums, or 36.3%, as compared to 31 December 2017, which in turn was an increase of 12,044,708 million soums, or 136.0%, as compared to 31 December 2016. The size of the Bank's loan portfolio in soums increased as a result of growth in lending activity, depreciation of Uzbek soum against the U.S. dollar on the back of the higher proportion of the Bank's loan portfolio being denominated in U.S. dollars as compared to soums and general development of the banking sector in Uzbekistan.

The following table sets forth the Bank's gross loans and advances to customers as at the dates set forth below.

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
		million soums		
	(unaudited)		(audited)	
State and municipal organisations	20,765,106	20,614,186	18,092,489	7,553,316
Corporate loans	8,898,190	6,193,791	2,084,143	1,031,319
Loans to individuals	2,279,052	1,673,984	722,239	269,528
Total gross loans and advances to customers	**31,942,348**	**28,481,961**	**20,898,871**	**8,854,163**

The total gross loans and advances to customers increased by 12.1%, 36.3% and 136.0% as at 30 June 2019 and 31 December 2018 and 2017, respectively, reflecting the growth across all the components of the Bank's loan portfolio and the devaluation of the soum against the U.S. dollar.

Loans to state and municipal organisations accounted for 65.0%, 72.4% and 86.6% of the gross total loan portfolio as at 30 June 2019 and 31 December 2018 and 2017, respectively. Loans to state and municipal organisations increased by 0.7% as at 30 June 2019 as compared to 31 December 2018 reaching 20,765,106 million soums, which in turn increased by 13.9% as compared to 2017 reaching 20,614,186 million soums. The Bank has historically been financing specific strategic industries in the Republic of Uzbekistan, mainly the oil and gas, chemicals and energy sectors. The Bank allocates the funds received from deposits and loans from the UFRD and other state agencies to issue loans to finance specific projects of state-owned companies in such strategic industries. The Bank financed investment projects of strategic industries worth U.S.$107.6 million in the six months ended 30 June 2019 and U.S.$162.9 million in 2018.

In line with the Bank's strategy, the share of the corporate loans in the Bank's total gross loan portfolio has increased from 10.0% as at 31 December 2017 to 21.7% as at 31 December 2018 and further to 27.9% as at 30 June 2019. As at 30 June 2019, the Bank's corporate loan portfolio increased by 2,704,399 million soums, or 43.7%, as compared to 31 December 2018. The Bank's corporate loan portfolio increased by 197.2% as at 31 December 2018 as compared to 31 December 2017 reaching 6,193,791 million soums. As at 31 December 2017, the Bank's corporate loan portfolio increased by 1,052,824 million soums, or 102.1%, as compared to 31 December 2016.

The share of loans to individuals in the Bank's total gross loan portfolio also increased from 3.5% as at 31 December 2017 to 5.9% as at 31 December 2018 and further to 7.1% as at 30 June 2019. Total gross loans to individuals increased by 36.1% as at 30 June 2019 as compared to 31 December 2018 and reached 2,279,052 million soums. Total gross loans to individuals increased by 131.8% as at 31 December 2018 as compared to 31 December 2017 and by 168.0% as at 31 December 2107 as compared to 31 December 2016.

Distribution of Loans by Economic Sectors

The following table sets forth distribution the Bank's loans and advances to customers by economic sector as at the dates set forth below.

	As at 30 June		As at 31 December					
	2019		2018		2017		2016	
	million soums (unaudited)	*% of total*	*million soums* (audited)	*% of total*	*million soums* (audited)	*% of total*	*million soums* (audited)	*% of total*
Oil and gas and chemicals	14,674,210	45.9	14,152,593	49.7	13,641,447	65.3	3,833,019	43.3
Energy	4,448,414	13.9	4,633,970	16.3	2,955,984	14.1	1,190,833	13.4
Manufacturing	4,499,479	14.1	3,429,674	12.0	1,114,429	5.3	2,024,878	22.9
Transport and communication	1,929,847	6.0	1,677,406	5.9	1,307,339	6.3	775,850	8.8
Individuals	2,279,052	7.1	1,673,984	5.9	722,239	3.5	269,528	3.0
Agriculture	1,142,134	3.6	1,010,762	3.5	281,133	1.3	146,496	1.7

Trade and Services	2,270,153	7.1	1,370,942	4.8	544,825	2.6	357,439	4.0
Construction	699,059	2.2	532,630	1.9	331,475	1.6	256,120	2.9
Total gross loans and advances to customers	**31,942,348**	**100.0**	**28,481,961**	**100.0**	**20,898,871**	**100.0**	**8,854,163**	**100.0**

Strategic sectors of the Uzbekistan's economy, including oil, gas and chemicals, energy and manufacturing, have historically accounted for the most prominent share of the Bank's loan portfolio, accounting for 73.9% of the total loans issued by the Bank as at 30 June 2019, 78.0% as at 31 December 2018, 84.7% as at 31 December 2017 and 79.6% as at 31 December 2016. In line with the strategy of diversification of the loan portfolio, over the period under review the Bank has increased the share of actively developing sectors of the economy in its loan book, such as agriculture (the share in the Bank's loan portfolio increased from 3.5% as at 31 December 2018 to 3.6% as at 30 June 2019) and loans to individuals (the share in the Bank's loan portfolio increased from 5.9% as at 31 December 2018 to 7.1% as at 30 June 2019), while maintaining its long-standing relationships with the companies in the Bank's sectors of expertise, including oil and gas, chemicals and energy.

As at 30 June 2019, the Bank granted loans to eight borrowers in the amount of 19,122,074 million soums (60.0% of total loans), which individually exceeded 10% of the Bank's equity. As at 31 December 2018 and 2017, loans to seven borrowers which individually exceeded 10% of the Bank's equity accounted for 18,563,205 million soums (65.2% of total loans) and 16,223,656 million soums (77.6% of total loans), respectively.

Distribution of Loans by Maturity

Of the Bank's net loan portfolio as at 30 June 2019, 25,521,097 million soums, or 81.6%, had a maturity of more than one year, 2,422,640 million soums, or 7.7%, had a maturity profile of between six months and one year, 1,993,503 million soums, or 6.4%, had a maturity of between one month and six months and 1,341,337 million soums, or 4.3%, had a maturity of between one day and one month.

Of the Bank's net loan portfolio as at 31 December 2018, 22,503,157 million soums, or 80.3%, had a maturity of more than one year, 1,791,812 million soums, or 6.4%, had a maturity profile of between six months and one year, 2,004,827 million soums, or 7.2%, had a maturity of between one month and six months and 1,720,833 million soums, or 6.1%, had a maturity of between one day and one month.

Of the Bank's net loan portfolio as at 31 December 2017, 18,131,479 million soums, or 89.1%, had a maturity of more than one year, 749,715 million soums, or 3.7%, had a maturity profile of between six months and one year, 624,092 million soums, or 3.1%, had a maturity of between one month and six months and 855,305 million soums, or 4.2%, had a maturity of between one day and one month.

See "*Risk Management – Liquidity Risk*".

NPLs

Non-performing loans, or NPLs, represent loans with payments of principal and/or interest overdue by more than 90 days. The Bank had gross NPLs in the amount of 36,588 million soums, 52,692 million soums, 49,656 million soums and 15,792 million soums as at 30 June 2019, 31 December 2018, 2017 and 2016, respectively. The level of the Bank's NPLs as a percentage of total gross loans to customers was 0.1%, 0.2%, 0.2% and 0.2% as at 30 June 2019, 31 December 2018, 2017 and 2016, respectively.

The Bank did not record any NPLs in its state and municipal organisations loan portfolio as at 30 June 2019, while NPLs in the Bank's corporate and retail loan portfolios accounted for 0.3% and 0.4%, respectively, of gross corporate and retail loan portfolios as at 30 June 2019.

Allowance for expected credit losses

As at 30 June 2019, the Bank allowance for expected credit losses was 663,771 million soums as compared to 461,332 million soums as at 31 December 2018. As at 31 December 2017, the Bank has

recognised the provision for loan impairment of 538,280 million soums as compared to provision of 285,638 million soums as at 31 December 2016. The 88.4% increase in provisioning reflected the 136.0% increase in gross loans. The Bank's management believes that the level of allowance for expected credit loss as at 30 June 2019 covers all significant overdue loans. The Bank's allowance for expected credit loss is classified by three stages. See Note 8 to the Annual Financial Statements and Note 9 to the Interim Financial Statements.

Due to adoption of IFRS 9 by the Bank starting from 1 January 2018, certain comparative information may not be comparable. The Bank has not restated comparative information for 2017 for financial instruments in scope of IFRS 9. Thus, fiscal results of the Bank for 2018 and onwards reflect the adoption of IFRS 9, while prior periods reflect results under IAS39. For additional information, see Note 4 to the Annual Financial Statements.

Total Liabilities

The following table sets forth the principal components of the Bank's total liabilities as at the dates set forth below.

	As at 30 June	As at 31 December		
	2019	**2018**	**2017**	**2016**
		million soums		
	(unaudited)		(audited)	
Due to other banks	914,756	676,700	376,560	193,969
Customer accounts	6,472,316	5,129,176	3,900,334	2,568,972
Debt securities in issue	58,954	67,741	68,885	78,885
Other borrowed funds	24,127,349	21,756,155	17,380,160	6,572,295
Other liabilities	47,755	105,972	52,400	40,639
Deferred tax liability	97,407	86,865	62,849	-
Liabilities directly associated with disposal groups held for sale	-	-	1,991	586
Reserves for insurance contracts	3,333	-	-	-
Total liabilities	**31,721,870**	**27,822,609**	**21,843,179**	**9,455,346**

As at 30 June 2019, the Bank had total liabilities of 31,721,870 million soums as compared to 27,822,609 million soums as at 31 December 2018, 21,843,179 million soums as at 31 December 2017 and 9,455,346 million soums as at 31 December 2016.

The increase in total liabilities by 3,899,261 million soums, or 14.0%, as at 30 June 2019 as compared to 31 December 2018, was mainly driven by growth in due to other banks, customer accounts and other borrowed funds. Other borrowed funds increased by 2,371,194 million soums, or 10.9%, as at 30 June 2019 as compared to 31 December 2018 and were mainly driven by new originations from international financial organisations, such as Landesbank Baden-Wurttemberg, Commerzbank AG, Raiffeisen Bank International AG, Eximbank of Korea, World Bank Group and Asian Development Bank. These other borrowed funds were aimed at financing investment projects in the real sector of the economy In addition, customer accounts increased by 1,343,140 million soums, or 26.2%, as at 30 June 2019 as compared to 31 December 2018, mainly as a result of growth in customer accounts of state and public organisations, which increased by 708,172 million soums, or 37.8%, as at 30 June 2019 as compared to 31 December 2018. Due to other banks increased by 238,056 million soums, or 35.2%, as at 30 June 2019 as compared to 31 December 2018, driven by a 101.5% increase in short-term placements of other banks.

As at 31 December 2018, the Bank had total liabilities of 27,822,609 million soums, an increase of 5,979,430 million soums, or 27.4%, from 21,843,179 million soums as at 31 December 2017. This increase was primarily due to the increase in other borrowed funds and customer accounts. Other borrowed funds increased by 4,375,995 million soums, or 25.2%, as compared to 2017 and were mainly driven by new long-term borrowings from financial institutions in Uzbekistan, in particular the UFRD and the Ministry of Finance. These other borrowed funds were aimed at small business development,

especially the poultry sector. In addition, customer accounts increased by 1,228,842 million soums, or 31.5%, in 2018.

As at 31 December 2017, the Bank had total liabilities of 21,843,179 million soums, an increase of 12,387,833 million soums, or 131.0%, from 9,455,346 million soums as at 31 December 2016. This increase was primarily due to the increase in customer accounts and other borrowed funds. Customer accounts increased by 1,331,362 million soums, or 51.8%, in 2017 as a result of growth in the majority of customer accounts components: (i) current/settlement accounts of state and public organisations increased by 664,652 million soums, or 427.2%, due to the devaluation of the soum; (ii) current/settlement accounts of other legal entities increased by 513,998 million soums, or 34.0%, as a result of devaluation of the soum; and (iii) term deposits of individuals increased by 379,261 million soums, or 165.0%, on the back of increased product range of the Bank and geographical expansion of its customer reach. The general growth of customer accounts in 2017 is mainly due to the liberalisation of the foreign exchange market and the devaluation of the soum relative to other currencies. As a result of the devaluation of the soum in 2017, liabilities of the Bank denominated in foreign currencies increased in soum equivalent as presented in the Financial Statements. Other borrowed funds increased by 10,807,865 million soums, or 164.4%, as compared to 2016 and were mainly driven by new originations from the international financial organisations, such as the Export-Import Bank of China, World Bank Group and China Development Bank as well as new long-term borrowings from financial institutions in Uzbekistan, in particular the UFRD and CBU. These borrowings were aimed at financing of investment projects related to large strategic companies of the Republic of Uzbekistan. See "*Business – Corporate Banking – Corporate Lending*".

Total Equity

As at 30 June 2019, the Bank had total equity of 3,698,900 million soums, an increase of 495,431 million soums, or 15.5%, from 3,203,469 million soums as at 31 December 2018. This increase was primarily due to an increase in share capital and retained earnings.

As at 31 December 2018, the Bank had a total equity of 3,203,469 million soums, an increase of 740,088 million soums, or 30.0%, from 2,463,381 million soums as at 31 December 2017. This increase was mainly attributable to an increase in share capital and retained earnings.

As at 31 December 2017, the Bank had a total equity of 2,463,381 million soums, an increase of 1,609,719 million soums, or 188.6%, from 853,662 million soums as at 31 December 2016. This increase was mainly attributable to increases in share capital and retained earnings as a result of liberalisation of the foreign exchange market.

Liquidity and Capital Resources

The Bank's principal sources of liquidity are customer accounts, other borrowed funds (which include borrowings from international and domestic financial organisations), inter-bank deposit agreements, outstanding debt securities, proceeds from sale of securities, principal repayments on loans, interest income and fees and commissions income.

Funding

The Bank's funding base relies primarily on customer accounts and borrowed funds (funds received from the UFRD and the Ministry of Finance of the Republic of Uzbekistan, funds raised on the interbank market in Uzbekistan and funds raised from the IFIs). Other sources of funding include the Bank's issues of local bonds. The Bank's funding strategy is to continue to develop a diversified funding base in order to achieve an optimum balance between its own capital, domestic and international borrowings to cover the growing needs of the Bank's business, both in terms of currency and maturity.

The following table sets out the Bank's sources of funding as at the dates indicated:

	As at 30 June		As at 31 December					
	2019		2018		2017		2016	
	million soums	*% of total*	*million soums*	*% of total*	*million soums*	*% of total*	*million soums*	*% of total*
	(unaudited)		(audited)		(audited)		(audited)	
Due to other banks								
Long term placements of other banks	465,295	1.5%	434,827	1.6%	168,527	0.8%	65,922	0.7%
Short term placements of other banks	377,932	1.2%	187,535	0.7%	107,645	0.5%	55,499	0.6%
Correspondent accounts and overnight placements of other banks	71,529	0.2%	54,338	0.2%	100,388	0.5%	72,548	0.8%
Total	**914,756**	**2.9%**	**676,700**	**2.5%**	**376,560**	**1.8%**	**193,969**	**2.1%**
Customer accounts								
Total	**6,472,316**	**20.5%**	**5,129,176**	**18.6%**	**3,900,334**	**18.0%**	**2,568,972**	**27.3%**
Other borrowed funds								
Total	**24,127,349**	**76.4%**	**21,756,155**	**78.7%**	**17,380,160**	**80.0%**	**6,572,295**	**69.8%**
Debt securities in issue								
Bonds	32,061	0.1%	42,201	0.2%	42,374	0.2%	44,442	0.5%
Certificates of deposits	26,893	0.1%	25,540	0.1%	26,511	0.1%	34,443	0.4%
Total	**58,954**	**0.2%**	**67,741**	**0.2%**	**68,885**	**0.3%**	**78,885**	**0.8%**
Total funding	**31,573,375**	**100.0%**	**27,629,772**	**100.0%**	**21,725,939**	**100.0%**	**9,414,121**	**100.0%**

The Bank's main sources of funding are customer accounts and other borrowed funds. See "*– Financial Condition – Total Liabilities*". As at 30 June 2019, funding from international financial organisations comprised 8,230,720 million soums and 26.1% of the Bank's funding mix, as compared to 6,983,447 million soums as at 31 December 2018. See also "*- Factors Affecting the Financial Statements - Non-compliance with certain covenants in the Bank's financing agreements with the Republic of Uzbekistan*".

The following table sets forth funding available to the Bank under existing material credit facilities as at 30 June 2019:

	As at 30 June 2019			
	Utilised Amount	**Available Funding**	**Interest Rate**	**Maturity**
	(billion soums)		(%)	
The Export-Import Bank of China	4,556	-	2%	2020-2033
China Development Bank	623	253	6MLIBOR+4.3%; 6MLIBOR+4.3% 6MLIBOR+4%	2016-2020; 2018-2023; 2020-2025
International Bank of Reconstruction and Development	666	249	6MLIBOR+Variable IBRD+0.2%	2034-2042
International Development Association of the World Bank	494	-	6MLIBOR+0.75%	2023-2038
Landesbank Baden-Wurttemberg	338	124	LIBOR/EURIBOR+Variable	Loans are issued under individual loan agreements for 5-7 years tenor

The Export-Import Bank of Russia	205	477	2.5-4.75%	2021-2028
Commerzbank AG	495	1,085	LIBOR/EURIBOR+Variable	Loans are issued under individual loan agreements for 5-7 years tenor
Asian Development Bank	300	103	3.0%	2037 2042
Raiffeisen Bank International AG....	245	300	LIBOR/EURIBOR+Variable	Loans are issued under individual loan agreements for 5-7 years tenor
Gazprombank	163	251	LIBOR/EURIBOR+Variable	
ODDO Bank.....	66	410	LIBOR/EURIBOR+Variable	
The Export-Import Bank of Korea	71	129	LIBOR/EURIBOR+Variable	
Amsterdam Trade Bank N.V.	3	285	3.5%	
International Fund for Agricultural Development	3	-	4.5%	
KfW.....	2	-	5.0%	

Contingencies and Commitments

The Bank enters into certain financial instruments with off-balance sheet risk in the ordinary course of business to meet its clients' needs. These instruments, which include guarantees and letters of credit and other contingent liabilities, involve varying degrees of credit risk and are not reflected in the consolidated statement of financial position. The Bank uses similar credit approval policies in undertaking off-balance sheet credit related commitments as it does for its on-balance sheet operations. See "*Risk Management – Credit Risk*".

The following table sets forth the Bank's credit-related commitments as at the dates indicated:

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
		million soums		
	(unaudited)		(audited)	
Guarantees issued.....	1,197,027	932,286	1,009,579	300,014
Letters of credit, non post-financing.....	862,623	682,212	708,528	326,235
Letters of credit, post-financing	1,949,238	1,542,353	961,176	4,700
Undrawn credit lines	369,446	77,561	176,035	118,569
Total gross credit related commitments	**4,378,334**	**3,234,412**	**2,855,318**	**749,518**

For additional information on the Bank's credit-related commitments see Note 28 to the Annual Financial Statements and Note 24 to the Interim Financial Statements.

Capital Management

The Bank manages its regulatory capital in order to comply with the capital requirements set by the CBU and to safeguard its ability to continue operations. Compliance with capital adequacy ratios is monitored on a monthly basis.

Regulatory capital requirements in Uzbekistan are set by the CBU and are applied to the Bank on a stand-alone basis. Under the CBU Regulation "On requirements to the capital adequacy of commercial banks" No. 2693 dated 6 July 2015 (the "**Capital Adequacy Regulation**") the Bank is required to maintain a minimum Total Capital Adequacy Ratio of 13% and a minimum Tier I Capital Adequacy Ratio of 10%, both computed based on the Bank's stand-alone financial statements prepared under Uzbekistan GAAP and in accordance with CBU regulations and pronouncements. The Capital Adequacy Regulation is largely based on and follows Basel III methodology; however, capital estimates may differ due to the difference in the underlying accounting standards. Such differences mainly arise out of estimation and classification methodology applied to risk-weighted assets ("**RWA**"). Basel III standards for RWA calculation require total assets under IFRS to be weighted by their risk profile using either external rating agency rating utilisation or an internal rating model. On the other hand, CBU

standards for RWA calculation as set out in the Capital Adequacy Regulation require total assets to be calculated under Uzbekistan GAAP and weighted in accordance with CBU-developed assets type criteria, taking into account credit, market and operational risk coefficients. The Bank only uses CBU standards for calculation of RWA as of the date of this Prospectus as many of its clients have not been assigned a rating by external rating agencies, and the Bank's internal comprehensive rating model is in development and has not yet been implemented.

The following table sets forth the capital components information prepared under Uzbekistan GAAP and related instructions:

	As at 30 June	As at 31 December		
	2019	**2018**	**2017**	**2016**
		million soums		
Share capital	2,169,852	1,877,386	1,452,540	698,623
Retained earnings	247,071	8,020	6,453	17,024
Disclosed bank reserves	670,771	685,547	668,379	173,240
Intangible assets[(1)]	(1,653)	(1,160)	(1,013)	(1,627)
Investments in subsidiaries[(1)]	(5,398)	(4,545)	(16,441)	(30,209)
Tier 1 capital (adjusted)	**3,080,643**	**2 565 248**	**2,109,918**	**857,051**
Subordinated debt	256,737	-	31,060	43,060
Current year profit/(loss)	67,735	118,442	42,854	29,840
Undisclosed bank reserves	47,486	47,486	27,486	13,047
Revaluation reserves	3,632	396	352	400
Tier 2 capital	**375,590**	**166,324**	**101,752**	**86,347**
Subordinated debt balance adjustment[(2)]	33,460	-	-	-
Tier 2 capital (adjusted)	**409,050**	**166,324**	**101,752**	**86,347**
Total Capital (adjusted)	**3,456,233**	**2,731,572**	**2,211,670**	**943,398**
Total balance sheet and off balance sheet risk-weighted assets	23,206,748	19,562,594	12,443,306	5,495,782
Operational risk	915,929	668,837	513,474	479,849
Market risk	216,992	172,958	611,748	150,330
Risk-Weighted Assets[(1)]	**24,339,669**	**20,404,389**	**13,568,528**	**6,125,961**
Tier I Capital Adequacy Ratio[(3)]	12.5%	12.6%	15.6%	14.0%
Total Capital Adequacy Ratio[(4)]	14.2%	13.4%	16.3%	15.4%

Notes:

(1) Under CBU standards, intangible assets and investments in subsidiaries are excluded from the Tier I capital of the banks.

(2) Adjustment of balances of subordinated obligations issued by the Bank in 2010 and 2012 due during the six-month period ended 30 June 2019.

(3) *Risk-Weighted Assets* are calculated as the assets weighted with credit risk, market risk and operational risk coefficients.

(4) *Tier I Capital Adequacy Ratio* is calculated as a ratio of a bank's Tier I capital to Risk Weighted Assets. As at 30 June 2019 and as at 31 December 2018, 2017 and 2016, Tier I Capital Adequacy Ratio was set at a minimum level of 10%, 9.5%, 9.5% and 8.5% by the CBU and as a minimum level of 8%, 6%, 6% and 6% under Basel III.

(5) *Total Capital Adequacy Ratio* is calculated as a ratio of sum of a bank's Tier I capital and Tier II capital to Risk Weighted Assets. As at 30 June 2019 and as at 31 December 2018, 2017 and 2016, Total Capital Adequacy Ratio was set at a minimum level of 13%, 12.5%, 12.5% and 11.5% by the CBU and as a minimum level of 10%, 8%, 8% and 8% under Basel III.

Furthermore, the Bank reports Leverage Ratio, which is the ratio of a bank's Tier I capital to total assets less intangible assets and should exceed 6.0%. The Bank's Leverage Ratio was 7% as at 31 December 2018 and 7.4% as at 30 June 2019.

For a detailed description of the capital and regulatory ratios which apply to the Bank, see "*Banking Sector and Banking Regulation in the Republic of Uzbekistan – Mandatory Ratios*".

Significant Accounting Policies and New Accounting Standards

A detailed description of the Bank's significant accounting policies are set forth in Note 3 to the Interim Financial Statements and Note 2 to the Annual Financial Statements. The changes in the following significant accounting standards have affected the Financial Statements:

- *IFRS 9 Financial Instruments.* The Bank has applied IFRS 9 standards for the first time in preparation of its Annual Financial Statements, effective for annual periods beginning on or after 1 January 2018. The Bank has not restated comparative information for the year ended 31 December 2017 and 2016 for financial instruments in scope of IFRS 9. Thus, financial results of the Bank for the year ended 31 December 2018 reflect the adoption of IFRS 9, while prior periods reflect results under IAS39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as at 1 January 2018 and are disclosed in the consolidated statement of changes in equity. For additional information, see Note 4 to the Annual Financial Statements.

- *IFRS 16 Leases.* The Bank has applied IFRS 16 using the modified retrospective approach, which means the adoption from 1 January 2019 with no restatement of comparative periods - i.e. comparative period is presented as previously reported under IAS 17 and related interpretations. The Bank applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019, (whether it is a lessor or a lessee in the lease contract). The implementation of IFRS 16 has no material impact on the amounts or disclosures in the Interim Financial Statements. For additional information, see Note 5 to the Interim Financial Statements.

In addition, the Bank has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective. For the list of such standards, please see Note 4 to the Annual Financial Statements and Note 5 to the Interim Financial Statements.

Critical Accounting Estimates and Judgments in Applying Accounting Policies

The preparation of consolidated financial statements under IFRS requires the Bank's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgments made regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on the management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

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

BUSINESS

Overview

Established in 1922, the Bank is one of the leading universal banks in the Republic of Uzbekistan. According to the CBU, in 2018, the Bank ranked as second largest commercial bank in Uzbekistan by total assets (14.2% market share) and second largest by loan portfolio size (16.3% market share). The Bank offers a comprehensive range of banking services, including state, corporate and retail lending, deposit-taking, cash handling, international money transfers, letters of credit, guarantees, foreign exchange operations and other products. The Bank conducts its banking operations from its head office in Tashkent and 45 branches within Uzbekistan as at 30 June 2019.

The Bank has historically operated as a state financing vehicle on the basis of funding provided by state agencies, such as the UFRD and the Ministry of Finance of the Republic of Uzbekistan, for subsidised financing of investment projects in a number of strategic industries, being mainly oil and gas, energy and chemicals, and has otherwise in its day-to-day operations relied on funding provided by the Uzbekistan Government in the form of predominantly subsidised loans, deposits, capital injections and state guarantees, as well as funding received as borrowings from the IFIs. Since 2018, as part of the on-going economic reforms in Uzbekistan, the Bank is undergoing a transitional reform of its banking organisation dependent on state control, support and funding to more of a market-orientated commercial structure. Under this transition strategy, the Uzbekistan Government has been gradually decreasing its influence on the business and loan portfolio of the Bank, as well as reducing the state support financing available to the Bank as well as the state guarantees that borrowers of the Bank have benefitted from and which the Bank has received as credit support. See "*– Competitive Strengths – History of strong shareholder support*". Following such strategic transition, the Bank intends to gradually decrease the share of state ownership and expects to rely less on state subsidised financing in its funding base and instead to rely to a larger extent on funding from other sources, such as customer accounts, interbank lending markets and international capital markets. Furthermore, the Bank is taking steps to diversify its loan portfolio and client base to increase the share of higher-margin loans attributable to developing sectors of the Uzbekistan's economy, such as manufacturing, agriculture and retail, as well as to develop further its long-standing relationships with large corporate clients in oil and gas, chemicals and energy sectors on more commercial and market orientated terms.

As at 30 June 2019, the Bank's total assets comprised 35,420,770 million soums. Total gross loans and advances to customers amounted to 31,942,348 million soums, with gross loans to state and municipal organisations, gross loans to corporate clients and gross loans to individuals accounting for 65.0%, 27.9% and 7.1% of total gross loans, respectively. As at 30 June 2019, the Bank's total equity constituted 3,698,900 million soums. For the year ended 31 December 2018 and six months ended 30 June 2019, the Bank generated profit of 219,396 million soums and 197,186 million soums, respectively.

The Bank was incorporated as a joint-stock commercial bank in 1991 and is domiciled in the Republic of Uzbekistan. It is registered in Uzbekistan as a joint-stock commercial bank under registration number 17 to carry out banking and foreign exchange activities and has operated under the banking licence No. 17 issued by the CBU on 21 October 2017. Its registered and head office is located at Shaxrisabzkaya str. 3, 100000 Tashkent city, Republic of Uzbekistan. The telephone number of the registered office and the head office of the Bank is +998 (71) 200-43-43. As at the date of this Prospectus, the Bank has the following long-term ratings: BB- from Fitch and BB- from S&P.

History

The Bank is one of the oldest financial institutions in the Republic of Uzbekistan. The history of the Bank began in 1922 with the opening of the Central Asian office of Promabank (Industrial Bank) in Tashkent. Ten years later, the Bank was transformed into a specialised bank for long-term investment, responsible for financing capital construction, local industry and foreign trade. The Bank was incorporated in 1991 as a joint-stock commercial bank.

In 2004, the Bank developed its payment system and introduced salary projects for corporate clients. The Bank was the first in Uzbekistan to issue and service international payment chip cards VISA Electron and VISA Classic with its own design.

In 2006, the Bank merged with the International Bank of Uzbekistan "Uzprivatbank".

In 2008, according to the decision of the general meeting of shareholders, the legal name of the Bank was changed to Joint-Stock Commercial Bank "Uzbek Industrial and Construction Bank".

The ordinary shares of the Bank have been listed on the Tashkent Stock Exchange since 2003 under the symbol SQBN. As of 31 October 2019, the Bank's free float amounted to 5.15% of share capital.

Rebranding

In 2018, the Bank conducted a rebranding programme in order to reflect significant improvements of its service quality and diversification of the product portfolio. Within Uzbekistan, the Bank now operates under the Sanoat Qurilish Bank (SQB) brand, with a new three-dimensional logo in the form of a three–colour ring combined with the first letter of Uzbekistan's name in three key languages: "U" in English, "O" in Uzbek and "У" in Russian. The logo is meant to represent the Bank's strong commitment to the interests of Uzbekistan, its direct participation in major national projects for the construction of industrial, urban and rural infrastructure, as well as its role in ensuring the economic and financial stability of Uzbekistan.

Competitive Strengths

In line with its strategy, the Bank is consistently developing and is currently undergoing a transition into a competitive modern financial institution implementing best international standards and practices. The Bank values its clients and provides them with a wide range of financial products and services, and a high level of service. In addition, the Bank actively promotes and assist local industries with financing technical and technological modernisation.

Management believes that the Bank benefits from the following competitive strengths:

History of strong shareholder support

The Uzbekistan Government has historically provided substantial financial support to the Bank for its capital growth. In 2017 and 2018, the Bank received cumulatively 753,917 million soums and 424,846 million soums, respectively, in funding in the form of capital injections from the UFRD and the Ministry of Finance of the Republic of Uzbekistan. Furthermore, from 1 January 2019 to the date of this Prospectus, the Bank received over 3,523,939 million soums and U.S.$139.2 million in funding from the Uzbekistan Government, including the following: (i) in January 2019, the Bank received a capital injection from the UFRD in the amount of 292,467 million soums; (ii) in April 2019, the Bank received additional funding of 502,714 million soums and U.S.$17.1 million from the UFRD, the Ministry of Finance of the Republic of Uzbekistan and the CBU on a subsidised basis for the development of strategic industries in the Republic of Uzbekistan; (iii) in April 2019, the Bank received long-term deposits from the Ministry of Finance of the Republic of Uzbekistan in the total amount of U.S.$122.1 million; (iv) in July and August 2019, the Bank received additional funding in the total amount of 206,000 million soums from the Ministry of Finance and 57,400 million soums from the UFRD; and (v) in October 2019, the Bank received additional capital injection from the UFRD in the amount of 2,465,358 million soums. In line with the Bank's transition strategy, the management of the Bank expects that the funding and capital support from the Government will gradually decrease, however, the management believes that, as the Bank's shareholders, the UFRD and the Ministry of Finance through State Asset Management Agency of the Republic of Uzbekistan will provide capital injections or other funding to the Bank in case the macroeconomic or other market conditions require the Bank to increase its liquidity or capital as long as the Republic holds the controlling share of the Bank. See "*Risk Factors - Risks Related to the Group's Business and Industry - The banking sector in Uzbekistan and the Bank are undergoing a transition period*", "*Risk Factors - Risks Related to the Group's Business and Industry - The Bank and some of its customers would be adversely affected if it and they did not continue to*

receive capital support from the Uzbekistan Government" and "*Risk Factors - Risks Related to the Group's Strategy – The Bank's strategy is determined by the Uzbekistan Government as its major shareholder. Interests of the Bank's shareholders or management may conflict with those of the Noteholders*".

Established position in the banking market and growing loan portfolio

The Bank holds a well-established position within the top-five banks in Uzbekistan by assets and loan portfolio, according to the CBU. For the year ended 31 December 2018, the Bank had a 14.2% market share in total assets, 16.0% market share in gross loans and 10.7% market share in equity size, according to CBU.

The Bank maintains a balanced loan portfolio structure focusing on state and municipal organisations, state-owned companies and private corporate businesses, operating mainly in strategic sectors of the economy, such as oil and gas, energy, chemicals and manufacturing. The Bank's gross state loan portfolio and gross corporate loan portfolio accounted for 65.0% and 27.9% of its total gross loans as at 30 June 2019. The Bank has increased its net loan portfolio by 3,257,948 million soums, or 11.6%, as at 30 June 2019 as compared to 31 December 2018, while maintaining the quality and diversification of its loan portfolio by focusing on sectors with an established presence, economic growth dynamics and long-term customer relations, such as oil and gas, energy and chemicals. The Bank enjoys long-standing relationships with large corporate clients in these sectors and has a deep understanding of their business, industry and needs. The Bank plans to further strengthen its relationship with these clients by providing them with tailored higher-margin products. In addition, the Bank has been taking steps to diversify its loan portfolio and client base to increase the share of higher-margin loans attributable to developing sectors of the Uzbekistan's economy such as manufacturing, agriculture and retail. In particular, with regards to agricultural sector lending, due to a rise in demand for funding, the Bank used the existing loan facility from the International Bank of Reconstruction and Development ("**IBRD**") and ADB to finance loans issued to the companies in the agricultural sector. Furthermore, the Bank has also focused on and increased its individuals loan portfolio by 605,068 million soums, or 36.1%, as at 30 June 2019 as compared to 31 December 2018, which allowed the Bank to significantly increase the share of retail loans in its gross loan portfolio from 3.0% as at 31 December 2016 to 5.9% as at 31 December 2018 and further to 7.1% as at 30 June 2019. The Bank provides its retail customers with a wide range of banking products through its branch network and online banking services.

Focus on sound asset quality

The Bank follows stringent risk management policies and procedures and has conservative credit approval processes and underwriting criteria, all of which are intended to maintain the quality of its assets as its loan portfolio grows. It also has an integrated control framework encompassing operational risk management and control, anti-money laundering compliance and corporate and information security. The Bank's NPL coverage ratio has remained over 100% in each of 2016, 2017 and 2018. The Bank also maintains a contemporary tracking and collection system, which allows it to maintain the quality of its loan portfolio. See "*Risk Management - Dealing with Problem Assets Department*". Furthermore, the Bank is currently developing a modern and extensive risk management system tailored to cover the Bank's transition strategy and planned operational and internal control network. See "*Risk Factors - Risks Related to the Group's Business and Industry - The Bank's risk management strategies and procedures are developing and may not be completely effective*".

Comprehensive banking network

As at 30 June 2019, according to CBU, the Bank had the fourth widest distribution network in Uzbekistan with 45 active branches and 24.4 thousand payment terminals. Furthermore, the Bank serves its clients through 44 savings banks, 37 special cash departments, 94 payment offices, 43 movable field box offices, 46 mini banks, 77 offices for international money transfers and 72 foreign exchange offices. See "– *Distribution Network*" below. The Bank's management believes that the Bank offers one of the most comprehensive ranges of financial products in the Uzbekistan banking market. Through its client-centric product range, large network and 24/7 service, the Bank reaches a wide spectrum of customers.

Developed corporate governance and experienced management with a deep understanding of the local market

The Bank's senior management team is comprised of experienced and trained professionals with a proven track record of achieving growth and meeting financial performance targets. The Bank's management team has extensive experience in Uzbekistan's banking market and a strong understanding of the local financial services sector.

The Bank's long-term goal is to maintain and further develop a strong corporate governance model. In June 2019, the Bank further improved its corporate governance by adopting a Supervisory Council Code and Management Board Code. The Bank's Supervisory Council currently consists of nine members, two of whom are independent directors. See "*Management – Supervisory Council*".

Strategy

The Bank's strategic objective is to further strengthen its position as one of the leading commercial banks in Uzbekistan and become the bank of choice for its customers. It aims to continue to provide high-quality corporate and retail banking products and services based on the best international and domestic practices while achieving strong and sustainable performance.

In addition, as part of the on-going economic reforms in Uzbekistan, the Bank is undergoing transition from the model of a banking organisation dependent on state control, support and funding to more of a market-orientated and commercial structure. As part of this strategy, the Bank actively cooperates with International Finance Corporation ("**IFC**") and European Bank for Reconstruction and Development ("**EBRD**") in development and implementation of transformation business model for the Bank, which provides for, *inter alia*, key development goals for corporate, retail, SME and investment businesses of the Bank, as well as for operational efficiency, management and corporate governance model.

The following are the key elements of the Bank's transformational strategy:

Further diversification of the loan portfolio and funding base

One of the main strategic goals of the Bank is to implement large-scale changes within its business, reflecting the Bank's ambition to become more diversified and profitable. To this end, the Bank plans to further diversify and increase its client base, which is expected to affect its loan portfolio and funding base, as it will be lending outside of strategic projects with Government support more. As at 30 June 2019, the Bank's total gross loan portfolio amounted to 31,942,348 million soums, representing an increase of 12.1% as compared to 31 December 2018. In line with the Bank's transition strategy to increase the share of higher-margin loans attributable to developing sectors of Uzbekistan's economy, such as manufacturing, agriculture and retail, the structure of the portfolio has shifted: the share of retail loans in the gross portfolio increased to 7.1% as at 30 June 2019 as compared to 5.9% as at 31 December 2018; the agriculture sector's share has increased to 3.6% as at 30 June 2019 as compared to 3.5% as at 31 December 2018 and the manufacturing sector's share has increased to 14.1% as compared to 12.0% as at 31 December 2018.

In order to further diversify its portfolio on both the assets and liabilities sides, the Bank actively develops retail banking. Investments in retail lending increased 2.7 times in 2018 as compared to 2017 and amounted to 1,550.1 billion soums. As at 30 June 2019, the balance of customer deposits was 6,472,316 million soums, representing an increase of 26.2% as compared to 31 December 2018. Moreover, deposits by individuals' share of the total customer accounts amounted to 19.5% as at 30 June 2019 and to 21.4% as at 31 December 2018. The Bank also targets to decrease the amount of long-term loans in its portfolio to 70% by 2022 by issuing short-term loans to retail clients. The Bank aims to strengthen its position in the retail market by improving the quality of services and offering new products. New specialised banking products are tailored to individuals and high-income clients. The Bank also started development of an integrated model of interaction with retail customers, providing access to the entire retail product range of the Bank.

As part of its transformation strategy, the Bank intends to decrease gradually the share of state ownership and state financing in its funding base and to rely instead to a larger extent on funding from other sources, such as customer accounts, interbank lending markets and international capital markets. However, the Bank intends to continue to finance certain investment projects in strategic industries of Uzbekistan's economy, such as projects for the oil and gas, energy and chemicals sectors which are already underway or contracted for, with the funds provided by the Government. See "*Risk Factors - Risks Related to the Group's Business and Industry – The Bank and some of its customers would be adversely affected if it and they did not continue to receive capital support from the Uzbekistan Government*" and "*Risk Factors - Risks Related to the Group's Business and Industry - The Bank faces liquidity and funding risk*".

Diversified product range and IT development

Based on its traditional strengths, today the Bank is undergoing transformations to meet the needs of the rapidly developing economy of Uzbekistan. This involves changes in all areas of banking, including the introduction of new products, changes in operating technologies and modernisation of the branch network. The Bank is also working to position itself at the forefront of digital development in Uzbekistan through investment in IT modernisation, upgrades of software and hardware, and the introduction of cutting-edge multichannel banking technology. Also, given the dynamic growth of the insurance market in Uzbekistan, in March 2019, the insurance company "PSB Insurance" was created with the capital of the Bank in the form of a limited liability company. This company will carry out voluntary insurance in such areas as insurance against accidents and disease, insurance of ground transportation vehicles, aviation and marine insurance, property insurance in transit, insurance of property against fire, natural disasters and harm, third party motor liability insurance, insurance of loans and collateral and other financial risks.

In addition, improving the IT platform is a key factor in achieving the strategic goals of the Bank, in particular, transformation of the Bank's business and operational structure, commercial and market based system, improving work efficiency to reduce the time to complete operations and develop state of the art digital risk management solutions, including the automatic credit scoring system. The Bank made the first important step in terms of building a digital bank - it introduced a system of remote banking services for corporate clients operating around the clock in real time in 2018. The Bank plans to change the status of information technologies and transform them into a sustainable source of the formation of the Bank's unique competitive advantages. The Bank will strive for the gradual unification of software and information storage systems, the formation of a unified information space, providing that all systems and applications are reliable, stable and uninterrupted. See "*Risk Factors - Risks Related to the Group's Business and Industry - The Bank's IT systems may malfunction, fail to secure the Bank against hacking, or be insufficient to support future business expansion*".

Further development of risk-management and credit policies

The Bank maintains independent and streamlined risk governance that curbs business lines from aggressive risk taking and forces the internal control and compliance function to place adequate controls in all business areas, internal functions and operations. Currency risk management is carried out by setting limits on correspondent accounts for currency positions and by hedging.

The Bank pursues a clear risk policy, which allows it to identify potential risks at early stages. Implementation of centralised automated credit risk analysis for both corporate and retail business lines will provide better control of credit risks. In order to provide a better risk management, the Bank is planning to create its own internal credit rating system for both corporate and retail lending. In line with the Bank's transition strategy and planned expansion and diversification of its client base, including retail and SME clients, which traditionally hold a higher degree of credit risk and to better manage the credit, market and liquidity risks, the Bank plans an integration of a new system of Asset Liability Management ("**ALM**") and Funds Transfer Pricing ("**FTP**"). The Bank is also using macroeconomic quantitative risk models to enable the risk management department to predict and create contingency

plans. All these actions are directed to enhance risk reporting to meet Basel II and IFRS 9 standards and requirements.

Further development of high-quality corporate governance and qualified personnel

The Bank's strategic goal is to maintain and further develop a strong corporate governance and management model. The Bank continually improves its corporate governance system by implementing the best domestic and global practices. In April 2019, the Bank adopted its Corporate Governance Code to further develop the transparency and efficiency of its corporate governance. Furthermore, as part of its efforts to maintain leading positions in the market, an important strategic goal of the Bank is to improve the professional skillset of its employees. To this end, the Bank plans to cooperate with such Russian entities as Sberbank, Gazprombank and Skolkovo business school to improve skills and financial literacy of its employees.

Social responsibility

The Bank actively participates in social projects and pays special attention to the development of corporate social responsibility. In particular, the Bank helps families from remote regions of the Republic to open their businesses and succeed in family entrepreneurship. The Bank, together with the IFC, has identified green banking as one strategic direction for future activities. The Bank also pays attention to increasing the potential of young professionals and makes sure they obtain up-to-date training. Together with the Korean Inha University in Tashkent and SAP, the Bank created the Financial and Technological Center, which provides university students with the opportunity to test their theoretical knowledge in all areas of the banking business and hone their skills in this area with the help of modern IT technologies.

Competition

The banking market in Uzbekistan is competitive. According to the CBU, as at 1 October 2019, 29 banks were registered in Uzbekistan and the five largest banks held 70% of total banking assets.

The Bank faces competition from the leading domestic banks in each of the business areas in which it operates, and also from a number of banks with foreign participation in retail business. The Bank considers its major competitors to be the NBU, Asaka Bank, Ipoteka Bank, Hamkorbank and Aloqabank.

Furthermore, the on-going transition of the Bank and the banking industry generally to a more market-orientated and commercial model will likely result in increased competition for the Bank with other state-owned banks, foreign and private banks for the same client base. Moreover, expansion of the Bank's client base to new industries and sectors holds an additional degree of operational and credit risk, as the Bank may not have sufficient knowledge, procedures and resources to adequately evaluate and measure creditworthiness of new types of customers, including retail. See "*Risk Factors – The Bank operates in a competitive industry*", "*Risk Factors - The Bank may not be able to implement its strategy to grow its business, and may be subject to risks relating to its expansion*" and "*- The Bank may not be able to accurately assess the credit risk of potential and current borrowers*".

Subsidiaries

Below is the description of the Bank's consolidated key subsidiaries:

- *Asset Invest Trust LLC*, a 100% owned subsidiary of the Bank incorporated in the form of a limited liability company, which provides management consulting and investment consulting services to the Bank and its clients;
- *PSB Capital LLC*, a 100% owned subsidiary of the Bank incorporated in the form of a limited liability company, which is active on the investment and capital management market;
- *PSB Industrial Investments LLC*, a 100% owned subsidiary of the Bank incorporated in the

form of the limited liability company, which is active on the capital restructuring market. The Bank intends to liquidate this subsidiary by the end of 2019;

- *PSB Insurance LLC,* a 100% owned subsidiary of the Bank incorporated in the form of the limited liability company, which provides insurance services; and

- *Xorazm Nasli Parranda LLC*, a 57.0% owned consolidated subsidiary of the Bank incorporated in the form of a limited liability company, which is involved in poultry farming. The Bank intends to sell this subsidiary to a third party by the end of 2019.

Business Operations

For IFRS purposes, the Bank's operations are treated as a single reportable segment. The Bank provides mainly banking services in the Republic of Uzbekistan and identifies the segment in accordance with the criteria set in IFRS 8 "*Operating Segments*" and based on the way the operations of the Bank are regularly reviewed by the CEO to analyse performance and allocate resources among business units of the Bank.

Operationally, the Bank has three main business units. These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the business units:

- Corporate banking: comprises state, corporate and SME lending, overdraft lending, factoring, leasing, letters of credit, guarantees, corporate deposits, settlements and money transfer, currency conversion;

- Retail banking: comprises retail demand and term deposit services; retail lending, including car loans, mortgages and other loans to individuals, money transfers and private banking services; banking card products, settlement and money transfer, currency conversion for individuals; and

- Treasury: manages liquidity of the Bank through analysis of instant, current and long-term liquidity, preparation of liquidity forecasts, determination of the Bank's liquidity needs, assessment of the impact of Bank's operations on liquidity and review of liquidity ratios for each currency position.

Client Base

Operationally, the Bank diversifies its client base into the following categories: state and municipal organisations, corporate clients, SME clients and individual (retail) clients. The Bank defines:

- *state and municipal organisations* as organisations which are directly or indirectly 100% owned by the state;

- *corporate clients* as companies with a total annual turnover exceeding 50 billion soums or a company eligible for a loan exceeding 20 million soums based on the Bank's risk management policies. See "*Risk Management*";

- *SMEs* as companies not qualifying for the corporate client requirements (SME clients are only internally diversified for the lending portfolio);

- *retail clients* as private persons receiving products and services from the Bank.

For the purposes of IFRS reporting, loan portfolio is divided into: loans to state and municipal organisations, loans to corporate customers (which include SMEs with a total annual turnover exceeding 50 billion soums) and retail loans (which include SMEs not qualifying for a corporate loan portfolio threshold), while customer accounts are divided into corporate (including all legal entities) and retail accounts.

Corporate Banking

Corporate Banking includes banking services to state and municipal organisations and corporate clients. The Bank offers customers of its corporate banking department a range of banking products and services, including investment and corporate loans; deposits; fee- and commission-based products and services such as cash handling, settlements, guarantees and letters of credit; and other products and services. The main customers of the Bank's corporate banking department are state and municipal organisations, large-scale industrial companies, construction companies, trading and service sectors entities, commercial structures of small business and private entrepreneurs. The Bank has been improving its offering in cash management, as well as ensuring the availability of a comprehensive range of services for Uzbek firms operating internationally. The Bank participates actively in the interbank lending market and constantly raises and places short-term loans with banks in Uzbekistan, Europe and CIS, including the Russian Federation. Interest rates and the amount of raised and allocated interbank loans are set through supply and demand on the national and international financial markets. On the credit side, the Bank's offering for state and municipal organisations and corporate clients includes project financing for new investment projects, as well as the expansion and renewal of existing operations. These loans cover purchasing of equipment, materials, new product samples, other assets and technologies.

As at 30 June 2019, the Bank served customers of its corporate banking department through its 45 branches, 44 savings banks, 37 special cash departments, 94 payment offices, 43 field box offices, 46 mini banks, 77 offices for international money transfers and 72 foreign exchange offices. In addition, in order to facilitate the promotion of investment activities and the financing of projects of domestic entrepreneurs and foreign investors, at the beginning of 2019, the Bank opened the Center for the Coordination of Investment Activities and Project Management (the "**Center**"). Services are provided on the basis of the "single-window" principle, which contributes to the development of business plans, feasibility studies, identification of mechanisms and sources of financing. The Center assists foreign investors in successfully starting a business in Uzbekistan, obtaining funding and finding a local partner. Services of the Center are already available in all branches of the Bank throughout the country.

The Bank's strategic objective for corporate banking is to increase the efficiency of corporate business through focus on high-level comprehensive services and long-term partnership. The Bank plans to utilise its resource base and client reach to build a high-quality sales team and tailored corporate customer service.

Corporate Products and Services

The Bank provides customers of its corporate banking department with a wide range of banking products.

- State and Municipal Organisations Lending

The Bank's state and municipal organisations loan portfolio increased by 150,920 million soums, or 0.7%, as at 30 June 2019 as compared to 31 December 2018. Loans to state and municipal organisations constitute the largest portion of the Bank's loan portfolio and are comprised to a large extent of investment projects loans. As at 30 June 2019, the balance of state and municipal loans in the total loan portfolio amounted to 20,765,106 million soums or 65.0% of the loan portfolio. In 2018, the Bank financed investment projects of strategic and basic industries, as well as small business projects and private entrepreneurship, through credit lines of the IFIs and foreign banks. Credit investments in 2018 were mainly directed to the real sectors of the economy, including industry, transport and communications, trade, agriculture, logistics and marketing and utility services.

In the state and municipal organisations lending, the Bank's most significant competitor is the NBU**.**

- Corporate Lending

The Bank's corporate loan portfolio has increased by 43.7% in the first half of 2019, leading to an increase of the share of corporate loans in the Bank's gross loan portfolio from 21.7% as at 31 December 2018 to 27.9% in the six months ended 30 June 2019. As at 30 June 2019, NPLs in the corporate loan portfolio accounted for 0.3% of the Bank's gross corporate loan portfolio. In line with the Bank's risk management policy, the Bank takes collateral, either in the form of a pledge of assets or a state or corporate guarantee, while overdrafts are mostly unsecured. See "Financial Review – *Financial Position – Loan Portfolio*" and "*Risk Management – Collateral*".

In the corporate lending sector, the Bank's most significant competitors are the NBU and Asaka Bank**.**

- Deposits

The Bank provides a range of current and term accounts to customers of its corporate banking department, and seeks to develop and offer new products to meet customer needs. The Bank offers competitive interest rates on its corporate deposits and seeks to support margins through operational efficiencies and through its mobile and online platforms. As at 30 June 2019, the Bank had over 150 depositors attributable to its corporate banking department and the total volume of customers accounts attributable to its corporate banking department amounted to 5,212,707 million soums, representing 80.5% of the Bank's total customer accounts.

- Trade Finance

The Bank provides gratuitous consulting services to clients on entering their foreign trade contractual data into the E-Contract system. The Bank also helps its clients to choose the optimal scheme of interaction with foreign counterparties and the optimal forms of settlement, ensuring the economic interests of the client, as well as compliance with the norms of the currency legislation of the Republic of Uzbekistan. In addition, the Bank provides its clients with trade finance services, such as master loan agreements, document collection, letters of credit, factoring and post-import facilities. Furthermore, since 2019, the Bank has been eligible to issue Islamic finance products to corporate clients through its cooperation with ITFC (Islamic Trade Finance Corporatetion). In addition, since March 2019 the Bank is participating in EBRD's Trade Facilitation Program as an issuing bank.

- Documentary Operations

Documentary operations are an important tool of international banking. In 2018, the Bank recorded a significant increase in the volume of export and import letters of credit. The Bank has a large number of international correspondent banking relationships and, as a result, its letters of credit and collection are accepted by the majority of the leading banks globally and all of the major banks in Russia, Europe and China. The Bank has agreed limits with different international banks and credit lines exceeding U.S.$800 million. The Bank provides documentary operations for its clients in U.S. dollars, Euros, Russian rubles, British pounds sterling and Japanese yen.

The Bank has a wide network of correspondent banks, including first-class European, American and Japanese banks, such as Citibank NA, Commerzbank AG, JP Morgan Chase Bank NA, Raiffeisen Bank International AG and Sumitomo Mitsui Banking Corporation.

The main clients of the Bank's documentary operations services are companies in the oil and gas, fuel and chemical industries, as well as energy, engineering and construction enterprises. For its letters of credit, the Bank utilises funding from foreign bank credit lines, the UFRD loans and the Bank's own funds. For the six months ended 30 June 2019, the Bank has opened 203 import and 61 export letters of credit for the total amount of U.S.$277.3 million and U.S.$31.6 million, respectively.

- Currency Operations and Money Transfers

In 2018, the Bank was awarded leading "Best FX Trading Bank" in Uzbekistan from Thomson Reuters. Currently, the Bank provides the following currency products: (i) attraction and subsequent placement

of funds of partner banks and corporate clients in major freely convertible currencies (USD, EUR, JPY, GBP, RUB) for various periods at current rates of the interbank money market; and (ii) carrying out conversion operations in the international foreign exchange market (FX Market) in major world currencies such as, RUB, USD, EUR, JPY, GBP on the terms of a SPOT transaction.

Using international money transfer systems, a client can receive and send a transfer in cash or non-cash foreign and national currencies. In 2002, the Bank began operations in the money transfer market of Uzbekistan. Currently, the Bank has a leading position in this market segment. The Bank's customers have access to several money transfer systems, such as Contact, Blizko, Western Union, UNIStream, Zolotaya Korona and Asia Express. Thus, the Bank has diversified geographic coverage for its clients. Expanding the geography of money transfers allows the Bank to maintain the dynamic development of this business segment, and as a result its profitability increased in 2016-2018. Currently, the Bank has 77 offices for international money transfer. At the same time, integration processes are being carried out for all international money transfers with the "UzPSB mobile" application, with which a client, without leaving home, can receive or send money from any country and to any country.

- Other Services

In 2019, the Bank has initiated the process of establishment of a green bank. The Bank plans to build an effective platform for "green" financing and facilitation, including marketing, branding, development of new "green" products, development of new sales channels and staff training. New products will be launched based on their market potential and technological capabilities of the Bank.

Furthermore, the Bank is actively developing asset and capital management capabilities. The development of investment banking and corporate finance is expected to provide clients with a full range of services, including capital markets operations and structural financing.

Retail Banking

The Bank's retail banking services include retail lending products, such as consumer loans, mortgage loans, car loans and overdrafts; as well as personal services, including deposits, debit cards, payments and transfers, foreign exchange and safe deposit boxes. As at 30 June 2019, the Bank had approximately 925,000 retail customers. The Bank's retail customer base includes employees of large customers and their small business partners. As at 30 June 2019, the number of employees of the Bank's corporate clients was more than 650,000 people while the number of employees of the SME enterprises exceeded 56,000. In 2019-2021, the Bank intends to build a retail business of new scale and efficiency, in particular through attracting employees of its corporate clients as retail customers with a lower degree of credit risk, developing tailored marketing strategies and products, as well as developing the Bank's retail banking staff, policies and procedures. In addition, the Bank is actively developing its digital capabilities to keep pace with the rapid development of information technologies.

As part of its strategy, the Bank has particularly focused on growing its retail business. As a result, the Bank's retail loan portfolio increased by 605,068 million soums, or 36.1%, as at 30 June 2019 as compared to 31 December 2018, which allowed the Bank to significantly increase the share of retail loans in its gross loan portfolio. As at 30 June 2019, NPLs in retail loan portfolio accounted for 0.4% of the Bank's gross retail loan portfolio. Retail customer deposits increased by 159,518 million soums, or 14.5%, as at 30 June 2019 as compared to 31 December 2018.

As part of the retail business development strategy, in 2018, the Bank introduced debit plastic cards with the possibility of obtaining an overdraft loan, overdrafts and cash-back service. ATMs have been installed to withdraw cash in soums and foreign currency. The Bank sees a significant growth potential in expansion of credit card and overdraft services. In this regard, the Bank aims to improve the quality of services and offer new products. New specialised profit-oriented banking products are being developed to serve individuals.

In the retail lending sector, the Bank's most significant competitors are Ipoteka Bank and Asaka Bank**.**

Retail Products and Services

The Bank provides its retail customers with a wide range of banking products through its branch network and online banking services:

- Retail Loans

The Bank has a number of retail lending programmes, including mortgage, consumer, educational and other types of consumer loans. In total, in 2018, individuals received loans totalling 1,311.9 billion soums, of which mortgage loans amounted to 411.7 billion soums, financial consumer loans - 642.8 billion soums, educational loans - 11.9 billion soums, overdraft - 69.7 billion soums, microloans - 131.1 billion soums and microloans for the development of personal subsidiary farms - 44.7 billion soums.

- Customer Deposits

As at 30 June 2019, retail customer deposits amounted to 1,259,609 million soums. As at 31 December 2018, the volume of retail customer deposits in national and foreign currencies amounted to 1,100,091 million soums, an increase of 161,213 million soums as compared to 2017. The Bank offers 18 types of deposits for different periods of deposit, with different conditions. In 2018, new term deposits were introduced for individuals.

- Bank Cards

As at 1 January 2019, the number of issued bank cards was 801.4 thousand, of which 739.7 thousand were bank cards of the interbank payment system "UzCard" and 61.6 thousand were bank cards of the international payment system Visa. The total turnover of bank cards in 2018 as compared to 2017 increased by 1,884.0 billion soums and amounted to 5,793.8 billion soums, including turnover in sales and service outlets of 4,809.6 billion soums.

Taking into account the increasing requirements for the quality of the services provided, the Bank began upgrading its own IT infrastructure for the issuance and servicing of international bank cards such as Mastercard, Visa, UnionPay International and JCB. Belgium's OpenWay Group, one of the leading international companies for building automated systems in the area of cashless payments, was chosen as the Bank's partner. Cooperation with the OpenWay Group is expected to allow the Bank to improve its banking platform, increasing its reliability, safety, speed and productivity, which in turn, is expected to allow the Bank's customers to enjoy modern banking services anywhere and anytime. Based on the products of the WAY4 solution, the Bank is expected to introduce new products and services, such as contactless payments, issuance of virtual cards, international credit cards and installment payment cards, e-commerce on the basis of 3D secure technology.

- Currency Operations and Money Transfers

In March 2019, the Bank rolled out services for online purchases of foreign currency. As of September 2019, 60% out of over 4,900 submitted applications have been submitted to the Bank online. Furthermore, to attract additional client base for money transfer operations, the Bank's fee on transactions with the purchase of foreign currency has been sharply decreased from 0.5% to 0%. See also "*– Corporate Banking – Corporate Products and Services – Currency Operations and Money Transfers*".

Treasury

The Treasury department of the Bank is responsible for liquidity management, in particular, through securities trading. The Bank has a diversified investment portfolio consisting of both government bonds and shares of corporate entities. For the first half of 2019, the Bank received a profit of 474 million soums from its investment portfolio. The Treasury also offers underwriting services for issuing bonds in the local market for industrial companies. Furthermore, the Bank as an issuer has placed five bond placements over the past 10 years.

International relations

The Bank cooperates with leading international financial institutions and foreign banks to establish joint support for companies in the real economy as well as small businesses and private enterprises. International financial institutions that have provided funding to the bank include Asia Development Bank, European Bank for Reconstruction and Development, World Bank Group, Islamic Development Bank Group and others. The Bank has a wide network of correspondent banks, represented by first-class banks in Europe and the USA, such as Banque de Commerce et de Placements SA, Citibank NA, Commerzbank AG, JP Morgan Chase Bank NA, Landesbank Baden-Württemberg and Raiffeisen Bank International AG.

Distribution Network

Branches

As at 30 June 2019, the Bank had 45 branches. The Bank's branches operate seven days per week, with extended opening hours to accommodate its customers' needs. The Bank plans to further expand its branch network in order to initially attract and process high-quality retail customers, which further transfer the majority of their banking operations to the Bank's online banking system. In 2018, the branch network of the Bank remained flat (45 branches) and no significant expansion was executed. In 2019, the Bank does not plan to open additional points of sale to its network.

Points of sale

As at 30 June 2019, the Bank served its clients through 44 savings banks, 37 special cash departments, 94 payment offices, 43 field box offices, 46 mini banks, 77 offices for international money transfer and 72 foreign exchange offices.

Mini-banks

Mini-banks provide services primarily to retail customers, where the client can get all the same services provided in ordinary branches but with some restrictions in the amounts handled. Mini-banks have advantages as compared to the traditional branches, as smaller size allows mini-banks to be placed more conveniently for the client and make their visit more pleasant. Visitors can independently familiarise themselves with the tariffs and the list of banking products, using the modern information board installed in the mini-bank.

Savings banks

Savings banks are financial organisations with limited services, the main function of which is to attract cash savings and temporarily free funds of the population.

Payment offices

The payment office offers utility payment services, often located in markets and in locations remote from the city for the convenience of the rural population.

Special Cash Departments

Special cash operations departments offer all types of cash handling services within different points of sale ranging from retail branches to the head office.

Offices for International Money Transfer

The offices for international money transfer offer services covering both inbound and outbound money transfers – from Uzbekistan to other countries and vice versa. The Bank cooperates with reputable international money transfer operators such as Western Union, Zolotaya Korona, Ria and many others.

Foreign Exchange Offices

The Bank operates foreign exchange offices in all branches and banking centers. The foreign exchange offices provide services to customers for currency exchange from local currency to foreign currencies such as USD, RUB, CHF, JPY and GBP.

ATMs

For the convenience of its clients, the Bank has installed approximately 24.4 thousand ATMs and payment terminals, of which 23.7 thousand are in retail outlets and 703 are in bank service outlets. The transaction turnover in the terminal network of the Bank for the year ended 31 December 2018 amounted to 4,992.0 billion soums.

Internet and Mobile Banking

The Bank provides its customers with 24/7 access through its Mobile Banking, SMS Banking and Internet Banking platforms. As at 31 December 2018, the total number of users of the Bank's mobile and online banking services amounted to approximately 224 thousand users.

In 2018, the mobile application "UzPSB Mobile" was improved to provide additional services for Bank card holders. This product allows the customer to use banking services, including transferring funds from card to card, repaying loans, paying utility bills and other services, on-line. As part of the improvement, the user interface of the application was updated, services such as receiving overdraft, opening and managing online deposits and real-time online conversion of money from national currency to foreign currency were added. In addition, the possibility to transfer money from "Uzcard" card to "Visa" cards in national currency was introduced. In addition, the Bank provides its customers with the "Home bank" system. This is a banking service that allows holders of Visa cards to carry out banking operations around-the-clock through the website card.uzpsb.uz, pay for mobile services, utilities, find out the balance of the card account, receive mini-statements on it, and also to put a card on the stop list.

In order to maintain its leading position in the retail market, the Bank signed agreements with leading international payment systems, such as Mastercard Worldwide, UnionPay International and JCB International, on the accession of the Bank as a principal member of these payment systems. Work is underway to introduce e-commerce using innovative technologies of international payment systems.

Information Technology

The Bank views IT as an integral part of its daily operations, and is committed to modernising its existing information technology infrastructure and continuing to invest in information technology in order to improve its service and efficiency. The Bank seeks reliability, safety, quality, efficiency and scalability in its information and computer systems. The Bank has a primary data centre located in Tashkent as well as back-up systems designed to ensure that operations are not disrupted during critical or disastrous events. The Bank also has hardware and software to facilitate parallel operations and protect permanent data. The Bank currently utilises a number of high-grade software systems. The Bank develops its core systems software (core banking software, Internet, Mobile banking, and human resources software) with the assistance of Fido Business LLP. IBM hardware is used for the database servers of the Bank's core banking system and all other applications.

Based on the requirements of the time, the Bank has begun the process of digital transformation with the involvement of leading consulting companies, which will make it possible to reach a new level of development and increase the attractiveness of the Bank for customers. Thus, in 2018, the Bank took the first important step in terms of building a digital bank: it introduced a system of remote banking services for corporate clients operating around the clock in real time - the introduction of "24/7" mode of the IABS software package allowed the Bank's clients to manage their accounts at any time of day or night. This mode has become a key competitive advantage of the Bank.

One of the first in Central Asia, the Bank began using information and analytical system Thomson Reuters EIKON 4.0, which is currently widely used in banks in Europe and the Unites States for market

data. This information platform allows the Bank to quickly respond to changes in market conditions, which maximises the efficiency of transactions for the Bank's customers.

See also "*Risk Factors - Risks Related to the Group's Business and Industry - The Bank's IT systems may malfunction, fail to secure the Bank against hacking, or be insufficient to support future business expansion*".

Insurance

The Bank has a comprehensive insurance policy with "Kafolat Sug'urta" insurance provider, covering against the Bank's losses from intentional fraudulent actions of third parties and employees, as well as losses of third parties as a result of accidental or intentional illegal actions of the Bank's employees in the course of its banking activities. The cost of the policy varies with the changing level of insurable assets, and the Bank monitors the coverage to ensure that it maintains an appropriate level of coverage.

In addition to the above, the Bank holds third-party liability insurance policies and real estate and property insurance policies covering the buildings and premises owned by the Bank. The Bank insures valuables on its premises, including cash in the operational offices, payment terminals and ATMs.

Employees

The following table sets forth the number of employees of the Bank by functional business areas as at the dates indicated below:

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
Total	**3,781**	**3,584**	**3,850**	**3,674**

There are collective bargaining agreements with the Bank's employees. These agreements provide for corporate etiquette, salary payment procedures, confidentiality and other basic provisions.

The Bank's management considers the development of human capital to be an integral part of the Bank's potential and a priority. The personnel management system is aimed at improving its effectiveness to achieve strategic goals. Therefore, the main strategic goal in the field of personnel management is the preservation, strengthening and development of the personnel potential of the Bank and the continuation of the formation of a uniform corporate culture. The Bank is preparing to cooperate with such Russian entities as Sberbank, Gazprombank and Skolkovo business school to improve the skills and financial literacy of bank employees. The implementation of new employee management standards in the Bank, which began in 2018, covers all stages of the employee's life cycle, including recruiting, adaptation, training and development, evaluation, motivation and retention, distance learning and termination of an employment contract. The Bank cooperates with IFC and independent consultants from USA and Russian Federation to develop and implement best international practices for corporate governance, employee management and development.

The Bank does not have pension arrangements aside from the state pension of the Republic of Uzbekistan. The pension system of Uzbekistan requires contributions from the Bank in respect of its employees, calculated as a percentage of current gross salary payments.

Legal Proceedings

From time to time, the Bank is subject of legal proceedings and other investigations in the ordinary course of its business. As at the date of this Prospectus, there are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the Bank's financial position or profitability.

RISK MANAGEMENT

Overview

The risk management function within the Bank is carried out in respect of financial, credit and operational risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk) and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits and then ensure that exposure to risks stays within these limits. The operational risk management function is intended to ensure the proper functioning of internal policies and procedures in order to minimise operational risks. The primary objectives of the credit risk function are identification of the counterparty risks and implementation of preventive measures to mitigate such risks. The following is a description of the Bank's risk management policies and procedures in respect of the aforementioned risks. For a more detailed description of the Bank's risk management policies and procedures, see Note 27 to the Interim Financial Statements.

The Bank's risk management system is based on the principle of continually assessing risk throughout the life of any operation and includes:

- risk identification;
- qualitative and quantitative assessment of a particular risk;
- determination of an acceptable risk level;
- placement of authority limits and creation of reserves;
- use of collateral;
- ongoing monitoring and control allowing efficient adjustments in case of any negative changes in the conditions on which the preliminary risk assessment was made; and
- analysis of efficiency of the risk management system.

Risk Management Structure

Risk Management Bodies

The principal risk management bodies of the Bank are the Supervisory Council, the Audit Committee, the Management Board, the Risk Committee, Risk Management Department, the Internal Audit Department, the Treasury Department, the Credit Committee, the Dealing with Problem Assets Department, the Asset and Liability Management Committee, the AML Compliance and Internal Control Department and the Legal Department.

Supervisory Council. The Supervisory Council is responsible for the Bank's overall risk management approach and for approving the Bank's risk strategies and principals and is ultimately responsible for identifying and controlling risks. It approves the Bank's Credit Policies, which outline credit risk control and monitoring procedures, as well as the Bank's credit risk management systems, and approves certain decisions which fall outside the scope of the respective authorities of the Credit Committee, including approvals of single borrower lending exposure exceeding 15% of Tier 1 capital. The Management Board presents a comprehensive credit risk report and market risk report to the Supervisory Council for their review on a quarterly basis. See also "*Management—Supervisory Council*".

Audit Committee. The Audit Committee has overall responsibility for implementing principles, frameworks, policies and limits in accordance with the Bank's internal regulations. The Audit Committee facilitates the activities of the Internal Audit Department and the external auditors of the Bank. The Internal Audit Department also reviews anti-money laundering ("**AML**") policies and procedures and presents audit reports on AML to the Audit Committee on a quarterly basis. The Audit Committee is elected by the Supervisory Council. See also "*Management— Internal Audit Committee*".

Management Board. The Management Board has overall responsibility for asset, liability and risk management activities, policies and procedures. In order to effectively implement the risk management system, the Management Board delegates individual risk management functions to each of the various decision-making and executive bodies within the Bank. See also "*Management—Management Board*".

Risk Committee. The Risk Committee has general responsibility for advising the Supervisory Council on the Bank's overall risk profile, tolerance and strategy, taking into account the current and prospective macroeconomic and financial environment. The Risk Committee oversees the risk exposures of the Bank and advises the Supervisory Council on risk strategy. The Risk Committee regularly reviews and approves the parameters and methodology used by the Bank to assess risk and reviews the Bank's capability to identify and manage new risk types. The Risk Committee also sets standards for accurate and timely monitoring of large exposures and certain risk types of critical importance, including, but not limited to, credit risk, market risk and operational risk.

Internal Audit Department. The Internal Audit Department is responsible for the regular audit of the Bank's risk management, internal control and corporate governance processes, with the aim of reducing the levels of operational and other risks, auditing the Bank's internal control systems and detecting infringements or errors on the part of the Bank's departments and divisions. It examines both the adequacy of, and the Bank's compliance with, those procedures. The Bank's Internal Audit Department discusses the results of all assessments with Management and reports its findings and recommendations to the Bank's Audit Committee. The objective of the Internal Audit Department is to provide direct assistance to the Bank executive bodies to ensure performance and efficiency of financial and economic activity of the Bank by monitoring the internal control system and audit, and providing independent professional advice on improvement of both financial and economic activities and control procedures. The Internal Audit Department is directly accountable to the Supervisory Council. The Supervisory Council approves the Internal Audit Department's action plans and supervises implementation thereof.

The Bank's Internal Audit Department is independent of the Management Board. The Head of the Bank's Internal Audit Department is appointed by the Supervisory Council and reports directly to the Bank's Audit Committee. The Bank's Internal Audit Department audits all of the Bank's subsidiaries.

As part of its auditing procedures, the Bank's Internal Audit Department is responsible for overseeing the following:

- policies and procedures related to identifying and assessing potential risks regarding the Bank's operations;
- reviewing the adequacy of the existing controls established in order to ensure compliance with the Bank's policies, plans, procedures and business objectives, as well as to current legislation and regulation and professional norms and ethics;
- developing internal auditing standards and methodologies;
- carrying out planned and random inspections of the Bank's branches and subdivisions and auditing its subsidiaries;
- policies and procedures to control the quality of the Bank's products;
- reviewing the reliability of the Bank's information technology systems in accordance with a predetermined schedule;
- assessment of the controls on the reliability and security of financial information;
- monitoring the Bank's internal controls and reporting procedures;
- making recommendations to Management, the Supervisory Council and the Audit Committee on the basis of internal audits to improve internal controls;

- monitoring the compliance of the Bank with CBU regulations; and
- monitoring the implementation of auditors' recommendations.

Treasury Department. The Bank's Treasury Department is responsible for managing Bank's assets and liabilities and its overall financial structure. The Bank's Treasury Department is also primarily responsible for managing the funding and liquidity risks of the Bank.

Credit Committee. The Bank's Credit Committee is responsible for supervising and managing the Bank's credit risk in respect of retail loans, corporate loans and counterparty loans. The Credit Committee is comprised of three tiers of subcommittees namely the Head Office Credit Committee, the Regional Branch Credit Committees, and the Branch Credit Committees. The subcommittees operate on the basis of credit limits applied to each based on the exposure amount.

Participation of the Bank Management is required for exposures exceeding 10-15% of Tier 1 capital. All exposures to a single group of borrowers exceeding 15% of Tier 1 capital must be approved by the Supervisory Council. Subcommittees meet on a daily basis, whereas higher ones typically meet two to three times a week. Each of the subcommittees of the Credit Committee makes its decisions by a majority vote of its respective members.

*Asset and Liability Management Committee ("**ALCO**")*. The ALCO is one of the main risk management bodies that establishes policies and guidelines with respect to capital adequacy, market risks and limits, funding liquidity risk and limits, interest rate and prepayment risks and limits, money market general terms and credit exposure limits, designs and implements respective risk management and stress testing models in practice and regularly monitors compliance with the pre-set risk limits, and approves treasury deals with non-standard terms. In particular, the ALCO:

- sets money-market credit exposure/lending limits;
- sets open currency position limits with respect to overnight and intraday positions;
- establishes stop-loss limits for foreign currency operations and securities;
- monitors compliance with the established risk management models for foreign exchange risk, interest rate risk and funding liquidity risk;
- sets ranges of interest rates for different maturities at which the Bank may place its liquid assets and attracts funding; and
- reviews different stress tests and capital adequacy models prepared by the Risk Management Department.

The ALCO is chaired by the Chairman of the Management Board and meets at any time deemed necessary. Decisions are made by a majority vote of the ALCO's members. ALCO members include the Chairman of the Management Board, the First Deputy Chairman of the Management Board, the Head of Risk Management Department, the Head of the Treasury Department, the Head of Foreign Economic Activity Department, Chief Accountant and the Head of the Strategic Development Department. The ALCO reviews financial reports and indices including the Bank's limits and ratios, balance sheet, statement of operations, maturity gap, interest rate gap, currency gap, foreign exchange risk, interest rate risk and funding liquidity risk reports, total cash flow analysis, customer cash flow analysis and concentration risk analysis, for the past periods as well as future projections and forecasts, other financial analysis and further growth projections on a monthly basis.

Regulatory capital requirements in Uzbekistan are set by the CBU and are applied to the Bank on a stand-alone basis. As at 1 January 2019, the CBU requires the Bank to maintain a minimum Total Capital Adequacy Ratio of 13% and a minimum Tier I Capital Adequacy Ratio of 10%, both computed based on the Bank's stand-alone financial statements prepared under local GAAP in accordance with CBU regulations and pronouncements.

The ALCO is the key governing body for the capital adequacy management as well as for the respective risks identification and management. The ALCO establishes limits and reviews actual performance over those limits for CBU capital adequacy regulations. The Treasury Department is in charge of regular monthly monitoring and reporting over CBU capital adequacy compliance as well as with ALCO policies. Capital adequacy management is an integral part of the Bank's actual monthly reporting as well as the Bank's annual and semi-annual budget approval and budget review processes. The Treasury Department prepares capital adequacy actual reports, forecasts and budgets, and different stress scenarios for the CBU, while the ALCO and the Management Board regularly review these, identify risks, issues recommendations and, if applicable, propose action plans.

AML Compliance and Internal Control Department. The Internal Control Department is responsible for the implementation of the Bank's AML programme, including the development of AML policies and procedures, transaction monitoring and reporting and employee training throughout the Bank and its subsidiaries. The AML programme is based on recommendations and requirements of international organisations including FATF and OFAC, as well as local regulations. The Bank's Internal Audit Department makes annual assessments of the Bank's AML systems and provides independent assurance of internal controls.

The Bank has adopted a risk-based approach in its policies and procedures aimed at preventing money laundering and terrorist financing, including a general anti-money laundering policy and rules on counteracting money laundering and financing of individuals and legal entities engaged in terrorist activities, as well as procedures for reporting to the Department for Combatting Economic Crimes under the General Prosecutor's Office of the Republic of Uzbekistan (the "**State Authority**"). The Bank's risk-based approach means that it applies enhanced due diligence procedures if it determines that there is a significant risk that particular customers are engaged in money laundering or financing terrorism.

The Bank is obliged to notify the State Authority of all transactions that are subject to monitoring. These reports are currently filed in electronic form in an offline mode by the AML Compliance Department. The reporting process is fully automated and is supported by a special software application.

Legal Department. The Legal Department's principal purposes are to ensure that the Bank's activities conform to applicable legislation and to minimise losses from the materialisation of legal risks. The Legal Department is responsible for the application and development of mechanisms for identifying legal risks in the Bank's activities in a timely manner, the investigation of the Bank's activities in order to identify any legal risks, the planning and implementation of all necessary actions for the elimination of identified legal risks, participation in legal proceedings on behalf of the Bank where necessary and the investigation of possibilities for increasing the effectiveness of the Bank's legal documentation and its implementation in the Bank's daily activities. The Legal Department is also responsible for providing legal support to structural units of the Bank and/or its subsidiaries.

Risk Management Department. Risk Management Department executes the Group-wide risk management function, including developing risk management strategy, risk appetite framework and their alignment with the Bank's overall strategy, establishes risk limits on key indicators and parameters, and continuously monitors and reports risks to the Management Board and Risk Committee. It develops liquidity management policies taking into account the impact of internal and external factors on the Bank. It also makes recommendations on minimising risks by analyzing the expected credit, liquidity, market and operational risks in banking activities.

Dealing with Problem Assets Department. Dealing with Problem Assets Department is responsible for mitigating credit risks by investigating intended use of loan funds, monitoring loans on a quarterly basis and conducting inventory of all loan documentation on an annual basis. The Dealing with Problem Assets Department deals with recovery of problem loans by enforcing collateral, seeking recourse against the guarantors and initiating court proceedings. Dealing with Problem Assets Department holds auctions to sell the property received as collateral in order to maximise recovery of problem loans. It also prepares daily reports for the Management Board related to overdue loans, NPLs and off balance sheet assets.

Bodies implementing the risk management system

The Bank's risk management system is implemented by the Risk Management Department, Internal Control Department, Treasury Department, and Legal Department.

The Risk Management Department consists of four divisions aimed at managing particular types of risk: Credit Risk Management Division, Market and Interest Rate Risk Management Division, Operational Risk Management Division, and Risk Reporting and Analytics Division.

The Credit Risk Management Division of the Risk Management Department manages credit risks with respect to particular borrowers and assesses overall loan portfolio risks. It is responsible for ensuring compliance with the Bank's Credit Policies and management of the quality of the Bank's loan portfolio.

The Market and Interest Rate Risk Management Division of the Risk Management Department manages risks related to liquidity risks, market risks, interest rate risks, and foreign exchange rate risks. It develops and manages stress testing models and prepares contingency capital plans and liquidity risk mitigation measures.

The Operational Risk Management Division of the Risk Management Department is responsible for identifying operational risk, formulating operational risk management policies, evaluating results and recommending changes when appropriate. The Division identifies and assesses operational risk categories within the Bank's processes and operations. It also detects critical risk areas or groups of operations with an increased risk level and develops internal control procedures to address these risks, through business-process optimisation schemes, including document circulation, information streams, distribution of functions, permissions and responsibility. All new product initiatives are also evaluated from a risk perspective.

The Treasury Department manages foreign currency exchange, money market, securities portfolio and derivatives operations and monitors compliance with the limits set by the ALCO for these operations. The Treasury Department is also responsible for management of short-term liquidity and treasury cash flow and monitors the volumes of cash in the Bank's ATMs and at its service centres.

The Legal Department monitors all changes in relevant laws and regulations, and ensures that those changes are properly reflected in the Bank's procedures, instructions, manuals, templates and other relevant documentation. It also disseminates information on legislative changes to all relevant departments within the Bank. The Legal Department also participates in drafting laws and regulatory documents upon request of legislators and regulators, certain associations and other professional bodies.

Each of the foregoing departments is provided with policies and/or manuals that are approved by the Management Board or the Supervisory Council (as required). The manuals and policies include comprehensive guidance for each stage of a transaction, including, but not limited to, manuals outlining asset and liability management policies, foreign exchange operations procedures, fixed income investment guidelines, retail banking operations procedures, the deposit policy and the Credit Policies.

Risk measurement and reporting

The Bank measures risk using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on different forecasting models. These models use probabilities derived from historical experience, adjusted from time to time to reflect the economic environment. The Bank also runs worst-case scenarios that could arise in cases of extreme events.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that it is willing to accept, with additional emphasis on selected industries. The Bank also conducts ongoing monitoring and control, allowing efficient adjustments in case of any unexpected changes in the conditions on which the preliminary risk assessment was made. In addition, the Bank monitors and

measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The Bank maintains a management reporting system which requires the Risk Management Department, Foreign Economic Activity Department and Accountant Department to prepare certain reports on a daily and monthly basis. On a daily basis, a statement of operations, balance sheet and treasury report (which includes the Bank's open foreign exchange positions, cash flows, limits and balances on NOSTRO and LORO correspondent accounts) and confirmation that there has been compliance with mandatory economic ratios must be provided by each department. On a monthly basis, a report on the structural liquidity gap, a report on interest rate risk, monthly financial statements, and a quarterly report of the Supervisory Council containing analysis of the Bank's performance against its budget are provided.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, and the head of each business division. The report includes aggregate credit exposure, liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Management Board and the Supervisory Council receive a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and draw conclusions on the Bank's risk exposure.

Specifically tailored risk reports are prepared and distributed for all levels throughout the Bank in order to ensure that all business divisions have access to extensive, relevant and up-to-date information. A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilisation of market limits, proprietary investments and liquidity, as well as any other risk developments.

Risk mitigation and excessive risk concentration

In order to avoid excessive concentrations of risks, the Bank focuses on maintaining a diversified portfolio. Concentrations arise when a number of counterparties, or related shareholders, are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations also involve combined, aggregate exposures of large and significant credits compared to total outstanding balance of the respective financial instrument.

Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that a borrower or counterparty will be unable to pay amounts in full or in part when due. Credit risk arises mainly in the context of the Bank's lending activities and other transactions with counterparties giving rise to financial assets.

The general principles of the Bank's credit policy are outlined in the Credit Policy. The Credit Policy also outlines credit risk control and monitoring procedures and the Bank's credit risk management systems. The Credit Policy is reviewed annually or more frequently if necessary. As a result of these reviews, new loan restructuring tools were introduced.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Supervisory Council.

The Bank's credit quality review process provides early identification of possible changes in the creditworthiness of counterparties, including regular collateral revaluations. Counterparty limits are established on the basis of a credit risk classification system, which assigns a risk rating to each counterparty. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss resulting from the risks to which it is exposed and take corrective action. The Bank makes available to its customers guarantees or letters of credit which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the guarantee or letter of credit. They expose the Bank to similar risks to loan risks and, accordingly, these instruments are tested by the same control processes and policies as applied to lending.

Loan approval procedures: The procedures for approving loans, monitoring loan quality and for extending, refinancing and/or restructuring existing loans are set out in the Bank's Credit Policies that are approved by the Supervisory Council.

The Credit Committee approves individual transactions and the Risk Management Department establishes credit risk categories and provisioning rates, as well as provisioning methodology. The Risk Management Department reviews the credit quality of the portfolio and set provisioning rates, in consultation with the Bank's Chairman of the Management Board and Deputy Chairman of the Management Board (Finance), on a monthly basis. See "– *Risk Management Structure—Risk Management Bodies—Credit Committee*".

The Bank evaluates corporate clients on the basis of their financial condition, credit history, business operations, market position, management, level of shareholder support, proposed business and financing plan and on the quality of the collateral offered. The relevant subcommittee of the Credit Committee is responsible for making the decision for loan approval based on credit memorandum, and where appropriate, Credit Risk Manager's report. The loan approval procedures for retail loans depend on the type of retail lending product.

Applications for consumer loans, including credit cards and auto loans, are treated under the "scoring" approval procedure. The Bank's Credit Committee determines the amount, terms and conditions of all loans. Applications for mortgage loans by retail clients are completed by the mortgage loan officer and submitted to the Credit Risk Management division of the Risk Management Department, who evaluates the credit risks. In the case of micro financing loans, loan officers evaluate loan applications, prepare a project analysis and submit proposals to the relevant Branch Credit Committee, which makes the final decision. Members of each subcommittee of the Credit Committee have equal voting authority and decisions are approved by a simple majority of votes. Branch Credit Committees approve exposures from 1 billion soums to 10 billion soums; Regional Branch Credit Committees approve exposures from 10 billion soums to 20 billion soums; and the Head Office Credit Committee approves exposures exceeding 20 billion soums.

Collateral

The Bank typically requires credit support or collateral as security for the loans and credit facilities that it grants. The main forms of credit support are guarantees and rights to claim amounts on the borrower's current account with the Bank or other assets. The main forms of collateral for corporate lending are charges over real estate properties, equipment, inventory and trade receivables, and the main form of collateral for retail lending is mortgage over residential property. In the case of corporate loans, the Bank usually requires a personal guarantee (surety) from the borrower's shareholders. Under the Bank's internal guidelines, collateral should be provided (where it is required) to cover outstanding liabilities during the entire duration of a transaction. As at 30 June 2019, 98.9% of the Bank's loans to clients were collateralised. Retail loans in the amount of up to 50.0 million soums are not collateralised.

Prior to being accepted by the Group, collateral is thoroughly analysed and physically verified, where applicable. Debt securities, treasury and other eligible bills are generally unsecured. The Bank is eligible to lend to customers via unsecured loans for a period not exceeding one year.

Measurement

Exposure and limits are subject to an annual or more frequent review. The Bank's compliance with credit risk exposure limits is monitored by the Credit Risk Management Division on a continuous basis. The Bank establishes provisions for impairment losses of financial assets on a collective basis and on an individual basis when there is objective evidence that a financial asset or group of financial assets is impaired. The Bank creates provisions by reference to the particular borrower's financial condition and the number of days the relevant loan is overdue. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by an adjusted provision account. The determination of provisions for impairment losses is based on an analysis of the assets at risk and reflects the amount which, in the judgement of the Management, is adequate to provide for the losses incurred.

Provisions are made against gross loan amounts and accrued interest. Under the Bank's internal loan loss allowance methodology, which is based upon IFRS requirements for IFRS financial statements and based on CBU regulations for Uzbekistan GAAP financial statements, the Bank categorises its loan portfolio into significant and non-significant loans. The Credit Risk Management Division makes an individual assessment of all defaulted significant loans. Non-defaulted significant loans are given a collective assessment rate. For the purposes of provisioning all loans are divided into different groups (for example mortgage, consumer, microfinancing loans).

Credit Bureau "Credit Information Analytical Center" ("**CIAC**") serves as Uzbekistan's centralised credit bureau. Since 2011, all of Uzbekistan's commercial banks hold equal stakes in CIAC's charter capital. The automated information exchange system established by CIAC encompasses all of Uzbekistan's commercial banks, microfinance institutions and lombards. As at 1 June 2019, the database of CIAC included 9,135 thousand individuals and around 686 thousand legal entities.

Per the Bank's policies, the Bank's maximum risk to a single borrower or a group of affiliated borrowers shall not exceed 25% of the Bank's Tier 1 regulatory capital, whereas the total amount of unsecured loans shall not exceed 5% of the Bank's Tier 1 regulatory capital. The Bank also provides that the total amount of all large exposures shall not exceed the Bank's Tier 1 capital by more than 8 times, and the total amount of loans extended to related parties shall not exceed the Bank's Tier 1 capital.

In order to monitor credit risk exposures, the Dealing with Problem Assets Department produces weekly reports based on a structured analysis focusing on the customer's business and financial performance, which includes overdue balances, disbursements and repayments, outstanding balances and maturity of loans, as well as the grade of the loan and collateral. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the management daily. The management oversees the monitoring and recovery procedures of the loans past due.

The internal rating tool assists management in determining whether objective evidence of impairment exists under CBU standards and IFRS 9. CBU standards used by the Group are based on the following criteria: delinquency in contractual payments of principal or interest; cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales); breach of loan covenants or conditions; initiation of bankruptcy proceedings; and deterioration in the value of collateral. At the same time, under IFRS 9 financial assets are classified according to the business model for managing them and their cash flow characteristics. Therefore, the Group classifies impairment based on a three stage system:

- *Stage 1* - When a loan is originated or purchased, ECLs resulting from default events that are possible within the next 12 months are recognised ("**12-month ECL**") and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing loans with no significant increase in credit risk since their initial recognition. Interest revenue is calculated on the loan's gross carrying amount (that is the amount of the loan without deduction for ECLs). In determining whether a significant increase in credit risk has occurred since initial

recognition, a bank is to assess the change, if any, in the risk of default over the expected life of the loan (that is, the change in the probability of default, as opposed to the amount of ECLs).

- *Stage 2* - If a loan's credit risk has increased significantly since initial recognition and is not considered low, lifetime ECLs are recognised. The calculation of interest revenue is the same as for Stage 1.
- *Stage 3* - If the loan's credit risk increases to the point where it is considered credit-impaired, interest revenue is calculated based on the loan's amortised cost (that is, the gross carrying amount less the loss allowance). Lifetime ECLs are recognised, as in Stage 2.

The Bank's policy requires the review of individual financial assets that are above certain materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including reconfirmation of its enforceability) and the anticipated receipts for the respective individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available empirical data, experienced judgment and statistical techniques.

Off-balance sheet risk

The Bank applies fundamentally the same risk management policies to off-balance sheet risks as it does to its on-balance sheet risks. In respect of commitments to lend, customers and counterparties are subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the position of the counterparty and the nature of the transaction.

Market risk

The Bank is exposed to market risk (including currency exchange rate risk, interest rate risk and other price risk), which is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk exposure arises from mismatches of maturity and currencies between the assets and liabilities, all of which are exposed to market fluctuations.

The Bank manages its market risk through risk-based limits established by the Bank's Supervisory Council on the value of risk that may be accepted. The risk-based limits are subject to review by the Bank Council on a quarterly basis. The Bank's overall position is split between corporate (including state and municipal organisations) and retail banking positions. The exposure of corporate and retail banking operations to market risk is managed through the system of limits monitored on a daily basis by the Treasury Department. However, the use of this approach does not prevent losses occurring outside of these limits in the event of more significant market movements.

Currency exchange rate risk: Currency exchange rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Bank Council sets limits (according to CBU regulations) on the level of exposure by currency and in total both for overnight and intra-day positions, which are monitored daily. The Group's Treasury Department measures its currency risk by matching financial assets and liabilities denominated in the same currency and analyses the effect of actual annual appreciation (or depreciation, as the case may be) of that currency to the soum to the profit or loss of the Group. The Group measures its currency risk by establishing a 5.0% of the Group's total equity limit on the Bank's net position in each currency, and limiting the Bank's total net position in all currencies to 10.0% of the Bank's total equity.

In addition, the CBU also sets a number of requirements applicable to the Bank's foreign currency position based on the market conditions. The CBU may take measures to regulate the foreign currency position in accordance with the established order on the foreign currency position.

Interest rate risk: The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Bank's management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

Other price risk: The Bank is also subject to prepayment risk through providing loans, including mortgages, which give the borrower the right of early repayment of the loans. The Bank's current year profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers. The Bank does not have significant exposure to equity price risk.

Liquidity risk

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

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

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

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

Mitigation: The Bank's capability to discharge its liabilities is dependent on its ability to realise an equivalent amount of assets within the same period of time. The Bank maintains a portfolio of highly marketable and diverse assets that it believes can be easily liquidated in the event of an unforeseen interruption of cash flow. It also has committed lines of credit that it can access to meet its liquidity needs. Such lines of credit are available through the CBU's refinancing facility. In addition, the Bank maintains a cash deposit (obligatory reserve) with the CBU, the amount of which depends on the level of customer funds attracted. As at 30 June 2019, in line with the CBU's requirements, up to 14% of customer deposits in foreign currencies were set aside as minimum reserves depending on the deposit tenure. In addition, the Bank maintains a minimum average balance of up to 4% of its customers' deposits in soums at its correspondent account at the CBU.

Funding: In the Uzbek marketplace, the majority of working capital loans are short term and granted with the expectation of renewal at maturity. As such, the ultimate maturity of assets may be different

from the analysis presented elsewhere. In addition, the maturity gap analysis does not reflect the historical stability of current accounts.

The Bank's principal sources of liquidity are as follows:

- borrowings from international financial institutions and Uzbekistan state financial establishments;
- customer accounts;
- borrowings from other banks and financial organisations;
- debt issuances; and
- interest income.

See "*Financial Review*".

The Management Board believes that the Group's liquidity is sufficient to meet each of its present requirements. For information on the Group's liquid assets, liabilities and maturity profile of the Group's financial liabilities as well as further information on the liquidity risk of the Group see Note 32 to the Annual Financial Statements and Note 27 to the Interim Financial Statements.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but the Bank aims to manage such potential risks through a control framework and by monitoring and responding to the respective risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and training and assessment processes, including the use of internal audit.

Mitigation: The Bank manages its operational risks by establishing, monitoring and continuously improving its policies and procedures relating to various aspects of the Bank's cash, payments, accounting, trading and core processing operations and data back-up and disaster recovery arrangements.

The Bank has an integrated control framework encompassing operational risk management and control, AML compliance, corporate and information security and physical security, each of which is managed by a separate department.

The Internal Control Department is responsible for identification and assessment of operational risk categories within the Bank's processes and operations, detecting critical risk areas or groups of operations with an increased risk level, developing response actions and the imposition of restrictions in critical risk areas to mitigate identified risk and developing business-process optimisation schemes, including document circulation, information streams, distribution of functions, permissions and responsibilities. The Internal Control Department is also responsible for developing and updating policies and procedures and ensuring that these policies and procedures meet legal and regulatory requirements and help to ensure that material operating risks are within acceptable levels. It also monitors and periodically reviews the Bank's internal control systems to detect errors or infringements by the Bank's departments and divisions. The Head of the Internal Control Department, who reports to the Chairman of the Management Board, is responsible for the oversight of the Bank's operational risks.

MANAGEMENT

Overview

The governance of the Bank consists of various levels and sub-levels, each responsible for different aspects of the Bank's overall activities. The following section sets out the management structure of the Bank and its corporate governance reporting lines.

The highest level of governance is conducted through the General Shareholders' Meeting, the ultimate decision-making body. At the General Shareholders' Meeting, the shareholders elect the Supervisory Council, which is responsible for the general governance of the Bank, including the determination of strategy, coordination and general supervision thereof. The Supervisory Council elects the Management Board, which is the collegial executive body of the Bank, and appoints the Chairman of the Management Board, which is the sole executive body of the Bank. The Chairman of the Management Board and the Management Board as a whole are responsible for the day-to-day operations of the Bank.

General Shareholders' Meeting

The General Shareholders' Meeting is held in the form of an annual General Shareholders' Meeting and extraordinary General Shareholders' Meeting. The annual General Shareholders' Meeting is convened no earlier than two months and no later than six months after the end of the Bank's reporting year.

The powers of the General Shareholders' Meeting are set forth in the Bank's Regulations on Shareholders' Meetings and the Bank's Charter. The procedure for convening, preparing for and conducting the General Shareholders' Meeting is stipulated in the Bank's Regulation on the General Shareholders' Meeting.

Shareholders have the power to decide on the following matters, among others:

- amendments to the Bank's charter (with certain exceptions provided for by Uzbekistan law) and approval of the restated charter;
- reorganisation and liquidation of the Bank, appointment of a liquidation committee and approval of interim and final liquidation balance sheets;
- determination of the composition of the Supervisory Council, election of its members and early termination of their powers;
- adoption of Regulation on the Supervisory Council and Regulation on the General Shareholders' Meeting;
- determination of the amount, par value and type of authorised shares, as well as the rights attached to those shares;
- increases in the instances provided by the Bank's charter and reductions of the Bank's charter capital;
- election of the Statutory Audit Panel and appointment of the Bank's external auditor;
- declaration (payment) of dividends;
- approval of annual report and annual accounting (financial) statement;
- approval of the Bank's participation in financial groups and associations; and
- certain other matters provided for by the Bank's charter and law.

Decisions of the General Shareholders' Meeting are generally adopted by a simple majority of voting shareholders who are present at the meeting, unless the Regulations on the General Shareholders' Meeting of the Bank and Bank's Charter require a qualified majority or set additional rules. Pursuant to the Regulations on the General Shareholders' Meeting of the Bank and the Bank's Charter, motions such as amendment of the Charter, increase of the share capital in most cases, placement of securities convertible into shares, reorganisation and liquidation must be approved by a three quarters majority vote of the voting shares participating in the General Shareholders' Meeting of the Bank. All decisions of the General Shareholders' Meeting are adopted subject to satisfaction of a quorum of at least 50% of voting shareholders.

Supervisory Council

The Supervisory Council is responsible for general governance matters, with the exception of those matters that are designated by law and by the Bank's Charter as belonging to the exclusive competence of the General Shareholders' Meeting. The Supervisory Council makes its decisions by simple majority, so long as a quorum of at least half of the elected members of the Supervisory Council is present, unless otherwise required by law or the Bank's Charter. The Supervisory Council meets on a regular basis – in-person meetings are typically held quarterly, whereas meetings in absentia are held at least once a month. The Bank's shareholders elect members of the Supervisory Council until the next annual shareholders' meeting, and such members may be re-elected an unlimited number of times. There is no fixed term of office for Supervisory Council members. The Supervisory Council currently has nine members. The last election of the Supervisory Council took place on 26 July 2019.

The name, position and certain other information for each member of the Supervisory Council are set forth below.

Name	*Year of Appointment to Supervisory Council*	*Position*
Ishmetov Temur Amindjanovich	26 July 2019	Chairman of the Supervisory Council
Vafaev Shukhrat Abdusharifovich	26 July 2019	Deputy Chairman of the Supervisory Council
Mukhtarov Ulugbek Khakimovich	26 July 2019	Member of the Supervisory Council
Yusupov Olim Anvarovich	26 July 2019	Member of the Supervisory Council
Khamidov Rasul Tavakkalovich	26 July 2019	Member of the Supervisory Council
Yakubov Murat Mirakbarovich	26 July 2019	Independent Member of the Supervisory Council
Akramov Aziz Kabirovich	26 July 2019	Member of the Supervisory Council
Nabiev Tulqin Nabievich	26 July 2019	Member of the Supervisory Council
Kalonkhujayev Rasokhon Rustamkhuja ugli	26 July 2019	Independent Member of the Supervisory Council

Ishmetov Temur Amindjanovich (born 1979) First Deputy Minister of Finance of the Republic of Uzbekistan. Mr. Ishmetov graduated from the Tashkent Financial Institute - Faculty of Finance and Credit in 2000, and in 2005 received a master's degree from Birmingham University in the UK, and in 2007 from Tashkent State Law University - the Faculty of Law. Prior to joining the Central Bank of Uzbekistan, Mr. Ishmetov worked and was promoted as a First Deputy Chairman of the CBU before joining the Ministry of Finance. Mr. Ishmetov has deep knowledge of the role of monetary and fiscal policy in ensuring macroeconomic sustainability, the basic principles of international reserves, state assets and investment, and the development of financial markets.

Vafaev Shukhrat Abdusharifovich (born 1968) Deputy Minister of the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan and Executive Director of the UFRD. Mr. Vafaev previously served within the Agency for the Development of the Financial Sector in the CBU, as Advisor to the Executive Director of the International Monetary Fund and Advisor to the Executive Director of the World Bank and worked in the Ministry of Finance of the Republic of Uzbekistan and the UFRD. In 2018, he was appointed as a Deputy Chairman of the State Committee of the Republic of Uzbekistan on Investments.

Mukhtarov Ulugbek Khakimovich (born 1982) Deputy Executive Director of the UFRD. Mr. Mukhtarov received bachelor's and master's degrees at the Tashkent Financial Institute in 2003 and 2005, respectively. He began his career as a specialist in the Main Department of Small Business of the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan in 2004. At the NBU, Mr. Mukhtarov reached the position of the Head of the Office of Expertise and Monitoring of Projects. Mr. Mukhtarov moved to the UFRD as a chief specialist in 2012. Since 2018, he has been acting as Deputy Executive Director of the UFRD.

Yusupov Olim Anvarovich (born 1979) Head of the Department of the Fund for Reconstruction and Development of the Republic of Uzbekistan. Mr. Yusupov has two bachelor's degrees, which he received at the Tashkent Architectural Building Institute and the English Polytechnic University in 2001 and 2005, respectively. Mr. Yusupov received a Masters in Finance at the Banking-Finance Academy of the Republic of Uzbekistan. Mr. Yusupov began his career at JSCB Asaka as a specialist in 1999 and was appointed Head of the Department for Coordination and Monitoring of Investment Activities. Mr. Yusupov moved to the UFRD as a senior specialist in 2013. Since 2018, he has been working as the Head of the Department for Monitoring Project Implementation of the UFRD.

Khamidov Rasul Tavakkalovich (born 1988) Deputy Head of Division of the Ministry of Economy and Industry of the Republic of Uzbekistan. Mr. Khamidov graduated from Tashkent State Economic University and received bachelor's and master's degrees in 2010 and 2012, respectively. Mr. Khamidov began his career as a lecturer at the Department of Economic Theory at Tashkent State Economic University in 2012 and in the same year he moved to the Ministry of Finance of the Republic of Uzbekistan as a 1st category economist at the Securities and Financial Markets Department. He reached the post of Deputy Department of the State Securities Market and Relations with Financial Institutions and, in 2019, Mr. Khamidov was appointed as Deputy Head of the Division for the Development of Entrepreneurship and Small Industrial Zones of the Ministry of Economy and Industry of the Republic of Uzbekistan.

Yakubov Murat Akbarovich (born 1973) International audit company Grant Thoronton – partner. Mr. Yakubov graduated from the University of Nottingham Trent in 1994, Tashkent State University of Economics in 1995, received a master's degree from the University of Birmingham in 1996, and Moscow State Social University (Jurisprudence) in 2000. Furthermore, Mr. Yakubov received an MBA from the Skolkovo International Business School in 2016. Mr. Yakubov began his career at the CBU in 1993 and reached the position of adviser to the Chairman of the Central Bank. In 2011, he began entrepreneurial activities in the Russian Federation. Currently, he is a partner in the International Audit and Consulting Company "Grant Thornton Uzbekistan".

Akramov Aziz Kabirovich (born 1984) Head of the Department of the State Asset Management Agency of the Republic of Uzbekistan. Mr. Akramov graduated from Tashkent Financial Institute and Tashkent State University of Economics in 2005 and 2007, respectively. In 2015, he graduated from the Banking and Finance Academy. Mr. Akramov started his career in 2004 as an economist in the State Statistics Committee of the Republic of Uzbekistan and reached the position of the Head of the Committee's information service. Between 2008 and 2019, Mr. Akramov served with JSCB "Hamkorbank, "Du Telecom", JSCB "Mikrokreditbank", the State Committee of the Republic of Uzbekistan for Tourism Development, the National Agency for Project Management under the President of the Republic of Uzbekistan and the Directorate of the Innovation Center "Mirzo Ulugbek Innovation Center". Since 2019, Mr. Akramov has been working as Acting Director of the Department of State Asset Management Agency of the Republic of Uzbekistan.

Nabiev Tulqin Nabievich (born 1981) is a Head of Department of the State Asset Management Agency of the Republic of Uzbekistan. Mr. Nabiyev graduated from the University of World Economy and Diplomacy and obtained bachelor's and master's degrees in 2003 and 2011, respectively. In 2003, Mr. Nabiyev began his career as a Senior Adviser at the Department of Economic Legislation of the Ministry of Justice of the Republic of Uzbekistan, and reached the position of the Head of the Department of Economic Legislation. In 2008, he continued his work in the JSC "Avtomagistral" as a lawyer, and in the same year he became a Leading Researcher at the Institute for Monitoring of Existing Legislative

Documents under the President of the Republic of Uzbekistan. In 2009, Mr. Nabiyev took the position of Deputy Head of the Department for Support of Private Entrepreneurship of the State Committee of the Republic of Uzbekistan on Demonopolisation, Support of Competition and Entrepreneurship and reached the position of the Head of the Department.

Kalonkhujayev Rasokhon Rustamkhuja ugli (born 1977) Director of "Uzbek-Oman Investment Company" LLC (UOIC). Mr. Kalonkhujayev graduated from Tashkent State University of Economics in 1999 and later in 2002 graduated from the Banking-Finance Academy, faculty of international economic relations. Mr. Kalonkhujayev started his career in 1994 as a Supply Agent in LLC "Mushtariy". In 1996, he worked as specialist in NBU's Yunusabad branch and in 2003 was promoted to Head of Operational Department of NBU and in 2014 he was appointed Deputy Head of Branch of NBU. In 2017, he worked as a Project Financing of JSCB "Asaka".

Mr. Kalonkhujayev worked as the Head of the Project Implementation Monitoring Group, Acting Deputy Executive and Head of Department of the Fund for Reconstruction and Development of the Republic of Uzbekistan from 2007 to 2017. Since 2017, he has been working as the Deputy General Director of Uzbek-Oman Investment Company LLC.

The business address of each member of the Supervisory Council is the Bank's registered office. No actual or potential conflicts of interest exist between the duties that any member of the Supervisory Council owes to the Bank and such member's private interests or other duties.

Management Board

The Management Board is the Bank's collegial executive body, which is elected by the Supervisory Council. The Management Board meets as often as is considered necessary, typically twice a week, and makes its decisions by simple majority, provided that a quorum of at least half of the elected members of the Management Board is present. The Chairman of the Management Board has a casting vote. The Management Board is responsible for the Bank's day-to-day management and administration. The Chairman of the Management Board represents the Bank and acts as its Chief Executive Officer. The Management Board has several committees that help it to carry out its management functions.

As at the date of this Prospectus, the Management Board consists of seven members. The name, position and certain other information for each member of the Management Board are set out below. Unless otherwise indicated, members of the Management Board do not perform any external functions. There are no fixed terms of office for Management Board members.

Name	*Year of Appointment to Management Board*	*Position*
Voitov Aziz Botirovich	12 July 2018	Chairman
Ergashev Anvarjon Abdumajitovich	5 February 2018	Deputy Chairman
Abdurozzokov Yashin Mamarajabovich	7 August 2018	Deputy Chairman
Azimov Zafar Abdumajidovich	6 February 2019	Deputy Chairman
Tavakkalov Ulugbek Uktamovich	7 October 2019	Deputy Chairman
Vokhidov Oybek Rozikovich	13 January 2015	Director of Accounting and Reporting Department
Norkhujayev Bakhritdin Nuritdinovich	7 April 2017	Director of Legal Department

Voitov Aziz Botirovich (born 1980) In 2001, Mr. Voitov graduated from the Tashkent Financial Institute with a degree in Taxes and Taxation. In 2010, he graduated from the Higher Business School at the Academy of Public Administration under the President of the Republic of Uzbekistan with a degree in Business Administration. Mr. Voitov began his career in 2000 as a specialist at the Interbank Settlement Center of the National Bank for Foreign Economic Activities of the Republic of Uzbekistan and in 2017 reached the position of the Head of the Main Department of NBU. Since December 2017, Mr. Voitov has been acting as the Acting Chairman of the Management Board of Uzpromstroybank. In July 2018, he was appointed Chairman of the Management Board of Uzpromstroybank.

Ergashev Anvarjon Abdumajitovich (born 1973) In 1995, Mr. Ergashev graduated from the Tashkent Financial Institute with a degree in Finance and Credit. Mr. Ergashev began his career in 1993 as a Chief Specialist of the Uzbek Joint-Stock Innovation and Commercial Bank "Ipak Yuli" and worked there until 1998 as Deputy Head of the Department for Credit and Commercial Investments. Between 1998 and 2006, he worked as the Head of the Department for Evaluation, Analysis and Crediting of Investment Projects of the Uzbek International Bank Uzprivatbank and Acting First Deputy Chairman of the Management Board, Chairman of the Management Board. Between 2006 and 2017, Mr. Ergashev worked as the Head of the Central Operational Regional Branch of Uzpromstroybank JSCB; and between 2017 to 2018, he worked as the Head of the Accounting Operations Control Department of Uzpromstroybank JSCB, Director of the Department of Cash Circulation and Cash Operations.

Azimov Zafar Abdumajidovich (born 1985) In 2006, Mr. Azimov graduated from the Tashkent Financial Institute with a Bachelor's degree in Banking and, in 2008, he studied for a Master's specialising in "Credit". He began his career in 2007 as a Chief Economist in the Department for Coordinating Support for Small Business in the Tashkent Regional Main Administration of the CBU. From 2007 to 2019, Mr. Azimov worked at various leading positions at the CBU, including as the Director of the Department of the CBU in Monitoring the Activities of Commercial Banks in Financing of Basic Industries.

Tavakkalov Ulugbek Uktamovich (born 1978) In 2013, Mr. Tavakkalov graduated from Tashkent Financial Institute with a Bachelor's degree in Banking and in 2016 he studied for a Master's in Banking at Tashkent State Economic University. Mr. Tavakkalov started his career in 1997 as a Specialist in the Lending and Monitoring Division of the JSC Bizses-fond. He served as Head of the Division for Monitoring Investment Projects in 2003 and moved to JSICB Ipak Yuli as Head of the Division for Credit Monitoring. From September 2018 to October 2019, he served as Director of the Retail Business in JSICB Ipak Yuli. Since October 2019, Mr. Tavakkalov has been the Deputy Chairman of the Management Board of JSCB Uzpromtroibank.

Abdurozzokov Yashin Mamarajabovich (born 1979) In 2000, Mr. Abdurozzokov graduated from Termez State University with a degree in Economics, in 2003, from the Tashkent Financial Institute with a degree in Accounting, and, in 2009, from the Academy of Public Administration under the President of the Republic of Uzbekistan with a degree in Basics and Principles of a Market Economy. Mr. Abdurozzokov began his career in 2003 as a 1st category Specialist in the Internal Audit Department of Uzpromstroybank JSCB, after which he worked in various managerial positions, in particular, between 2012 and 2014, as the Head of the Sirdarya regional branch, and, between 2014 and 2018, as Director of the Risk Management Department.

Vokhidov Oybek Rozikovich (born 1980) Mr. Vohidov graduated from the Tashkent State Economic University in 2001 with a degree in Foreign Economic Activity and, in 2003, in Accounting. Mr. Vohidov began his career in 2001 as a Leading Specialist in the Department of Economic Analysis, Lending to the Sectors of the National Economy and Finance of the Akmal-Ikramov branch of Uzpromstroybank. After that, Mr. Vohidov worked as the Deputy Senior Accountant of this branch, the Senior Accountant of the Mirzo-Ulugbek branch, the Senior Accountant of the Khamzinsky branch and the Manager of the Khamzinsky branch.

Norkhujayev Bakhritdin Nuritdinovich (born 1964) In 1986, Mr. Norkhujayev graduated from Tashkent State University with a degree in Law. Mr. Norkhujayev began his career in 1986 as a consultant to the Jizzakh regional justice department. From 1987, he worked as a District Judicial Executor of the Jizzakh Regional Justice Department, Public Notary Farish district, Public Notary of Pakhtakor district, judge of Jizzakh City Court, Chairman of the Dustliksky district Court and Chairman of the Jizzakh regional Court. In 2009, Mr. Norkhujayev served as head of the legal department of JSCB Uzpromstroybank, the deputy director of the Risk Management Department, and the Head of the Legal Department. Since April 2017, Mr. Norkhujayev has been appointed as the head of the Legal Department and is a member of the Management Board.

The business address of each member of the Management Board is the Bank's registered office. No actual or potential conflicts of interest exist between the duties that any member of the Management Board owes to the Bank and such member's private interests or other duties.

Corporate Governance

The Bank complies with the Uzbekistan corporate governance regime. Corporate governance at the Bank has been carried out in accordance with the requirements of the Regulation on the Management of the Bank rules governing the operation of joint-stock companies and credit organisations in Uzbekistan, the Bank's Charter and other internal documents of the Bank.

As a legal entity, whose shares and debt securities are listed on the Tashkent Stock Exchange, the Bank is required to comply with a number of corporate governance requirements applicable to issuers of securities that are traded on the Tashkent Stock Exchange.

As part of its corporate governance regime, the Bank follows its own Corporate Governance Code. The current version of the Corporate Governance Code was approved by the Bank's Supervisory Council in 29 April 2016.

The Bank's Corporate Governance Code sets out the Bank's main corporate conduct principles, promoting better performance of the management bodies of the Bank. It was based on a balanced approach to the interests of the Bank's shareholders, management bodies and other interested parties, with a view to enhance reliability and client satisfaction, promote business culture, improve control over the Bank's performance and to ensure compliance with highest ethical standards. The Corporate Governance Code seeks to improve and systemise approaches to client satisfaction by providing high quality banking services and reliability in accordance with the Bank's plan to evolve as a modern financial institution. To keep client service in line with high financial, business and technological standards, the Bank voluntarily undertakes to follow the principles and rules of corporate governance set out in the Corporate Governance Code. These principles and rules correspond to international best practices of corporate conduct and represent a high level of governance and performance control, business culture and compliance with high ethical standards. As corporate governance practice evolves in Uzbekistan and abroad, the Bank will seek to further improve its corporate governance rules and principles and achieve a higher level of compliance with the principles set out in the Corporate Governance Code.

Among other things, the Bank has implemented the following corporate governance features:

Independent Directors

According to the Regulation on the Supervisory Council of the Bank and the Corporate Governance Code, independent directors of the Bank are those Supervisory Council members who have no direct or indirect relationship with the Bank other than membership on the Supervisory Council, and who, among others:

- are not, and have not been in the past five years, employed by the Bank or its affiliates, where "affiliates" means, with respect to any person, any individuals or entities directly or indirectly controlling, controlled by or under common control with, that person and "control" means the power of an individual or entity, whether independently or jointly with other individuals or entities, directly or indirectly (through third parties), to influence activities of entities and/or individuals (including to determine the decision of the management or business policies of an entity through the direct or indirect (i.e. through third parties) ownership of more than 20% of its capital and/or by contract made between that individual or entity and the other individual(s) and/or entity(ies);

- are not affiliated with any non-profit organisation that receives significant funding from the Bank or its affiliates;

- do not receive and have not received in the past five years, any additional payments from the Bank or its affiliates other than their remuneration and reimbursement of expenses related to their service, as Supervisory Council members (such remuneration and reimbursement may not constitute a significant portion (share) of any such independent director's total income for the calendar year in which such remuneration and reimbursement were paid);

- do not participate in any employee pension programme or share option programme of the Bank or any of its affiliates;

- are not employed as the sole executive body or a member of the collective executive body of another entity where any of the members of the Bank's collective executive body serve on that entity's board of directors;

- are not, and have not been at any time during the past five years, employed by or affiliated with an auditor of the Bank or any of its affiliates;

- do not hold a significant (more than 2%) portion of the outstanding shares in the Bank or shares/interests in the capital of any of its affiliates, and are not members of a management body of any entity, or general partners of any general partnership, or members of a business partnership, or partners (members) of an entity incorporated under foreign law in a legal form similar to that of general partnership or business partnership, and cannot give binding instructions to or otherwise direct the activities of an entity, which holds any significant (more than 2%) portion of the outstanding shares in the Bank or shares/interests in the capital of any of its affiliates;

- are not members of the immediate family, guardians or trustee of any individual who would not meet any of the tests set out above, or assistants to any such individual who is of age, legally capable and placed under guardianship, or executors of the estate of any such individual who has been declared missing, or administrators or trustees of the estate of any such individual who is or has been declared deceased; and

- have not served on the Supervisory Council for more than five years.

The foregoing independence criteria exceed the requirements of the Regulation on the Supervisory Council of the Bank and CBU guidance and are based on the requirements of EBRD. The Bank also complies with the independence criteria for directors envisaged by the Tashkent Stock Exchange Listing Rules. The Bank's Supervisory Council currently has two independent directors.

Internal Audit Committee

According to the charter and other internal regulations of the Bank, the Supervisory Council is responsible for creating the Audit Committee. Such committee is formed for pre-examination of the most important matters pertaining to the activities of the Bank.

The Audit Committee's functions also include maintaining the Supervisory Council's control over activities of the Bank's executive bodies and ensuring co-operation with the Bank's executive bodies on matters within the committee's competence, supervision over the reliability and efficiency of the Bank's financial activity and internal control system, control over measures taken to ensure the Bank's financial statements are complete, accurate and true, implementing and promoting a culture of risk management within the Bank, ensuring independence and fairness of internal and external audit functions, controlling performance of, and measures taken by the Bank's executive management under, the system alerting of potential malfeasance by the Bank's staff (including abuse of insider or confidential information) or by third parties, and of other irregularities in its operations.

Corporate Secretary

The Corporate Secretary's role is to enhance the efficiency of the Bank's development management in the interest of the shareholders, coordinate the Bank's actions aimed at the protection of shareholders'

rights and interests, improve the Bank's corporate governance practices and standards, maintain the effective operation of the Bank's General Shareholders' Meeting and Supervisory Council, as well as ensure active ongoing interaction with the Bank's shareholders, Supervisory Council members and the Bank's executive bodies.

Code of Corporate Ethics

On 18 March 2016, the Bank also adopted its Code of Corporate Ethics, which sets out the standards of the Bank's activities and employees' conduct with the focus on maintaining ethical standards, quality of service provided to customers, which has the effect of increasing the Bank's profitability, financial stability and efficiency. The objectives of the Code of Corporate Ethics include defining the Bank's mission and corporate values; ensuring the Bank's employees understand their personal responsibility to the Bank's customers, business partners, shareholders and their colleagues for executing their official duties and performing their functions; and setting forth the fundamental principles of the Bank's relationships with customers, business partners, state and municipal authorities, competitors and the Bank's employees, as well as protecting the interests of the Bank's shareholders, customers, business partners and employees. In addition, the Code of Corporate Ethics sets forth the key principles of handling the Bank's insider information and sets out the Bank's gifts policy. The Code of Corporate Ethics applies to all employees of the Bank. Employees are required to act in accordance with the Code of Corporate Ethics and avoid situations where their personal interests conflict with the Bank's interests, and the Bank's managers of various levels are required to supervise and ensure their subordinates' compliance with the provisions of the Code of Corporate Ethics. The Bank's Internal Control Service is responsible for controlling compliance with the Corporate Ethics Code in the course of adoption of internal organisational documents by the Bank's structural divisions, as well as for monitoring the employees' compliance with the Code of Corporate Ethics. The Bank views the adoption of the Code of Corporate Ethics as an important development in continuing to improve the corporate governance of the Bank. The Code of Corporate Ethics also aims to assist with the integration of new employees into the Bank's corporate culture.

Remuneration

In 2018, aggregate remuneration paid by the Bank to the members of its Supervisory Council and Management Board was 1,946 million soums. In turn, in the years ended 31 December 2017 and 2016, aggregate remuneration paid by the Bank to the members of its Supervisory Council and Management Board was 1,382 million soums and 931 million soums, respectively.

Members of the Supervisory Council are remunerated according to the Regulation on remunerations and compensations payable to members of the Supervisory Council (approved by the annual General Shareholders' Meeting on 28 June 2019). The members of the Bank's Management Board enter into employment contracts with the Bank, which set forth their remuneration divided into non-performance related and performance-related components.

Litigation Statement Concerning Management

For the previous five years, none of the members of the Supervisory Council or the Management Board:

- has had any convictions in relation to fraudulent offences;
- has held an executive function in the form of a senior executive officer or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Other Interests

No actual or potential conflicts of interest exist between the duties that any member of the Supervisory Council or the Management Board owes to the Bank and such member's private interests or other duties.

PRINCIPAL SHAREHOLDERS

As at the date of this Prospectus, the Bank's charter capital consists of 243,551,784,442 ordinary shares and 370,000,000 preferred shares, all of which are fully paid, issued and outstanding and have a nominal value of 19 soums per share. The Bank's ordinary shares are admitted to trading on the Tashkent Stock Exchange (under the symbol "SQBN"). As at 31 October 2019, the Bank's free float constituted 5.15% of its share capital.

The following table sets forth the shareholders of record of the Bank as at 31 October 2019.

Shareholder	Number of shares	Percentage of the share capital
UFRD	200,240,766,051	82.1%
State Asset Management Agency of the Republic of Uzbekistan[(1)]	31,146,562,801	12.8%
Uztransgaz	2,946,726,250	1.2%
Tashmuxamedov Ravshan Irkinovich	1,177,411,780	0.5%
Bukhara Oil Refinery Plant	1,097,710,450	0.5%
Uzneftmahsulot	974,338,760	0.4%
Other shareholders (*including preferred shares*)	6,338,268,350	2.6%
Total	**243,921,784,442**	**100.000%**

Notes:

(1) In February 2019, the previous shareholder of the Bank, the Ministry of Finance of the Republic of Uzbekistan, transferred its shares of the Bank to the newly established State Asset Management Agency of the Republic of Uzbekistan.

The Bank is not aware of any arrangements in existence as at the date of this Prospectus that could reasonably be expected to result in a change of control of the Bank.

CERTAIN TRANSACTIONS WITH RELATED PARTIES

The following is an overview of the Bank's transactions with related parties as at the dates indicated below. The financial information set forth herein has, unless otherwise indicated, been extracted without material adjustment from the Financial Statements. See also "*Capitalisation*".

The table below sets out the outstanding balances as at 30 June 2019 and 31 December 2018, 2017 and 2016.

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
		million soums		
	(unaudited)		(audited)	
Loans and advances to customers				
Significant shareholders	14,393,220	14,870,027	12,721,019	5,200,945
Senior management	181	219	34	29
Total	**14,393,401**	**14,870,246**	**12,721,053**	**5,200,975**
Customer accounts				
Significant shareholders	1,774,518	912,552	1,106,534	444,404
Entities under common control	-	960	126	70
Senior management	1,540	2,715	142	70
Total	**1,776,058**	**916,227**	**1,106,802**	**444,474**
Other borrowed funds				
Significant shareholders	16,541,208	14,491,232	11,669,726	4,602,397
Total	**16,541,208**	**14,491,232**	**11,669,726**	**4,602,397**
Other liabilities				
Significant shareholders	5,127	9,712	80	80
Senior management	-	543	243	616
Total	**5,127**	**10,255**	**323**	**695**

The table below sets out the amounts included in profit or loss and other comprehensive income for the six-month period ended 30 June 2019 and the years ended 31 December 2018, 2017 and 2016.

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
		million soums		
	(unaudited)		(audited)	
Interest income				
Significant shareholders	286,659	520,642	336,885	203,488
Senior management	26	18	6	4
Total	**286,685**	**520,660**	**336,891**	**203,492**
Interest expense				
Significant shareholders	250,771	370,414	221,917	113,415
Senior management	80	17	-	-
Total	**250,851**	**370,431**	**221,917**	**113,415**
Recovery of provision credit losses on loans and advances to customers				
Significant shareholders	4,011	192,155	110,325	-
Total	**4,011**	**192,155**	**110,325**	**-**
Commission income				
Significant shareholders	28,742	39,043	38,199	21,210
Entities under common control	-	-	-	-
Senior management	-	-	-	-

	As at 30 June	As at 31 December		
	2019	2018	2017	2016
		million soums		
	(unaudited)		(audited)	
Total	**28,742**	**39,043**	**38,199**	**21,210**
Gains from trading in foreign currencies				
Significant shareholders	118	1,251	367	-
Total	**118**	**1,251**	**367**	**-**
Other operating income				
Significant shareholders	271	116	347	68
Total	**271**	**116**	**347**	**68**
Administrative and other operating expenses				
Senior management	1,193	1,946	1,066	1,177
Total	**1,193**	**1,946**	**1,066**	**1,177**

THE BANKING SECTOR AND BANKING REGULATION IN THE REPUBLIC OF UZBEKISTAN

Introduction

The Uzbekistan financial sector consists mainly of Uzbekistan banks, non-bank depository institutions, microfinance organisations, qualified credit institutions and insurance companies. Non-bank depository institutions and microfinance organisations provide a limited range of banking services, such as accepting deposits from, and issuing loans to, their members only (in the case of non-bank depository institutions), or issuing micro-loans (in the case of microfinance organisations), while banks provide a wide range of banking services. The CBU acts as the regulator of the financial sector supervising the banking sector and the securities market. The CBU issues licences, establishes mandatory economic ratios and reserve requirements, regulates accounting and reporting rules and supervises compliance with laws and regulations. The CBU also controls inflation, issues money and ensures the effective functioning of payment systems. The main objective of the CBU is the stability of the national currency.

History of the Uzbekistan Banking Sector

The Uzbekistan banking sector was transformed following Uzbekistan's independence from the Soviet Union on 31 August 1991, as a two-tier banking system was introduced and the CBU was established with the adoption of the law "*On banks and banking activity*". Development of monetary policy and the payment system and formation of the commercial banking industry were among the main objectives of the newly established CBU.

The soum, introduced as the national currency on 1 July 1994, was a landmark in the formation of an independent banking system and the development of the economy of Uzbekistan as a whole. Afterwards, the CBU became an independent body and began to perform its function as a facilitator of the effective formation of the national monetary system. The law "*On the Central Bank of Republic Uzbekistan*", which was adopted in 1995, clearly defined new status, powers, goals and objectives of the CBU.

The law of the Republic of Uzbekistan "*On banks and banking activity*", adopted in 1996, established the legal framework for the activity of commercial banks. The laws "*On the Central bank of the Republic Uzbekistan*" and "*On the banks and banking activity*" were both drafted based on best practices of developed financial systems. These laws, as well as the law "*On the stock companies and protection of the rights of the shareholders*", created favourable legal conditions to establish private banks. Due to the reforms implemented in 1996, the CBU became an independent authority for monetary regulation and banking supervision. The law "*On the banks and banking activity*" laid down principles for the formation of universal commercial banks based on the diversification of banking assets and the attraction of foreign capital.

In 1996, credit and financial institutions serving particular sectors of the economy, such as the automobile industry, aircraft building, agriculture and others, were created to finance these strategic sectors. More specialised banks were established to meet the needs of business environments and economic developments in a wider range of economy sectors.

In 1997, reforms were implemented to stimulate private capital inflows to the banking sector. This process was followed by the decree of the President of the Republic Uzbekistan "*On the arrangements on motivation to form private commercial banks*" in 1997 providing certain benefits to the banks which were 50% or more privately owned. From March 1997, after the introduction of new software and the conversion of all accounts to an electronic regime, banks were able to process payments within 15 minutes across the whole territory of the Republic and within three minutes across Tashkent.

The statutory acts regulating the activity of commercial banks were established on the basis of Basel recommendations on banking supervision and international practice, as well as by taking into consideration the framework of international standards on financial statements. Furthermore, the principle of prior detection of issues on commercial banks' balance sheets was introduced. In addition,

new measures were introduced with the aim of supporting the financial stability of commercial banks, including capital and liquidity control.

From 1999 to 2000, Uzbekistan implemented a mechanism for foreign exchange sales. This mechanism allowed authorised banks to purchase currency from their clients on a contractual basis.

In 2002, the law of the Republic Uzbekistan "*On the guarantee of security of funds of citizens in the banks*" established the Deposit Security Fund, which covered all commercial banks operating on the territory of Uzbekistan.

From 2003 to 2004, the regulation and systematic development of banking activity focused on further liberalisation and intensification of the reforms in Uzbekistan. Its main objective was to strengthen confidence in the banking sector. In October 2003, the Republic of Uzbekistan assumed obligations under Article 8 of the IMF Articles of Association. The policy of the CBU at this time was aimed at setting incentives for export and effective use of currency resources, together with prevention of inflation and sharp fluctuations in currency exchange rates.

Between 2003 and 2005, an emphasis was made on the realisation of management of monetary policies, and improvement of stability of the national currency and its exchange rate.

From 2006 to 2007, the Banks expanded their mortgage loans portfolio. The law "*On mortgage*" and the law "*On consumer loans*" facilitated mortgage loans and consumer loans. As a result, such types of loans became very popular.

In 2006, the UFRD was established to finance and co-finance projects of the state investment program. The UFRD is a financial institution under the authority of the Cabinet of Ministers of the Republic of Uzbekistan, designed to ensure the implementation of projects for the modernisation and technical re-equipment of leading sectors of the economy, dynamic, sustainable and balanced socio-economic development of the country, as well as the implementation of an effective structural and investment policy. The UFRD provides loans for state-owned entities through commercial banks on concessional terms. The UFRD's loans are granted for a period of between 7 and 15 years, including a grace period of 3 to 5 years, at a minimum rate of 2.3%. The UFRD's resources come from surplus tax revenues from the subsoil and export taxes, income from the sale of products under production sharing agreements with foreign partners and other revenue streams.

From 2008 to 2009, the main objective of the CBU was the development of retail banking. As a result, the range of services provided by the commercial banks of Uzbekistan expanded and new banking products were introduced.

In 2017, capital support received by Uzbekistan banks from the UFRD was approximately U.S.$677.5 million. The UFRD provided additional capitalisation to Asakabank amounting to U.S.$170million, Agrobank amounting to U.S.$140million, Turonbank amounting to U.S.$22million, National Bank for Foreign Economic Activity of the Republic of Uzbekistan amounting to U.S.$51million and other banks amounting to U.S.$223.5 million. In 2018, the health of the banking sector improved and the UFRD had only to inject U.S.$60 million into Turonbank.

In the second half of 2017, the CBU began active reforms in the monetary sector. In order to reduce inflationary pressure, the CBU tightened monetary conditions by raising the refinancing rate from 9% as at June 2017 to 16% as of September 2018.

The CBU also recently created a new platform for interbank monetary operations that connects all commercial banks into a single trading system and ensures transactional transparency. It also established a system of inflation forecasting using econometric models. The CBU has prioritised raising the efficiency of monetary policy in 2018 by minimising the impact of monetary factors on inflation, ensuring price stability and reducing inflationary pressure.

For information on recent reforms and developments in the Uzbekistan banking sector, see "- *Recent and Expected Banking Reforms*" below.

Overview of the Banking Sector

As at 30 June 2019, there were 29 commercial banks in Uzbekistan, including five wholly state-owned banks, 13 partly state-owned joint-stock banks, five banks with foreign capital and six private banks. The total number of credit institutions throughout the country, including microfinance organisations and branches of commercial banks, was 8,610. The aggregate assets of all banks in Uzbekistan amounted to approximately 232 trillion soums. The banking system of Uzbekistan remains closely controlled by the state through a complex set of regulatory actions, decrees, proclamations, and practices. Most banking assets remain in state-owned or controlled banks, and the majority of loans are directed or channelled by the Government to develop certain pre-selected industry sectors. The slow pace of reforms in the banking system limits the role that banks can play as financial intermediaries, thus inhibiting the ability of individuals or private companies to obtain loans and other banking services. A significant portion of sector funding is attributable to the UFRD.

As of 30 June 2019, there was a high level of concentration in the banking sector, with the wholly and partly state-owned banks holding 86% of all of the banking sector's total assets, 89% of the banking sector's total loans, 81% of the banking sector's total share capital and 72% of the banking sector's total deposits, whereas the banks without state ownership held 14% of all of the banking sector's total assets, 11% of the banking sector's total loans, 19% of the banking sector's total share capital and 28% of the banking sector's total deposits.

Assets and Liabilities, Credit Quality and Interest Rates

The following table sets out certain data relating to the banking sector in Uzbekistan as at the dates indicated:

	As of 31 December						As of 30 June
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
	(*soums billion*)						
Total number of banks	29	28	26	27	28	29	29
Total equity of banks	4,938.8	6,015.9	7,345.3	8,981.3	20,676.1	26,578.9	30,002.8
of which:							
in national currency	3,551.9	4,326.6	5,376.4	6,697.6	14,488.1	26,312.1	29,728.8
in foreign currency	1,386.9	1,689.3	1,968.9	2,283.6	6,188.0	266.9	274.0
Total assets of banks	43,970.2	51,612.0	65,293.3	84,075.0	166,631.8	214,319.6	264,539.8
of which:							
in national currency	17,771.1	30,752.4	39,941.6	47,877.5	59,968.2	95,490.9	115,652.6
in foreign currency	26,199.1	20,859.6	25,351.7	36,197.5	106,664.6	118,828.7	148,887.3
Total loans to customers	**25,562.5**	**32,160.9**	**39,718.3**	**52,610.5**	**110,572.1**	**167,390.6**	**209,019.8**
of which:							
in national currency	15,047.0	19,605.9	23,591.5	30,104.4	41,733.9	73,863.6	90,161.1
in foreign currency	10,515.5	12,555.0	16,126.8	22,506.1	68,838.2	93,527.0	118,858.7
Total deposits	**21,178.7**	**23,670.7**	**30,057.5**	**37,183.2**	**59,578.7**	**70,001.4**	**84,692,2**
of which:							
in national currency	14,670.3	17,327.5	22,905.3	27,176.4	30,753.4	43,323.5	48,734.0
in foreign currency	6,508.5	6,343.2	7,152.2	10,006.7	28,825.3	26,677.9	35,958,2
Capital adequacy ratio[(1)], %	18.3	17.5	14.7	14.7	18.8	15.6	15.3

Source: Central Bank of Uzbekistan

(1) Total regulatory capital to risk weighted assets.

Historically, the assets of Uzbekistan banks have been weighted in favour of loans to the public sector as compared to loans to the private sector. However, as at 31 December 2018, the distribution of assets was more even.

According to the CBU, loans to public sector borrowers as at 31 December 2018 amounted to 67,395.2 billion soums, as compared to 56,794.8 billion soums in 2017 and 22,448.7 billion soums in 2016. As of 31 December 2018, loans to the private sector borrowers amounted to 66,047.1 billion soums

compared to 33,089.2 billion soums in 2017 and 17,927.7 billion soums in 2016. Loans to individuals as of 31 December 2018 were 24,426.8 billion soums, compared to 14,437.7 billion soums in 2017 and 10,171.9 billion soums in 2016.

Due to increased lending by the banking sector to finance the economy, the loan portfolio growth of the banking sector amounted to 24.0%, 33.0% and 31.4% in 2015, 2016, and 2017, respectively. As at 30 June 2019, this indicator amounted to 55.3%, where the main driver behind this growth was support from the UFRD. The UFRD provides loans for state-owned entities through commercial banks on concessional terms.

Banking system soundness in terms of asset quality is characterised by the weighted average of NPLs. NPLs accounted for 1.47% (according to the CBU standards) of total loans in the banking sector as at 31 December 2018, compared to 1.2% as at 31 December 2017. Loan portfolios of banks constituted 167,390.6 billion soums as at 31 December 2018 and 110,572.1 billion soums as at 31 December 2017.

As at 31 December 2018, none of the banks were designated as a 'problem bank' and, in general, the assets classified as problem loans (up to 90 days overdue, impaired and restructured loans) accounted for 1.5% of the total loan portfolio.

As at 1 July 2019, the majority of aggregate liabilities in the banking sector were attributable to loans. 55.4% of all liabilities were made up of loans and 36.1% were comprised of deposits, while the remaining 8.5% was accounted for by other liabilities. A high concentration of loans is more prevalent in state-owned banks due to the fact that the UFRD resources were provided to these banks in order to assist in financing the key strategic sectors of the economy. The total liabilities in the banking system have steadily increased in recent years, with, as at 31 December 2016, total liabilities being 75,093.7 million soums, as at 31 December 2017, 145,955.7 million soums and as at 31 December 2018, 187,741.0 million soums. As of 1 July 2019, total liabilities in the banking system amounted to 234,537.0 million soums.

	As of 31 December						30 June
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
	(soums billion)						
Interest Income	2,822.5	3,656.9	4,397.3	5,293.1	7,960.4	14,517.8	11,022.0
Interest Expense	1,650.2	2,111.2	2,500.5	3,075.4	4,623.1	8,354.9	6,725.4
Net profit margin	**1,172.3**	**1,545.6**	**1,896.7**	**2,217.7**	**3,337.3**	**6,162.9**	**4,296.6**
Fee and commission income	1,971.3	2,292.0	2,856.6	3,403.8	6,916.8	6,564.1	3,795.7
Fee and commission expense	353.0	410.5	569.3	629.3	1,942.7	1,343.6	783.8
Operating expense	1,709.0	2,118.5	2,561.6	3,014.4	4,137.7	5,582.9	2,791.8
Non-interest gain (loss)	**(90.7)**	**(237.1)**	**(274.3)**	**(239.9)**	**836.5**	**(362.5)**	**220.1**
Provision for impairment of loans and leases to customers	325.2	338.6	414.6	438.9	1,631.7	1,746.3	2,019.0
Provision for losses other than loans	53.4	63.6	52.8	73.7	279.0	196.6	134.2
Profit before tax	703,0	906,4	1,155.0	1,465.2	2,263.0	3,858.4	2,363.5
Income tax expense	132,2	182,6	240.5	311.3	379.7	658.9	523.8
Return adjustments	0,0	0,0	0,0	1.1	2.3	0.0	0.0
Net profit	**570.8**	**723.8**	**914.6**	**1,152.8**	**1,881.0**	**3,199.5**	**1,839.8**

Source: Central Bank of Uzbekistan

The current interest rate policy aims to ensure positive real interest rates and contributes to reducing dollarisation of the banking system. As of 1 July 2019, the refinancing rate - which is the main policy rate - was 16.0% as compared to 14.0% as of 1 July 2018. Following the increase in the refinancing rate, the average interest rate on the interbank money market grew from 8.9% in 2016 to 13.1% in 2017 and to 14.9% in 2018. At the same time, due to the improvement of liquidity in commercial banks, the weighted average interest rate on soum-denominated time deposits with a term of up to one year fell to 14.0% as of 1 January 2019, from 16.2% as of 1 January 2018. The weighted average interest rate on

soum-denominated time deposits with a term of over one-year increased to 16.1% as of 1 January 2019 from 13.0% as of 1 January 2018 and 7.2 % as of 1 January 2017.

The International reserves of Uzbekistan consist of foreign currency reserves and monetary gold. Total net foreign currency reserves and monetary gold reserves as at 30 June 2019 were U.S.$27,372.8 million per CBU data (net international reserves do not include the foreign currency of commercial banks and government entities, except the Ministry of Finance and the UFRD). As of 30 June 2019, Uzbekistan's total official international reserves, including gold and the CBU's foreign currency reserves, amounted to U.S.$27,742.7 million, an increase of 2.4% from the beginning of the year and 0.3% compared to the same period of last year. Of this, U.S.$12,440.7 million consisted of foreign currency assets and U.S.$14,640.7 million was in gold.

Monetary and Exchange Rate Policy

The CBU is responsible for implementing monetary policy. The CBU focuses on ensuring macroeconomic stability and reducing monetary factors influencing inflation. In line with the President's Decree "*On Measures to Drastically Improve Activities of the Central Bank of the Republic of Uzbekistan*" dated 9 January 2018, the CBU's mandate was expanded to include the medium-term goal of transitioning to inflation targeting, as well as ensuring the stability and development of the banking and payment system.

Starting in 2018, the CBU began focusing its monetary policy on the stability of prices in the economy. Certain currency restrictions were abolished and/or waived, including (i) restrictions on foreign currency purchase and sale by residents and cash withdrawals from debit cards in both national and foreign currencies for individuals were made available; (ii) the obligation to sell 50% of export hard currency revenues to commercial banks at CBU's exchange rate; and (iii) commercial banks were allowed to independently set their own tariffs and fees based on market conditions.

Foreign Exchange and International Reserves

From 2014 to 2015, the real effective exchange rate of the soum strengthened against the currencies of the major trading partners of Uzbekistan. As a result, the CBU accelerated the devaluation of the exchange rate of the soum by 67%, from 2,810 soum per U.S. dollar as at 1 January 2016 to 4,210 soum per U.S. dollar as at 29 August 2017 to preserve the competitiveness of domestic products in domestic and international markets.

In September 2017, the CBU liberalised the foreign currency market. As a result, the exchange rate of the soum was devalued to 8,100 soums per U.S. dollar as at 5 September 2018. As at 31 December 2018, the nominal exchange rate was 8,339.55 soums per U.S. dollar and as at 30 June 2019, the nominal exchange rate was 8,562.34 soums per U.S. dollar.

In 2018, soum-denominated notes issued by the IFC were listed on the London Stock Exchange.

The CBU holds the international reserves of the Republic of Uzbekistan, including:

- gold and other precious metals;
- foreign currency in cash;
- foreign-currency bank account balances and deposits in foreign banks and international financial organisations; and
- foreign currency securities issued or guaranteed by foreign governments, banks and international financial organisations.

The CBU contributes to the maintenance of international reserves at a level sufficient for the implementation of the monetary and exchange rate policies of the Republic of Uzbekistan, as well as for international transactions.

Foreign Investment

Foreign investment into the banking sector is regulated by the laws "*On the Central Bank of Uzbekistan*", "*On the Banks and banking activities*", "*On the Securities market*", as well as the regulation of the Cabinet of Ministers No. 56 dated 10 March 2014 regarding the process of passing the licensing procedures in the sphere of banking activities and Regulation No. 2014 dated 8 October 2009 regarding the registration and licensing procedures for banking activities.

The amount of shareholders' equity of non-resident banks that intend to open banking subsidiaries and buy shares of the banks in the territory of Uzbekistan must be not less than EUR500 million. Non-resident banks are not permitted to open branches in the territory of Uzbekistan.

The CBU cooperates with a number of foreign financial institutions and central banks to assist with the transition to inflation targeting model as well as the development of the Uzbek banking system. In 2018, the CBU participated in seven joint projects with IMF regarding enhancement of monetary policy instruments, stress-testing models for commercial banks, financial statistics enhancement and balance of payments maintenance.

The CBU closely cooperates with the World Bank, as it provides technical assistance on issues of stress-testing methodology of the banking sector and a framework of rules and regulations on prudential supervision. The CBU also cooperates with the World Bank in digital banking and financial education.

The CBU also cooperates with the EBRD under the Memorandum of Understanding Regarding Cooperation in the Republic of Uzbekistan.

The Asian Development Bank provided technical assistance and support in the implementation of a risk-based approach in bank supervision. The National Bank of Switzerland advises the CBU in respect of the implementation of inflation analysis and forecasting models.

The liberalisation of foreign exchange control in September 2017 evidences efforts by the Uzbekistan government to improve the foreign investment climate in the country.

Concentration within the Banking Sector

As at 1 January 2019, there was a high level of concentration in the banking sector, with the wholly and partly state-owned banks holding 84% of all of the banking sector's total assets, 89% of the banking sector's total loans, 81% of the banking sector's total share capital and 68% of the banking sector's total deposits, whereas private banks held 16% of all of the banking sector's total assets, 11% of the banking sector's total loans, 19% of the banking sector's total share capital and 32% of the banking sector's total deposits.

Payment Systems

There are two settlement systems currently in place in Uzbekistan. The first is the Interbank Payment System, which is designed for conducting electronic payments in soums among banks through their correspondent accounts at the CBU. The second system is the Unified Republic-wide Processing Center, which brings together the commercial banks that issue Uzbek soum cards. The centre established the interbank payment clearing system for soums plastic cards called "Uzcard".

Credit Ratings

In 2018, S&P affirmed its "BB-" long- and short-term foreign and local currency sovereign credit ratings of the Government, with a stable outlook. In 2018, Fitch affirmed Uzbekistan's long-term foreign and local currency issuer default ratings at "BB-" with a stable outlook. Fitch also affirmed the issuer default ratings on Uzbekistan's senior unsecured foreign- and local-currency bonds at "BB-" and the country ceiling was affirmed at "BB-".

Several Uzbekistan banks, including the Bank, have been rated by international rating agencies. In 2019, Fitch affirmed its long-term foreign and local issuer default rating at "BB-", and S&P has upgraded its rating of the Bank to "BB-" with a stable outlook in October 2019.

Role of the Central Bank of Uzbekistan

The CBU is the head of the banking system for the Republic of Uzbekistan under Article 124 of the Constitution. The Constitution of the Republic of Uzbekistan, the law "*On the Central Bank of the Republic of Uzbekistan*" and other legislative acts determine the legal status, powers, principles of organisation and activities of the CBU.

The CBU is a legal entity owned by the state, but it carries out financial activities and makes decisions within its authority independently. The CBU issues banknotes in circulation, acts as a bank, adviser as well as a fiscal agent of the Government of the Republic of Uzbekistan, and stores and manages official foreign exchange reserves for the Republic of Uzbekistan. The CBU is responsible for most of the supervisory and regulatory functions in Uzbekistan's financial sector. Additionally, the CBU can buy and sell government securities on the open market, as well as debt obligations issued by the CBU itself.

The primary goals of the CBU are to ensure price stability and the development of the banking and payment systems. To accomplish these goals, the CBU: (i) implements monetary policy by managing liquidity in the interbank money market through interventions in the foreign currency market, short-term refinancing loans, foreign currency swaps, open market operations and setting reserve requirements; (ii) sets interbank operational policies; (iii) ensures the stability and development of the banking and payment systems; and (iv) sets foreign currency regulation.

Role of the CBU as the Supervisor of Uzbekistan's Financial Sector

The main objectives of the CBU as regulator of the finance market are:

- formation, acceptance and implementation of monetary and currency control;
- the implementation of an effective settlement system in the Republic of Uzbekistan;
- licensing and supervision of banks, microfinance organisations, non-bank depository institutions, qualified credit institutions and credit bureaus;
- storage and management of official gold and foreign exchange reserves of the Republic of Uzbekistan; and
- implementation of the state budget together with the Ministry of Finance.

The CBU has the right to:

- represent the interests of the Republic of Uzbekistan in central banks of other states, international banks and other financial institutions;
- enter into financial transactions and render banking services to foreign governments, foreign central banks and bodies of monetary control, and also the international organisations of which the Republic of Uzbekistan is a member;
- open representative offices in foreign states; and
- perform accreditation in the Republic of Uzbekistan of representative offices of foreign banks.

Relations of the CBU with banks and credit institutes of other states are performed according to international treaties of the Republic of Uzbekistan and interbank agreements.

Issuing Money and Regulating its Circulation

The CBU is exclusively entitled to issue monetary symbols in circulation in the form of banknotes and coins as legal means of payment in the territory of the Republic of Uzbekistan. Banknotes and coins in circulation are unconditional obligations of the CBU and are backed by all of its assets.

The CBU also establishes rules for the storage, transportation and collection of cash.

Monetary Policy

The CBU develops the main directions for the monetary policy of the Republic of Uzbekistan for the coming year no later than 30 days before the beginning of the next fiscal year.

The main directions of monetary policy should contain:

- analysis and forecast of economic conditions;
- limits on the volume of money in circulation;
- targets for the annual growth rate of the money supply, including changes in the internal assets of the CBU;
- main directions of currency and interest rate policy; and
- the main objectives for monetary and credit regulation.

Acting as Banker, Adviser and Fiscal Agent of the Government

The CBU may carry out banking operations to maintain the main accounts of state authorities and their agencies, organisations, authorities of the Ministry of Defence, Ministry of Internal Affairs, National Security Service, Ministry of Emergency Situations, State Customs Committee Republic of Uzbekistan, as well as enterprises, institutions and organisations subordinated to the CBU.

The CBU acts as a banker, adviser and fiscal agent of the Government of the Republic of Uzbekistan. The CBU also advises the Government on all-important issues related to its tasks and competencies. Furthermore, the CBU annually submits to the Government a report on economic and financial issues with recommendations on the preparation of the state budget.

The Government consults with the CBU on borrowing plans from internal and external sources, including the amounts that will be paid as part of such borrowing, on proposed terms and conditions for granting loans. The Ministry of Finance informs the CBU about all loans received by the Republic of Uzbekistan and its governmental bodies.

The CBU may accept deposits and currency values of the Government, as well as other government bodies, if they have permission from the Ministry of Finance. As a depository institution, the CBU receives and issues cash and currency values and keeps their records. It can pay interest on specified deposits.

The CBU, acting under the terms agreed with the Ministry of Finance, may act as a fiscal agent of the Government of the Republic of Uzbekistan and state bodies upon:

- placement of debt obligations issued by the Ministry of Finance and other state bodies, registration of placement and acting as an agent during their transfer;
- payment for the value, interest and other payments on specified securities;
- maintenance of accounts for the specified securities and execution of payment transactions with them; and
- implementation of other transactions with specified securities.

The CBU advises the Ministry of Finance on the schedule of issuance of government securities and the repayment of public debt, and considers their impact on the liquidity of the banking system and monetary policy priorities when doing so.

The CBU can also act as a lender to the Government through a specifically stipulated procedure, which includes, *inter alia*, confirmation of the amount by the Oliy Majlis (Parliament) of the Republic of Uzbekistan, coverage by asset security and with instruments of a maturity of up to one year.

Operation of Clearing and Settlement Facility

The CBU is entitled to assist banks in settlement and clearing services for interbank payments, including payment by cheques and other payment instruments. The CBU is entitled to determine at its discretion the procedure for conducting such operations and to give appropriate prescriptions.

Supervision and Licensing

The CBU regulates and supervises the activities of banks, microfinance organisations, lombards and credit bureaus in order to maintain the stability of the financial and banking system, protect the interests of depositors, borrowers and creditors, as well as monitor and control their compliance with internal rules and the procedures for providing information related to countering money laundering, terrorist financing and the proliferation of weapons of mass destruction.

The CBU establishes:

- binding rules for banks to conduct banking operations, accounting and banking statistical reporting, and the preparation of annual reports;
- binding rules for microfinance organisations to conduct financial operations, accounting and reporting; and
- binding rules governing activities and operations of lombards and credit bureaus.

The CBU is entitled to:

- receive and monitor reporting and other documents of banks, microfinance organisations, lombards and credit bureaus, and request and receive information about their activities;
- monitor activities of banks and microfinance organisations, their branches and affiliated entities, as well as the activities of lombards and credit bureaus, and to impose sanctions for violations;
- set requirements to internal audit of banks and credit bureaus;
- set requirements to implementation of the quality classification of bank assets and the creation of adequate reserves to cover potential losses on assets;
- define conditions and procedure for writing off loss or assets;
- issue instructions to eliminate the violations identified in their activities to banks, microfinance organisations, lombards and credit bureaus; and
- determine qualification requirements managers, members of the board, chief accountants of banks and their branches, heads of executive bodies of microfinance organisations and credit bureaus.

In order to start operations, a bank in Uzbekistan is required to be registered with the CBU and hold a general banking licence issued by the CBU. Establishment of a bank is subject to a prior authorisation of the CBU. A decision concerning the issuance of a prior authorisation should be rendered within a period not later than three months from the day of submission of the application with all necessary

documents, and should be based on a valuation of the financial possibilities, reputation of the founders, professional qualifications of the directors of the bank, evaluation of the business plan, financial plan, structure of capital, and confirmation of assets required for banking activities (premises, equipment, etc.).

In order to register a bank and obtain a banking licence, the founders must within a period not exceeding six months from the date of receipt of prior authorisation, comply with the requirements established by law. The decision to register a bank and issue a banking licence is made by the CBU within a period not exceeding one month from the date of fulfilment of the requirements of the CBU.

Regulation of the Banking Sector

Capital Adequacy

In accordance with the law "*On the banks and banking activity*", authorised capital of the Bank is formed by monetary funds of founders and shareholders of the Bank. Use of funds obtained through loans, pledges and other engaged funds is not allowed. Nevertheless, in exceptional cases and in accordance with legislation, budgetary funds may be used to form authorised capital of a bank. From 1 October 2017, the minimal amount of authorised capital of a bank is 100 billon soums.

Liquidity and Reserve Requirements

Commercial banks must monitor and control liquidity risks for major currencies and regularly report to the CBU. Banks should take into account unexpected revenue and expenses that may occur when monitoring and controlling the liquidity risk, including future transactions, repurchase agreements, devalued letters of credit, and letters of credit issued to unsatisfactory debtors and guarantees. Banks in Uzbekistan must comply with (i) a current liquidity ratio and (ii) an instant liquidity ratio. The current liquidity ratio is defined as the ratio of current assets (the amount of liquid assets and deposits of a bank with a maturity of up to 30 days, prolonged or expired loans) to the ratio of current liabilities (liabilities payable on demand and with a maturity of up to 30 days) and must not be less than 30%. The instant liquidity ratio is defined as the ratio of the amount of cash and cash equivalents, securities of the Government of the Republic of Uzbekistan and the CBU and funds on the accounts of the bank with the CBU (except for mandatory reserves on the CBU accounts) to the amount of liabilities payable on demand. Only funds in the national currency, soums, are counted towards instant liquidity ratio. Instant liquidity ratio shall not be less than 10%.

Liquidity analysis of a bank should focus on trends in liquidity indicators analysed during a period (month, quarter, year) and should analyse the past and current strategies for resource allocation. Liquidity analysis should also assess the causes of changes from past status. Liquidity coefficients are part of the overall liquidity adequacy ratio.

In the calculation of liquidity, the liquid assets to total assets ratio, additional liquidity ratio, liquid assets to non-current liabilities ratio and loans to deposits ratio are used. The share of pledged securities in the total securities portfolio also helps the banks to determine their liquidity position. When managing its liquidity indicators, a bank's management should also take into account other factors affecting current liquidity individual to a specific bank's financial position.

Requirements on liquidity indicators

The liquidity compensation ratio ("**LCC**") is defined as a ratio of highly liquid assets to the total net expenses payable within 30 days from the date of calculation. LCC shall not be less than 100%. From 1 September 2019, this indicator shall be calculated in each of:

- all currencies;
- the national currency; and
- all foreign currency-denominated assets combined.

The net stable funding ratio is defined as the ratio of available stable funding to the required amount of stable funding. The net stable funding ratio shall not be less than 100%. Available stable funding includes: total capital, liabilities with maturity of more than one year, 30% of loans and current accounts, aa well as 30% of term deposits and loans with maturity of less than one year. The required amount of stable funding includes impaired loans and non-financial assets, assets subject to claims and legal proceedings, 30% of assets with maturity of less than one year, as well as 15% of off-balance sheet items.

Regulation on Liquidity Requirements of Commercial Banks in Uzbekistan

According to the regulation on liquidity requirements of commercial banks in Uzbekistan, the following are considered as liquid assets: cash, gold bricks, the deposit money of banks at the account of CBU, money deposited at corresponding accounts of banks, securities of the CBU and the Government of Uzbekistan, short-term inter-bank loans (up to 30 days) and deposits, sovereign bonds of low risk countries and central banks, as well as other intergovernmental requests and requests to the CBU. The bonds and securities of those leading companies in low-risk countries that are considered as low-risk list securities according to rating agencies such as Standard & Poor's, Fitch Ratings and Moody's Investors Service or any other rating agencies recognised by the CBU.

According to the regulation on liquidity requirements of commercial banks in Uzbekistan, when the sovereign, banks or corporations have Standard & Poor's, Fitch Ratings, Moody's Investors Service and any other rating services recognised by the CBU, the lowest of them will be recognised and considered.

Mandatory Ratios

Mandatory economic ratios are established by the following regulations of the CBU:

- *Capital Adequacy Regulation;*
- "*On requirements for liquidity management of commercial banks*" No. 2709 dated 13 August 2015; and
- "*On maximum risk level for a single borrower or a group of related borrowers*" No. 2707 dated 5 August 2015.

A bank's regulatory capital serves as a base for calculation of the mandatory economic ratios and limits. A bank's regulatory capital consists of Tier I regulatory capital and Tier II regulatory capital. Tier I regulatory capital consists of Tier I main capital and Tier I additional capital and includes, among other items, charter capital, retained earnings and certain reserve funds. Tier II regulatory capital includes, among other items, reserves for standard loans (assets) and subordinated debt.

The following table sets forth the mandatory economic ratios that banks must observe on a daily basis and report to the CBU on the monthly basis. All mandatory economic ratios are calculated based on stand-alone financial statements prepared under Uzbekistan GAAP.

Mandatory Economic Ratio	Description	CBU Mandatory Economic Ratio Requirements
Total Capital Adequacy Ratio	Total Capital Adequacy Ratio is calculated as a ratio of Total capital to Risk-Weighted Assets. Total capital consists of Tier I and Tier II capital.	Minimum 13%
Tier I Capital Adequacy Ratio	The Tier I Capital Adequacy Ratio is calculated as a ratio of Tier I capital to Risk-Weighted Assets. Tier I capital consists of main capital and Tier I additional capital.	Minimum 10%
Leverage Ratio	Leverage Ratio is reported to reflect how leveraged a bank is in relation to its consolidated assets. The leverage ratio is calculated as a ratio of Tier I capital to total assets.	Minimum 6%

Instant Liquidity Ratio	Instant Liquidity Ratio is calculated as the ratio of the total liquid assets (cash, cash at correspondence accounts, repo, government bonds) to total liabilities.	Minimum 10%
Current Liquidity Ratio	Current Liquidity Ratio is calculated as the ratio of the sum of current assets to the sum of current liabilities (payable on demand and liabilities up to 30 days).	Minimum 30%
Maximum Exposure to a Single Borrower or a Group of Related Borrowers for unsecured loan portfolio	It is formulated as the ratio of credit exposure of the bank to one borrower or a group of related borrowers for unsecured loan portfolio and the maximum risk is 25% of Tier I regulatory capital.	Maximum 25%
Maximum Amount of Major Credit Risks	Major credit is defined as the sum of total exposure exceeding 10% of a bank's Tier I capital. Maximum amount of major credit risks is calculated as a ratio of the aggregate amount of major credit exposures to a bank's Tier I capital.	Maximum 8 times (800%)
Maximum Amount Of Unsecured Credit and Factoring Services Risks	This ratio is intended to limit the aggregate credit exposure of a bank in connection with unsecured loans and factoring services. It is formulated as a ratio of the aggregate amount of a bank's unsecured loans to its Tier I regulatory capital.	Maximum 5%

Mandatory Reserve Deposit Requirements

In order to manage credit, currency, interest and financial risks in the banking sector, the CBU requires banks to form mandatory reserves and post them with the CBU to be held in designated accounts. Banks are required to report the calculation of reserves to the CBU promptly after the end of each month. The CBU's mandatory reserve requirements vary depending on the type of financial liabilities and range between 4% and 14%. The CBU may fine a bank that fails to comply with reserve requirements and debit the insufficient reserve from its correspondent account with the CBR.

Audit of Banks

The audits of banks are carried out annually by auditors who are licensed to provide such inspection in accordance with the legislation of Uzbekistan. The audit includes, in particular, the assessment of the capital adequacy, classification of subsidies, securities of subsidy, risk measurement and liquidity measurement. In accordance with the law "*On Banks and Banking activities*", the banks are obliged to establish and implement their own internal audit programmes in addition.

According to the legislation, each bank should establish an internal audit service, approve by its management board and implement certain internal policies and regulations, including regulations on internal audit services and internal audit procedures.

Loan Loss Provisions

The CBU regulates the creation of provisions for loan losses under CBU standards and Uzbekistan GAAP and requires banks to classify their loans into the following categories and to create provisions for such loans in the corresponding amounts:

Category	Provision
Standard	1%
Substandard	10%
Unsatisfactory	25%
Doubtful	50%
Hopeless	100%

Loans must be classified into one of categories above and provisioned accordingly on the basis of criteria laid down by the CBU, which differs from IFRS criteria. Such criteria include absence of documentation required to ascertain the borrower's financial condition, existing non-performing or

impaired loans of the borrower, negative trends in the borrower's industry, decline in the price of collateral, etc.

Cancellation of Banking Licence

According to the law "*On the banks and banking activity*", the CBU is entitled to revoke a licence for carrying out banking activities in the following cases:

- insolvency of the Bank;
- establishment of unreliability of information based on which the licence was issued;
- inability of a bank to perform obligations to investors and other creditors;
- systematic failure to provide requested or reliable information;
- performance of bank transactions contrary to legislation and terms of licence;
- delay in performance of banking transactions for more than one year from the issuance date of its licence;
- breach of anti-monopoly regulations;
- breach of internal rules and conditions of providing information associated with countermeasures to legalisation of profits obtained through illegal activity, financing terrorism, and financing distribution of mass destruction weapons; and
- in the case of a subsidiary of a foreign bank, revocation of such foreign bank's license.

Annual Reporting

Banks shall publish financial statements under Uzbekistan GAAP in form and terms established by the CBU, as well as publish financial statements under IFRS, upon confirmation of reliability of information provided. Financial statements of banks shall include:

- consolidated balance sheet;
- consolidated statement of profits and expenses;
- consolidated statement on circulation of monetary funds;
- consolidated statement on changes in shareholder capital; and
- main policies and defining notes.

Banks shall publish annual financial statements together with the auditor's opinion no later than two weeks before annual shareholder meetings or any other governing body. Commercial banks shall provide copies of audit opinions together with audited financial statements to the CBU within 10 days after the audit inspection. Within three days of publication of an annual financial statement, a bank shall provide a copy of that edition to the CBU.

Anti-Money Laundering

Uzbekistan has made consistent efforts to meet international standards through new legislation. However, corruption and law enforcement's susceptibility to political influence limit the effectiveness of this legislative base. Connected individuals can circumvent established AML rules through private financial institutions, shell/mailbox companies, and bribery. Uzbekistan increased prosecutions on financial crimes; nevertheless, the Government's lack of transparency makes verifying the effectiveness of law enforcement in countering money laundering difficult.

Uzbekistan is not on the Financial Action Task Force ("**FATF**") List of Countries that have been identified as having strategic AML deficiencies. The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Uzbekistan was undertaken by FATF in 2010. According to that Evaluation, Uzbekistan was deemed Compliant for seven and Largely Compliant for 18 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for two of the six Core Recommendations. Uzbekistan is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

Credit Cards

The issuance, maintenance and use of bank cards (credit cards, plastic cards, etc.) in the territory of the Republic of Uzbekistan are governed by the regulation "*On the procedure for issuing bank cards by commercial banks and their circulation in the Republic of Uzbekistan*" and other regulatory and legal acts of the Republic of Uzbekistan, as well as agreements concluded between participants of interbank payment systems and rules established by payment organisations.

There are two payment systems, Uzkart and Humo, for making payments with plastic cards with microchip modules and a four-step data encryption system, which exclude counterfeit and unauthorised access by unauthorised persons. The withdrawal and crediting of customer accounts using plastic cards takes place after processing in the united Republic-wide processing centre, which protects customers and merchants from fraud and deception.

Payment Systems

The banking telecommunication network plays a key role in processing messages and transferring information required for effective operation of payment systems and regulating information flow between banks. The main distinctive feature of the banking telecommunications network is its structure, which unites branches of banks in Tashkent, regions and districts of Uzbekistan.

Due to implementation of a united balance system in real time and establishment of new branches in regional centres, the issue of BTS development in regional centres to provide high-speed data transfer was deemed necessary. To meet this need, between 2007 and 2008, specialists of the Head centre of Information of the CBU equipped regional centres and cities of the republic to provide BTS users with 192 kb/s and, in some cases, more.

In 2004, the Unified Nationwide Processing Center ("**EOPTS**") was created, which allows a single mode of banking transactions in all outlets to be carried out, regardless of which bank is served by the organisation,, the service sector, or the owner of a plastic card. Currently, the EOPTS comprises 25 commercial banks, which issue the soum plastic cards. The EOPTS established an interbank payment clearing system for Soum plastic cards: Uzkart.

Uzbekistan now has a quite widely-developed system of non-cash payments based on plastic cards and remote access to banking operations through internet banking and mobile applications.

Dollarisation of Uzbek Economy

High levels of dollarisation of the economy of Uzbekistan reduces effectiveness of the monetary policy of the CBU. Furthermore, the total assets in the banking sector are 57% nominated in foreign currency. Therefore, when implementing the monetary policy, the CBU affects only 43% of the sector's assets.

To reduce the dollarisation of the sector, the CBU and the Government may implement reforms to reduce foreign borrowing in foreign currency, including government loans guaranteed by the Ministry of Finance of the Republic of Uzbekistan.

Recent and Expected Banking Reforms

In October 2019, in line with the Strategy of Action for five priority areas of development of the Republic of Uzbekistan for 2017-2021, Presidential Decree No. 4487 was issued in order to improve the financial stability of state-owned banks, efficiency of financing of state development programs and the UFRD funding. The Decree, among other things, implemented certain measures to strengthen the financial standing of the banking sector which included a withdrawal of government directed low-margin and subsidised assets from the state owned banks, including the Bank, in order to improve their return on assets and performance.

In addition, as part of the on-going banking sector reforms, foreign investors have been allowed to acquire stakes not exceeding 5% of share capital of banking organisations in the Republic of Uzbekistan without receiving CBU consent. New types of regulated loan products were introduced to the banking sector, including long-term mortgage loans for individuals.

Furthermore, on 7 November 2019, new version of the law "*On banks and banking activities*" was adopted. The new edition of the law is generally much more sophisticated and comprehensive. As such, the law supplemented the list of financial operations conducted by banks with new types of services, including trust management of property and assets, purchase and sale of refined precious metals and operations with derivative financial instruments. Furthermore, the new law introduces the concept of banking groups and the concept of a systemically significant bank. In addition, the new law provides for a number of customer protection measures in the banking market, including regulations on limits for loan and deposits interest rates, commissions, disclosure of information, deposits protection, as well as the banks' liability for violation of consumer rights.

The new law also introduces a formal procedure for granting a licence. The licensing requirements are set out in law rather than in secondary legislation. In addition, it regulates the procedure of reorganisation and liquidation of banks, as well as expanding the forms of banking transactions. The new law clarifies and discloses the forms and procedure of supervision by the CBU. The CBU will further supervise:

- strategies, procedures and mechanisms used by banks to comply with the requirements of the law;
- the existing and potential risks of banks to determine the degree (level) of provision of sustainable management by the mechanisms of regulatory compliance, capital and liquidity of a bank and covering their risks; and
- compliance of banks with the requirements of legislation on risk management and corporate governance.

A separate chapter related to the corporate governance of banks was included. Articles regarding the competence of a bank's management bodies, the rules of ethical behaviour of bank employees, and measures to prevent corruption and to avoid conflicts of interest were incorporated. Banks now have to have a reliable, clearly defined organisational structure of corporate governance, which provides for:

- transparency regarding areas of responsibility;
- effective procedures for identifying, managing, monitoring and communicating the risks to which a bank is or may be exposed (scenarios of crisis imitation);
- the procedure for assessing capital adequacy to cover operational risk;
- relevant internal control mechanisms, including strict accounting procedures; and

- employee remuneration policies and methods that promote and comply with sound and efficient risk management.

Under the existing strategy of banking sector transparency development, in 2020, CBU is also expected to issue regulations on reserve requirement rates, mandatory stress-testing of banks and regular reporting on risk assessment in line with international practices.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes, which, subject to amendment, will be endorsed on each Definitive Note and will (subject to the provisions thereof) apply to the Global Note.

The U.S.$300,000,000 5.75 per cent. notes due 2024 (the "**Notes**") which expression includes any further Notes issued pursuant to Condition 16 and forming a single series therewith of "Uzpromstroybank" JSCB (the "**Issuer**") were authorised by a written resolution of the Supervisory Council of the Issuer dated 28 August 2019 No. 2019/01a. The Notes are constituted by a trust deed to be dated 2 December 2019 (the "**Trust Deed**") made between the Issuer and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include all persons for the time being who are the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. The Issuer will enter into a paying agency agreement, to be dated 2 December 2019 (the "**Agency Agreement**") with the Trustee, Citibank, N.A., London Branch as principal paying agent and transfer agent (the "**Principal Paying Agent**" and the "**Transfer Agent**" and, together with any other paying agents appointed under the Paying Agency Agreement, the "**Paying Agents**") and Citigroup Global Markets Europe AG as registrar (the "**Registrar**"). The Registrar, Paying Agents and Transfer Agent are together referred to herein as the "**Agents**", which expression includes any successor or additional paying and transfer agents or registrars appointed from time to time in connection with the Notes.

Copies of the Trust Deed and the Agency Agreement may be obtained during normal business hours at the specified office of the Trustee, being at the date hereof Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom, and at the specified offices of the Principal Paying Agent. The Noteholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Capitalised terms used but not defined in these Conditions shall have the respective meanings given to them in the Trust Deed.

1. Form and Denomination

The Notes are issued in fully registered form, without interest coupons attached, in denominations of U.S.$200,000 or integral multiples of U.S.$1,000 in excess thereof ("**authorised denominations**"). Title to the Notes shall pass by registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The Notes are represented by registered definitive Notes ("**Definitive Notes**") and, save as provided in Condition 3(c), each Definitive Note shall represent the entire holding of Notes by the same holder.

2. Status

The Notes constitute direct, general, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may arise by mandatory operation of law and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3. Register, Title and Transfers

(a) **Register:** The Registrar shall maintain the Register in respect of the Notes in accordance with the provisions of the Agency Agreement. The Register shall be kept at the specified office for the time being of the Registrar and shall record the names and addresses of the holders of the Notes, particulars of the Notes and all transfers and redemptions thereof. In these Conditions, the "holder" of a Note means the person in whose name such Note is for the time being

registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(b) **Title:** Title to the Notes will pass by and upon registration in the Register. The holder of each Note shall (except as otherwise required by a court of competent jurisdiction or applicable law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Definitive Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Definitive Note) and no person shall be liable for so treating such holder.

(c) **Transfers:** Subject to Conditions 3(f) and 3(g) below, a holding of Notes may be transferred in whole or in part in an authorised denomination upon surrender (at the specified office of the Registrar or the Transfer Agent) of the relevant Definitive Note representing that Note, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer endorsed thereon) (the "**Transfer Form**"), duly completed and executed, at the specified office of the Transfer Agent or of the Registrar, together with such evidence as the Transfer Agent or the Registrar may reasonably require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form. In the case of a transfer of part only of a holding of Notes represented by one Definitive Note, a new Definitive Note shall be issued to the transferee in respect of the part transferred and a further new Definitive Note in respect of the balance of the holding not transferred shall be issued to the transferor. Neither the part transferred nor the balance not transferred may be less than the minimum authorised denomination. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Definitive Note representing the enlarged holding shall only be issued against surrender of the Definitive Note representing the existing holding. No transfer of a Note will be valid unless and until entered on the Register.

(d) **Exercise of Options or Partial Redemption in Respect of Notes:** In the case of an exercise of a Noteholders' option in respect of, and a partial redemption of, a holding of Notes represented by a single Definitive Note, a new Definitive Note shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Definitive Notes shall be issued in respect of those Notes of that holding that have the same terms. New Definitive Notes shall only be issued against surrender of the existing Definitive Notes to the Registrar or the Transfer Agent.

(e) **Delivery of New Definitive Notes:** Each new Definitive Note to be issued pursuant to Condition 3(c) or 3(d) shall be available for delivery within three business days of receipt of a duly completed form of transfer or Change of Control Put Option Notice (as defined in Condition 7(f)) and surrender of the existing Definitive Note(s). Delivery of the new Definitive Note(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Change of Control Put Option Notice or Definitive Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Change of Control Put Option Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Definitive Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 3(e), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Transfer Agent or the Registrar (as the case may be).

(f) **Transfer or Exercise Free of Charge:** Definitive Notes, on transfer or exercise of an option and partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent, but upon payment by the person making such

application for transfer or exercise of an option of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the Transfer Agent may require).

(g) **Closed Periods:** No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7(b) and Condition 7(c), (iii) after any such Note has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

(h) **Regulations concerning Transfer and Registration:** All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer and registration of Notes set out in Schedule 1 to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Agents (such approval not to be unreasonably withheld or delayed). A copy of the current regulations will be sent by the Registrar free of charge to any person who so requests and will be available at the specified offices of the Registrar and at the specified office of the Transfer Agent.

4. Negative Pledge

So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Material Subsidiaries will create, or permit to arise or subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest including, without limitation, anything analogous to the foregoing under the laws of any jurisdiction (a "**Security Interest**") other than a Permitted Security Interest upon the whole or any part of its property, assets or revenues, present or future, to secure any Indebtedness, without in any such case at the same time or prior thereto securing the Notes equally and rateably therewith or have the benefit of such other arrangement as (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

5. Covenants

(a) Regulatory Compliance

(i) So long as any Note remains outstanding, the Issuer shall not permit its:

A. CBU Capital Adequacy Ratio to fall below the minimum percentage set by the CBU;

B. CBU Tier 1 Capital Adequacy Ratio to fall below the minimum percentage set by the CBU; and

C. CBU Leverage Ratio to fall below the minimum percentage set by the CBU.

(ii) The Issuer shall comply with all other financial and prudential ratios set by the CBU applicable to banks generally in Uzbekistan except where the failure to do so would not, individually or in the aggregate, have a Material Adverse Effect.

(b) **Restricted Payments:** So long as any Note remains outstanding, the Issuer will not, and will not permit any of its Subsidiaries, directly or indirectly, to make a Restricted Payment, unless at the time of and after giving effect to such Restricted Payment:

(i) no Event of Default shall have occurred and be continuing (or would result therefrom); and

(ii) the aggregate amount of such Restricted Payment made during any financial year of the Issuer would not exceed 50% of the Consolidated Net Profit for the previous

financial year determined by reference to the Issuer's audited consolidated financial statements for the previous financial year delivered to the Trustee pursuant to Condition 5(c),

provided, however, that in any financial year where the Issuer is required under the Presidential Decree dated 29 June 2018 No. UP-5468, as amended or superseded from time to time (the "**Decree**") or any Governmental resolution having similar effect, to make any Restricted Payments to its shareholders and the mandatory amount of such Restricted Payments exceeds the threshold set out in paragraph (ii) above, such higher threshold as specified in the Decree or any Governmental resolution having similar effect shall apply for the purposes of this Condition 5(b).

(c) **Financial Statements etc.:** So long as any Note remains outstanding, the Issuer shall deliver to the Trustee:

(i) not later than 180 days after the end of the Issuer's financial year, copies (in English) of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding period, and all such annual financial statements of the Issuer shall be accompanied by the audit report (in English) of the Auditors thereon and supplemented with information as to (A) the CBU Capital Adequacy Ratio, (B) the CBU Tier 1 Capital Adequacy Ratio and (C) the CBU Leverage Ratio; and

(ii) not later than 120 days after the end of the first six months of each of the Issuer's financial years, copies (in English) of the Issuer's unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding period and all such financial statements of the Issuer shall be accompanied by the review report (in English) of the Auditors thereon and supplemented with information as to (A) the CBU Capital Adequacy Ratio, (B) the CBU Tier 1 Capital Adequacy Ratio and (C) the CBU Leverage Ratio,

in the case of each of (i) and (ii) above, together with a written notice in the form of an Officer's Certificate in the form set out in the Trust Deed stating whether since the date of the last certificate or, if none, the Issue Date an Event of Default or a Potential Event of Default shall have occurred and be continuing, describing all such Events of Default or Potential Events of Default and what action the Issuer is taking or proposes to take with respect thereto; and

(iii) the Issuer shall also post such financial statements on its website within the time periods referred to in Condition 5(b)(i) or 5(b)(ii) above, as the case may be.

(d) **Limitation on Mergers:**

(i) So long as any Note remains outstanding, the Issuer shall not (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms may be construed under applicable Uzbek law) or undergo any other type of corporate reconstruction, or (y) in a single transaction or a series of related transactions, directly or indirectly, merge, consolidate, amalgamate or otherwise combine with or into another Person or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer or the Group, to another Person, unless:

A. (i) the surviving or resulting entity or the transferee (the "**Successor Entity**") is the Issuer or, (ii) if not the Issuer, the Successor Entity (x) assumes all the obligations (if any) of the Issuer under the Notes and the Trust Deed, and (y)

retains or succeeds to all of the rights and obligations of the Issuer under all of its material government permits, licenses, consents and authorisations; and

B. such transaction(s) would not, individually or in the aggregate, have a Material Adverse Effect; and

C. immediately after such transaction(s), the Successor Entity certifies to the Trustee that the transaction complies with these Conditions (upon which certification the Trustee shall be entitled to rely without further enquiry and without liability to any person).

(ii) So long as any Note remains outstanding, the Issuer shall ensure that none of the Material Subsidiaries shall (x) enter into any reorganisation (whether by way of a merger, accession, division, separation or transformation, as these terms may be construed under applicable law) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, merge, consolidate, amalgamate or otherwise combine with or into another Person or sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of such Material Subsidiary, unless:

A. (i) such Material Subsidiary is the Successor Entity or (ii) the Successor Entity (if not such Material Subsidiary) retains or succeeds to all of the rights and obligations of such Material Subsidiary under all of its material government permits, licenses, consents and authorisations (if any); and

B. such transaction(s) would not, individually or in the aggregate, have a Material Adverse Effect; and

C. immediately after such transaction(c), the Issuer (on behalf of the Successor Entity) certifies to the Trustee that the transaction complies with these Conditions (upon which certification the Trustee shall be entitled to rely without further enquiry and without liability to any person).

(iii) Notwithstanding the foregoing:

A. The Issuer may perform acts set out in Condition 5(d)(i) if required to do so by statute or a Government resolution applicable to the Issuer, provided that (i) the Issuer is the Successor Entity or (ii) if not the Issuer, the Successor Entity (x) assumes all the obligations (if any) of the Issuer under the Notes and the Trust Deed, and (y) retains or succeeds to all of the rights and obligations of the Issuer under all of its material government permits, licenses, consents and authorisations;

B. Any Material Subsidiary of the Issuer may perform acts set out in Condition 5(d)(ii) if required to do so by statute or a Government resolution applicable to the Issuer or such Material Subsidiary, provided that (i) such Material Subsidiary is the Successor Entity or (ii) the Successor Entity (if not such Material Subsidiary) retains or succeeds to all of the rights and obligations of such Material Subsidiary under all of its material government permits, licenses, consents and authorisations (if any); and

C. Any Subsidiary of the Issuer may consolidate with, merge with or into, amalgamate or otherwise combine with or sell, assign, transfer, convey or otherwise dispose of all of its assets to the Issuer or another Subsidiary of the Issuer.

(e) **Asset Sales**

(i) So long as any Note remains outstanding, the Issuer shall not, and shall ensure that none of its Material Subsidiaries shall, directly or indirectly, consummate an Asset Sale, unless:

A. the terms of such Asset Sale are substantially no less favourable to the Issuer or the relevant Subsidiary, as the case may be, than those which would be obtained in a comparable arm's length transaction and on commercially reasonable terms; and

B. the Issuer delivers to the Trustee a resolution of the appropriate decision-making body of the Issuer or the relevant Material Subsidiary (in the English language) along with an Officer's Certificate certifying that such Asset Sale complies with this Condition 5(e); and

(ii) The Trustee may rely on such resolution and such Officer's Certificate referred to in this Condition 5(e) without further enquiry and will not be responsible or liable to any person for so doing.

(f) **Affiliate Transactions:** So long as any Note remains outstanding, the Issuer will not, and will not permit any of its Material Subsidiaries to, enter into or permit to exist any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate of the Issuer or such Material Subsidiary (an "**Affiliate Transaction**") unless:

(i) the terms of the Affiliate Transaction are no less favourable to the Issuer or such Material Subsidiary than those that could be obtained at the time of the Affiliate Transaction in a comparable arm's-length transaction with a Person who is not an Affiliate of the Issuer or such Material Subsidiary; and

(ii) the Issuer delivers to the Trustee with respect to any Affiliate Transaction, or series of related Affiliate Transactions involving aggregate consideration in excess of US$100,000,000 (or its U.S. Dollar Equivalent), a resolution of the Issuer's Board of Directors (in the English language) along with an Officer's Certificate certifying that such Affiliate Transaction complies with this Condition 5(f) and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Issuer's Board of Directors or such Material Subsidiary's Board of Directors (or, in the event there is only one disinterested member of the Issuer's or Material Subsidiary's Board of Directors, approved by such disinterested member); provided, however, that the provisions of these Conditions 5(f)(i) and 5(f)(ii) shall not apply to:

A. any Affiliate Transaction where the Affiliate in question is an Agency of the Republic of Uzbekistan or a Person which is a Subsidiary of, or is otherwise controlled by an Agency of the Republic of Uzbekistan;

B. any employment agreement, employee compensation arrangements, consulting agreement, employee benefit plan, officer and director indemnification agreement or any similar arrangement entered into by the Issuer or any of its Material Subsidiaries in the ordinary course of business and compensation (including bonuses and equity compensation) paid to and other benefits (including retirement, health and other benefit plans) and indemnification arrangements provided on behalf of directors, officers, consultants and employees of the Issuer or any of its Material Subsidiaries;

C. transactions between or among or solely for the benefit of the Issuer and/or its Subsidiaries;

D. any issuance of Capital Stock of the Issuer to Affiliates of the Issuer or the receipt of capital contributions by the Issuer from Affiliates of the Issuer;

E. Restricted Payments permitted to be made pursuant to Condition 5(b);

F. agreements and arrangements, and transactions pursuant thereto, existing on the Issue Date and any amendment, extension, renewal, refinancing, modification or supplement thereof; provided that following such amendment, extension, renewal, refinancing, modification or supplement, the terms of any such agreement or arrangement so amended, modified or supplemented are, on the whole, no less favourable to the Issuer and its Material Subsidiaries, as applicable, than the original agreement or arrangement as in effect on the Issue Date.

(iii) The Trustee may rely on such resolution and such Officer's Certificate referred to in this Condition 5(f) without further enquiry and will not be responsible or liable to any person for so doing.

(g) **Maintenance of Authorisations**: So long as any Note remains outstanding, the Issuer shall, and shall ensure that each of its Material Subsidiaries will, take all action which may be necessary to ensure the obtaining and continuance of, all consents, licences, approvals and authorisations required in or by the laws of the Republic of Uzbekistan or any relevant jurisdiction or Agency having regulatory authority in respect of the Issuer or any Material Subsidiary of the Issuer in order to carry out its business activities.

(h) **Change of Business**: So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not make any material change to the general nature of the Issuer's business from that carried on at the Issue Date.

6. Interest

The Notes bear interest on their outstanding principal amount from and including the Issue Date at the rate of 5.75 per cent. per annum, payable semi-annually in arrear on 2 June and 2 December in each year (each an "**Interest Payment Date**"), commencing on 2 June 2020 and will amount to U.S.$28.75 per Calculation Amount (as defined below). Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Definitive Note representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day–count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the

Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

7. Redemption and Purchase

(a) **Final redemption:** Unless previously redeemed, or purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on 2 December 2024 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

(b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 17 and to the Trustee and Agents (which notice shall be irrevocable) at the principal amount thereof, together with interest accrued to (but excluding) the date fixed for redemption, if (i) immediately prior to the giving of such notice that the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the Republic of Uzbekistan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or becomes effective on or after the Issue Date and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (x) an Officer's Certificate of the Issuer stating that the Issuer is entitled to effect such redemption and that the conditions precedent to the right of the Issuer to so redeem set out in (i) and (ii) above have occurred and (y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept and rely absolutely, without further enquiry and without liability to any person, upon such opinion and certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Noteholders. All Notes in respect of which any such notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

(c) **Redemption at Make Whole:** At any time prior to the Maturity Date the Issuer may, at its option, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (the "**Call Option Notice**") in accordance with Condition 17 and to the Trustee and the Agents redeem the Notes in whole but not in part, at the price which shall be the following (as calculated by the Issuer):

(i) the aggregate principal amount of the outstanding Notes; plus

(ii) interest and other amounts that may be due pursuant to these Conditions (if any) accrued but unpaid to but excluding the date on which the call option is to be settled (the "**Call Settlement Date**"); plus

(iii) the Make Whole Premium.

The Call Option Notice shall specify the Call Settlement Date.

For the purposes of this Condition 7(c):

"**Make Whole Premium**" means, with respect to a Note at any time, the excess of (a) the present value of the Notes at the Call Settlement Date, plus the present value of any required interest payments that would otherwise accrue and be payable on such Notes from the Call Settlement Date through to the Maturity Date, in each case calculated using a discount rate

equal to the Treasury Rate at the Call Settlement Date plus 50 basis points, over (b) the outstanding aggregate principal amount of the Notes at the Call Settlement Date, provided that if the value of the Make Whole Premium at any time would otherwise be less than zero, then in such circumstances, the value of the Make Whole Premium will be equal to zero.

"**Treasury Rate**" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity most nearly equal to the period from the Call Settlement Date to the Maturity Date. The Issuer will obtain such yield to maturity from information compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least three business days (but not more than five business days) prior to the Call Settlement Date and shall notify the Noteholders (in accordance with Condition 17) and the Trustee and the Agents thereof not less than two business days prior to the Call Settlement Date (or, if such Statistical Release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith); provided, however, that if the period from the Call Settlement Date to the Maturity Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Call Settlement Date to the Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

(d) **Purchase:** the Issuer and its Subsidiaries may at any time purchase or procure others to purchase for its account Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 13(a).

(e) **Cancellation:** All Definitive Notes representing Notes purchased pursuant to this Condition 7 shall be either cancelled forthwith, held or, to the extent permitted by law, resold. Any Definitive Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(f) **Redemption at the option of Noteholders upon a Change of Control:** If at any time while any Note remains outstanding a Change of Control occurs, the Issuer shall, at the option of the holder of any such Note (the "**Change of Control Put Option**"), redeem or purchase such Note on the Change of Control Put Date (as defined below) at 100 per cent. of its principal amount together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the Change of Control Put Date.

If a Change of Control occurs then, within 14 days of the occurrence of the Change of Control, the Issuer shall give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 17 specifying the nature of the Change of Control and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, a holder of Notes must deliver at the specified office of any Paying Agent, on any business day (being a day on which commercial banks are open for business in the city where such Paying Agent has its specified office) falling within the period commencing on the date on which the Change of Control Notice is given to Noteholders as required by this Condition 7(f) and ending 60 days after such date (the "**Change of Control Put Period**"), a duly signed and completed notice of exercise in the form obtainable from any specified office of any Paying Agent (a "**Change of Control Put Option Notice**") and in which the holder must specify a bank account to which payment is to be made under this paragraph accompanied by the applicable Definitive Note or Notes or evidence satisfactory to

the Paying Agent concerned that the certificate for such Notes will, following the delivery of the Change of Control Put Option Notice, be held to its order or under its control.

The Issuer shall redeem or purchase (or procure the purchase of) the Notes the subject of each Change of Control Put Option Notice on the date (the "**Change of Control Put Date**") 14 days after the expiration of the Change of Control Put Period unless previously redeemed or purchased and cancelled. A Change of Control Put Option Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Change of Control Put Option Notice and require the applicable Definitive Note or Notes to be returned.

For the purposes of this Condition 7(f), a "**Change of Control**" will occur upon the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that the Republic of Uzbekistan ceases to beneficially own (directly or indirectly) at least 50% plus one share of the issued and outstanding voting Capital Stock of, or otherwise to control, the Issuer.

8. Payments

(a) **Method of Payment**

(i) Payments of principal shall be made (subject to surrender of the relevant Definitive Notes at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Definitive Notes) in the manner provided in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made by transfer to an account in U.S. Dollars maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Definitive Note is less than the outstanding principal amount of such Definitive Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Definitive Note with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) **Agents:** The initial Agents and their initial specified offices are listed below. The Issuer reserves the right (subject to prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed)) to vary or terminate the appointment of all or any of the Agents at any time (provided that no Agent shall be responsible for any costs or liabilities occasioned by any such termination) and appoint additional or other payment or transfer agents, provided that they will maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved by the Trustee (such approval not to be

unreasonably withheld or delayed). Notice of any such change will be provided as described in Condition 17 below.

(d) **Delay in Payment:** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day, or if the Noteholder is late in surrendering or cannot surrender its Definitive Note (if required to do so).

(e) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 8, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and on which foreign exchange transactions may be carried on in U.S. Dollars in New York City.

9. Taxation

All payments of principal, interest and other amounts in respect of the Notes by the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Uzbekistan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Definitive Note:

(i) held by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Republic of Uzbekistan other than the mere holding of such Definitive Note; or

(ii) where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had surrendered the relevant Definitive Note on the last day of such period of 30 days.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Definitive Note representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable

under this Condition. If the Issuer becomes subject in respect of payments of principal or interest on the Notes to any taxing jurisdiction other than (or in addition to) the Republic of Uzbekistan, references in these Conditions to the Republic of Uzbekistan shall be construed as references to such other jurisdiction.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Issuer that the Notes are, and they shall immediately become, due and repayable at their principal amount together with accrued interest if any of the following events occurs and is continuing (each, an "Event of Default"):

(a) the Issuer fails to pay any amounts payable on any of the Notes when due and such failure continues for a period of seven days in relation to principal and 14 days in relation to interest; or

(b) the Issuer does not perform or comply with any of its other obligations in the Notes or the Trust Deed which default (i) is (in the opinion of the Trustee) incapable of remedy and, in the case of a breach of an obligation under the Trust Deed, (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders or (ii) if in the opinion of the Trustee capable of remedy is not remedied within 30 days or such longer period as the Trustee may agree after notice of such default having been given to the Issuer by the Trustee in writing requesting the same to be remedied; or

(c) (i) any other present or future Indebtedness of the Issuer or any of its Material Subsidiaries becomes due and payable prior to its stated maturity by reason of any default (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness, provided that the aggregate amount of the relevant Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$25,000,000 or its U.S. Dollar Equivalent; or

(d) the occurrence of any of the following events:

(i) (A) the Issuer or any Material Subsidiary of the Issuer seeking, consenting or acquiescing in the introduction of proceedings for its liquidation or bankruptcy or the appointment to it of a liquidator or a similar officer; (B) the presentation or filing of a petition in respect of the Issuer or any Material Subsidiary of the Issuer in any court or before any agency for its bankruptcy, insolvency, dissolution or liquidation which, in the case of a petition presented or filed by a Person other than the Issuer, or such Material Subsidiary, as the case may be, is not dismissed or discharged within 60 days from the date of presentation or filing; (C) the institution of supervision, external management, examinership or bankruptcy management to the Issuer or any Material Subsidiary of the Issuer; (D) the convening of a meeting of creditors generally of the Issuer or any Material Subsidiary of the Issuer for the purposes of considering an amicable settlement with its creditors generally; and/or (E) any extra judicial liquidation or analogous act in respect of the Issuer or any Material Subsidiary by any Agency in the Republic of Uzbekistan; or

(ii) the Issuer or any of its Material Subsidiaries: (A) fails or is unable or admits its inability to pay its debts generally as they become due; (B) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or to the appointment of a custodian of it or of a substantial part of its property;

(iii) a court of competent jurisdiction enters an order for relief or a decree in an involuntary case in bankruptcy or for the appointment of a custodian in respect of the Issuer or any Material Subsidiary of the Issuer or a substantial part of their respective property and such order or decree remains undischarged for a period of 30 days; or

(iv) the shareholders of the Issuer approve any plan for the liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring permitted by Condition 5(d));

(e) a judgment, order, decree of a court or other appropriate law enforcement body from which no further appeal or judicial review is permissible under applicable law for the payment of any amount in excess of U.S.$25,000,000 (or its U.S. Dollar Equivalent) is rendered against the Issuer or any of its Material Subsidiaries and continues unsatisfied and unstayed for a period of 30 days after the date thereof or, if later, the date therein specified for payment or on which such judgment or order otherwise becomes enforceable; or

(f) an order of a court of competent jurisdiction is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring permitted by Condition 5(d)) which event in the case of a Material Subsidiary of the Issuer is in the opinion of the Trustee materially prejudicial to the interests of the Noteholders; or

(g) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of the Republic of Uzbekistan, is not taken, fulfilled or done; or

(h) the validity of the Notes or the Trust Deed, as the case may be, is contested by the Issuer, or the Issuer shall deny any of its obligations thereunder or it is, or will become, unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed or any of such obligations shall become unenforceable or cease to be legal, valid and binding; or

(i) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) and (f) above.

11. Prescription

Claims for the payment of principal and interest in respect of any Definitive Note shall be prescribed unless made within 10 years (for claims for the payment of principal) or five years (for claims for the payment of interest) from the appropriate Relevant Date in respect of them.

12. Replacement of Definitive Notes

If any Definitive Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Definitive Notes must be surrendered before replacements will be issued.

13. Meetings of Noteholders, Modification and Waiver

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such meetings shall be held in accordance with the provisions set out in the Trust Deed. Such a meeting may be convened by the Trustee upon receipt of a written request by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding (subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses). The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes, (iv) to change the currency of payment of the Notes or (v) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than two-thirds in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) **Modification and Waiver:** The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed or the Notes which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Notes or the Trust Deed, which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and shall be notified to the Noteholders as soon as practicable thereafter.

(c) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other Person, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

14. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such steps, actions and/or proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take, nor shall the Trustee be bound to take or omit to take, any such steps, actions and/or proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes outstanding and (ii) it shall have been indemnified and/or provided with security and/or

prefunded in each case to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trust Deed also contains a provision permitting the Trustee to request a compliance certificate from the Issuer related to compliance with the Conditions in the circumstances described in the Trust Deed. The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer and the Noteholders. The liability of the auditors to the Trustee in respect of any report, confirmation, certificate or advice of the auditors shall be governed by the terms of such report, confirmation, certificate or advice (or the engagement letter relating thereto).

16. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

17. Notices

Notices to the Noteholders shall be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as the Notes are listed on the Stock Exchange, notices will be published in a manner which complies with the rules and regulations of the Stock Exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

18. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer, shall indemnify each Noteholder on the written demand of such Noteholder, addressed and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase

the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

20. Governing Law

The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with any of them are governed by, and shall be construed in accordance with, English law.

21. Arbitration, Consent to Enforcement and Waiver of Immunity

(a) **Arbitration:** Any dispute arising out of or connected with the Notes and the Trust Deed, including a dispute as to the validity or existence of the Notes and the Trust Deed and/or this Condition 21 or any non-contractual obligation arising out of or in connection with the Notes and the Trust Deed (a "**Dispute**"), shall be resolved by arbitration whose seat shall be in London, England, conducted in the English language by three arbitrators pursuant to the rules of the London Court of International Arbitration ("**LCIA**") (such arbitration to also be administered by the LCIA in accordance with those rules), which rules are deemed to be incorporated by reference into this Condition with the exception that any provision of such rules relating to the nationality of an arbitrator shall, to that extent, not apply and save that, unless the parties agree otherwise, the third arbitrator, who shall act as chairman of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If the third arbitrator is not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(b) **Agent for Service of Process:** The Issuer has appointed the Ambassador of the Republic of Uzbekistan to the Court of St. James's from time to time, at the Embassy of the Republic of Uzbekistan, currently located at 41 Holland Park, London, W11 3RP as its agent in England to receive service of process in any proceedings in England in connection with the Notes and the Trust Deed.

(c) **Consent to enforcement etc.:** The Issuer consents generally in respect of any Disputes to the giving of any relief or the issue of any process in connection with such Disputes including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any judgment or award which may be made or given in such Disputes.

(d) **Waiver of immunity:** To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before the making of a judgment or an award or otherwise) or other legal process including in relation to the enforcement of a judgment or award and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its respective assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity.

22. Definitions

In these Conditions, the following terms shall have the following meanings:

"**Affiliate**", in respect of any specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified

Person, and, in the case of a natural Person, any immediate family member of such Person. For purposes of this definition, "**control**", as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "**controlling**", "**controlled by**" and "**under common control with**" shall have correlative meanings;

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, ministry, minister, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

"**Asset Sale**" means

(a) the sale, lease, conveyance or other disposition of any tangible or intangible assets or rights or revenues of the Issuer or a Material Subsidiary of the Issuer in one or more transactions or series of transactions (whether related or not);

(b) the issuance of Capital Stock in any Material Subsidiary of the Issuer or the sale of Capital Stock in any of its Material Subsidiaries.

Notwithstanding the foregoing, none of the following items will be deemed to be an Asset Sale:

(a) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than 7.5 per cent. of the consolidated total assets of the Issuer (as calculated by reference to the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c);

(b) any sale or other disposition of Capital Stock in a Subsidiary not involved in carrying out banking business or any sale or other disposition of other assets that are no longer useful in the conduct of the business of the Issuer or its Subsidiaries;

(c) a transfer of assets between or among the Issuer and its Subsidiaries;

(d) any sale, lease, conveyance or other disposition of any assets of the Issuer or any of its Subsidiaries or property pledged as collateral by or to the Issuer or any of its Subsidiaries in the ordinary course of the Issuer's or, as the case may be, the relevant Subsidiary's business;

(e) an issuance or other disposition of Capital Stock by a Material Subsidiary of the Issuer to the Issuer or to a Subsidiary of the Issuer;

(f) the creation of a Security Interest;

(g) a payment or other disposition that does not violate Condition 5(b) and Condition 5(d);

(h) the sale or other disposition of assets received by the Issuer or any of its Material Subsidiaries in compromise or settlement of claims of the Issuer or any of its Material Subsidiaries; and

(i) the sale, transfer or other disposition of any revenues or assets (or any part thereof) the subject of any securitisation of receivables, asset-backed financing or similar financing structure originated by the Issuer or any of its Material Subsidiaries whereby all payment obligations are to be discharged primarily from such assets or revenues, provided that the value of such assets or revenues, asset-backed financing, or similar financing structures, when aggregated with the value of all assets or revenues subject to a Security Interest permitted under paragraph (h) of the definition of "Permitted Security Interest", does not, at any time, exceed 25% of the Group's total loans and advances to customers before allowances for expected credit losses as calculated by

reference to the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c).

"**Auditors**" means the auditors for the time being of the Issuer or, if they are unable or unwilling promptly to carry out any action requested of them under these Conditions, such other firm of accountants of international standing as may be selected by the Issuer for the purpose and notified in writing to the Trustee;

"**Board of Directors**" means with respect to the Issuer, its Supervisory Council; with respect to a corporation, the board of directors or managers of the corporation and, in the case of any other corporation having both a supervisory board and an executive or management board, the executive or management board (except where the supervisory board is expressly indicated); with respect to a partnership, the board of directors of the general partner of the partnership; and with respect to any other Person, the board or committee of such Person serving a similar function;

"**business day**" means (except where expressly defined otherwise) a day which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and on which foreign exchange transactions may be carried on in U.S. Dollars in New York City;

"**Capital Lease Obligation**" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital or finance lease that would at that time be required to be classified and accounted for as a finance lease for financial reporting purposes and reflected as a liability on a balance sheet, in each case in accordance with IFRS;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including any Preferred Stock of such Person, whether now outstanding or issued after the Issue Date, including without limitation, all series and classes of such Capital Stock but excluding any debt securities convertible into or exchangeable for such Capital Stock;

"**CBU**" means the Central Bank of Uzbekistan;

"**CBU Capital Adequacy Ratio**" means a ratio of the Issuer's CBU Regulatory Capital to the CBU Risk Weighted Assets calculated by reference to the Uzbek accounting standards;

"**CBU Capital Regulation**" means the Regulation of the Central Bank of Uzbekistan No. 14/3 dated 13 June 2015, as amended, supplemented or restated or superseded from time to time;

"**CBU Leverage Ratio**" means a ratio of the Issuer's CBU Tier 1 Capital to total assets and off-balance sheet instruments and derivative (financial) instruments less intangible assets and the sum of all investments in capital of unconsolidated economic entities, including debt obligations, which form capital of such economic entities and capital investments of other banks, calculated in accordance with the CBU Capital Regulation;

"**CBU Regulatory Capital**" means the regulatory capital (regulyativ kapital) as such term is defined in the CBU Capital Regulation;

"**CBU Risk-Weighted Assets**" means the aggregate of balance sheet assets and off-balance sheet engagements, weighted for credit and market risk in accordance with the CBU Capital Regulation;

"**CBU Tier 1 Capital**" means the Tier 1 Capital (regulyativ kapital I darajali kapital) as such term is defined in the CBU Capital Regulation;

"**CBU Tier 1 Capital Adequacy Ratio**" means a ratio of the Issuer's CBU Tier 1 Capital to the CBU Risk-Weighted Assets;

"**Code**" means the United States Internal Revenue Code of 1986, as amended;

"**Consolidated Net Profit**" means, for any period, the net profit of the Issuer and its Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS;

"**control**" shall have the meaning provided in the definition of "Affiliate" and "controlled" shall be construed accordingly;

"**Deferred Capital Stock**" means a dividend or distribution declared by the Issuer and which a shareholder of the Issuer has irrevocably instructed the Issuer to retain and apply towards consideration for any future Capital Stock to be issued by the Issuer to such shareholder;

"**Fair Market Value**" means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors of the Issuer or the relevant Material Subsidiary of the Issuer (unless otherwise provided in these Conditions) whose determination shall be conclusive;

"**Group**" means the Issuer and its consolidated Subsidiaries taken as a whole;

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

The term "guarantee" used as a verb has a corresponding meaning. The term "guarantor" shall mean any Person guaranteeing any obligation.

"**Hedging Obligations**" means, with respect to any Person, the obligations of such Person under:

(a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to protect such Person against fluctuations in interest rates; and

(c) any foreign currency futures contract, option or similar agreement or arrangement designed to protect such Person against fluctuations in foreign currency rates;

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(a) all indebtedness of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all Capital Lease Obligations of such Person;

(d) all indebtedness of other Persons guaranteed or indemnified by such Person, to the extent such indebtedness is guaranteed or indemnified by such Person;

(e) to the extent not otherwise included in this definition, all Hedging Obligations of such Person, provided, however, that if and to the extent that netting is permitted by applicable laws (including the laws of the Republic of Uzbekistan), the amount of any such Hedging Obligations for the purposes of this paragraph (e) shall be equal at any time to the net payments under such agreement or arrangement giving rise to such Hedging Obligation that would be payable by such Person at the termination of such agreement or arrangement;

(f) any amount raised by acceptance under any acceptance credit facility; and

(g) any amount raised under any other transaction having the economic or commercial effect of a borrowing,

and the amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations, as described above, and with respect to contingent obligations, as described above, the maximum liability which would arise upon the occurrence of the contingency giving rise to the obligation;

"**Issue Date**" means 2 December 2019;

"**Material Adverse Effect**" means a material adverse effect on (a) the business, condition (financial or otherwise), results of operations or prospects of the Issuer or the Group, (b) the ability of the Issuer to perform its obligations under the Trust Deed and the Notes or (c) the validity or enforceability of the Trust Deed and the Notes;

"**Material Subsidiary**" means any Subsidiary of the Issuer:

(a) which, according to the most recent audited consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c) accounted for more than 5% of the profit before tax of the Group or which, according to the most recent audited consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c), was the owner of more than 5% of the consolidated total assets of the Group; or

(b) to which are transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction).

The Issuer does not have any Material Subsidiaries as of the Issue Date;

"**Officer**" means the chief financial officer, the chairman or the first deputy chairman of the Board of Directors, the chairman of the Management Board or other person holding a corresponding or similar position of responsibility;

"**Officer's Certificate**" means a certificate executed on behalf of the Issuer by one Officer;

"**Permitted Security Interest**" means:

(a) any Security Interest in existence on the Issue Date;

(b) any Security Interests granted by any Material Subsidiary of the Issuer in favour of the Issuer or any Material Subsidiary of the Issuer;

(c) any Security Interests imposed or required by statute, operation of law or any Government resolution;

(d) any Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Issuer or a Material Subsidiary of the Issuer or becomes a Material Subsidiary of the Issuer, provided that such Security Interests (i) were not created in contemplation of such merger or consolidation or event; and (ii) do not extend to any assets or property of the Issuer or any Material Subsidiary of the Issuer (other than those of the Person acquired and its Material Subsidiaries (if any));

(e) any Security Interests already existing on assets or property acquired or to be acquired by the Issuer or a Material Subsidiary of the Issuer, provided that such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);

(f) any netting or set-off arrangement entered into by the Issuer or any of its Material Subsidiaries in the ordinary course of its banking business for the purpose of netting debit and credit balances;

(g) Security Interests arising pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings or as security for costs and expenses in any such proceedings, so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(h) any Security Interest upon, or with respect to, any present or future assets or revenues of the Issuer or any part thereof which is created pursuant to any securitisation of receivables, asset-backed financing or similar financing structure and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest, are to be discharged solely from such assets or revenues, provided that the value of assets or revenues subject to such Security Interest when aggregated with the value of assets or revenues which are the subject of any securitisation of receivables, asset-backed financing or similar financing structure permitted pursuant to Condition 5(e), does not, at any such time, exceed 25% of the Group's total loans and advances to customers before allowances for expected credit losses as calculated by reference to the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c);

(i) any Security Interest granted upon or with regard to any property hereafter acquired by the Issuer or any Material Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition (other than a Security Interest created in contemplation of such acquisition), provided that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property (including transactional expenses) or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

(j) any Security Interest arising in the ordinary course of banking business including without limitation: Security Interests pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of the Issuer or any Material Subsidiary of the Issuer), in connection with (x) contracts entered into substantially simultaneously for sales and purchases at market prices of securities or precious metals (y) the establishment of margin deposits and similar securities in connection with trading in securities or precious metals or (z) the Issuer's foreign exchange dealings or

other proprietary trading activities including, without limitation in the case of (x), (y) and (z), Repos;

(k) any Security Interest in respect of Hedging Obligations entered into for non-speculative purposes;

(l) any Security Interest on property acquired (or deemed to be acquired) under a finance lease, or claims arising from the use or damage to such property, provided that any such encumbrance secures only rentals and other amounts payable under such lease;

(m) Security Interests arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by a Security Interest permitted by any of the above exceptions, provided that the Indebtedness thereafter secured by such Security Interest does not exceed the amount of the original Indebtedness and such Security Interest is not extended to cover any property not previously subject to such Security Interest;

(n) any Security Interests arising in relation to any Project Finance Debt; and

(o) any Security Interests not otherwise permitted by the preceding paragraphs (a) through (n), provided that the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed 15 per cent. of the Group's consolidated total assets as published in the most recent consolidated financial statements of the Issuer delivered to the Trustee pursuant to Condition 5(c);

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity;

"**Potential Event of Default**" means an event or circumstance which, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10, would constitute an Event of Default;

"**Preferred Stock**", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person;

"**Project Finance Debt**" means any Indebtedness incurred in relation to any asset solely for purposes of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to which such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or to such asset (or any derivative asset thereof) or any other similar non-recourse Indebtedness which is properly regarded as project finance debt;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for purposes of this definition, the term "securities" means any Capital Stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any private or public company, any government or Agency or instrumentality thereof or any supranational, international or multilateral organisation.

"**Restricted Payment**" with respect to the Issuer or any of its Subsidiaries means:

(a) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than (A) dividends or distributions payable solely in its

Capital Stock, Deferred Capital Stock or in options, warrants or other rights to purchase such stock, (B) dividends or distributions payable solely to the Issuer or a Wholly-Owned Subsidiary of the Issuer and (C) pro rata dividends or other distributions made by a Subsidiary of the Issuer that is not a Wholly-Owned Subsidiary of the Issuer to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

(b) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock of the Issuer held by any Person (other than by a Subsidiary) or of any Capital Stock of a Subsidiary of the Issuer held by any Affiliate of the Issuer (other than by a member of the Group), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Issuer that is not Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of Indebtedness of such Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the first anniversary of the Maturity Date);

(c) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity or scheduled repayment of any Subordinated Obligations of the Issuer or any Subsidiary of the Issuer (except for the repayment of inter-company debt owed by any member of the Group to any other member of the Group from time to time).

"**Stock Exchange**" means the London Stock Exchange plc;

"**Subordinated Obligations**" means, with respect to any Person, any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement to that effect;

"**Subsidiary**" means, in relation to any Person (the "first person"), at any particular time, any other Person (the "second person") (i) which the first person controls or has the power to control and (ii) which is (or is required under IFRS to be) consolidated in or with the financial statements of the first person;

"**Taxes**" means any taxes, levies, duties, imports or other charges or withholding of a similar nature no matter where arising (including interest and penalties thereon and additions thereto);

"**U.S. Dollars**", "**dollars**" or the sign "**$**" means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts;

"**U.S. Dollar Equivalent**" means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with the applicable foreign currency as quoted by Reuters at approximately 11:00 am (New York time) on the date not more than two Business Days prior to the date of determination;

"**Wholly - Owned Subsidiary**" of any specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which shall at the time be owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person.

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES WHEN IN GLOBAL FORM

The Notes will be evidenced on issue by the Global Note, deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary.

Beneficial interests in the Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "– *Book-entry Procedures for the Global Note*".

By acquisition of a beneficial interest in the Global Note, the purchaser thereof will be deemed to represent, among other things, that it is purchasing such beneficial interests in an offshore transaction in accordance with Rule 903 of Regulation S.

Beneficial interests in the Global Note will be subject to certain restrictions on transfer set forth therein and in the Paying Agency Agreement, and the Notes will bear the legends set forth thereon regarding such restrictions.

The Issuer, the Transfer Agents and the Registrar shall, save in the case of the issue of replacement Notes pursuant to Condition 12, make no charge to the holders for the registration of any holding of Notes or any transfer thereof or for the issue of any Notes or for the delivery thereof at the specified office of a Transfer Agent or the Registrar or by uninsured post to the address specified by the holder, but such registration, transfer, issue or delivery shall be effected against such indemnity from the holder or the transferee thereof as the Registrar or the relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such registration, transfer, issue or delivery. Except in the limited circumstances described below, owners of beneficial interests in the Global Note will not be entitled to receive physical delivery of Note certificates in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

Amendments to Conditions

The Global Note contains provisions that apply to the Notes that it represents, some of which modify the effect of the above Conditions. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by the Global Note will be made to the person who appears on the register of Noteholders at the close of business on the Record Date as holder of the Global Note against presentation and (if no further payment falls to be made in respect of the relevant Notes) surrender of the Global Note to or to the order of the Principal Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose), which shall endorse such payment or cause such payment to be endorsed in the appropriate schedule to the Global Note (such endorsement being prima facie evidence that the payment in question has been made). Interest in respect of the Notes represented by the Global Note will be paid from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Note, together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Notices

So long as the Notes are evidenced by the Global Note and the Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by the notice (it took me a really long time to figure out what "it" meant…still not sure, but it is worth defining) to entitled account holders rather than in the manner specified in the Conditions and shall be deemed to be given to holders of interests in the Global Note with the same effect as if they had been given to such Noteholder in accordance with the Conditions;

provided, however, that as long as the Notes are listed on the London Stock Exchange, all notices will also be given in accordance with the rules of the London Stock Exchange. Any such notice will be deemed to have been given on the day the same has been delivered to the relevant clearing systems.

Record Date

Notwithstanding Condition 8(a)(ii), "Record Date" shall mean the Clearing System Business Day before the relevant due date for payment, where "Clearing System Business Day" means Monday to Friday inclusive, except 25 December and 1 January.

Meetings

The holder of the Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each Note for which the Global Note may be exchangeable.

Trustee's Powers

Notwithstanding anything contained in the Trust Deed, in considering the interests of Noteholders while the Global Note is held on behalf of a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Global Note.

Issuer's Option

So long as the Notes are evidenced by the Global Note and the Global Note is held by or on behalf of a clearing system, any option of the Issuer provided for in the Conditions shall be exercised by the Issuer giving notice to the Noteholders and the relevant clearing systems (or procuring that such notice is given on its behalf) within the time limits set out in and containing the information required by the Conditions.

Noteholder's Option

So long as the Notes are evidenced by the Global Note and such Global Note is held by or on behalf of a clearing system, the exercise of the option of Noteholders provided for in Condition 7(f) will be subject to the normal rules and operating procedures of such clearing system.

Electronic Consent and Written Resolution

While the Global Note is registered in the name of any nominee for a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75% in principal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting in respect of which the special quorum provisions specified in the Notes apply, take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to the Global Note and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the

accountholder or via one or more intermediaries. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

Exchange for Definitive Notes

Exchange

The Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive, registered form if Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent.

The Registrar will not register the transfer of, or exchange of interests in, the Global Note for Definitive Notes for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in the Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes.

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon.

Book-entry Procedures for the Global Note

For each series of Notes evidenced by the Global Note, custodial and depositary links are to be established between Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "– *Settlement and Transfer of Notes*".

Euroclear and Clearstream, Luxembourg

The Global Note will have an ISIN and Common Code. The Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary. The address of Euroclear is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in the Global Note directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**") through organisations that are accountholders therein.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by the Global Note must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear and Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by the Global Note, the common depositary by whom such note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or holders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in the Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by the Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of the Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which

such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes unless and until interests in the Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the Closing Date thereof, which could be more than two business days following the date of pricing. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant Closing Date should consult their own advisors.

TAXATION

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident of a purchase of Notes, including, but not limited to, the consequences of the receipt of interest and the sale or redemption of Notes. The following is a general description of Uzbekistan withholding tax laws relating to the Notes as in effect on the date hereof, and does not purport to be a comprehensive discussion of the tax treatment of the Notes.

Withholding Tax in Uzbekistan

Pursuant to the Tax Code, any income interest received from the international bonds issued by an Uzbek legal entity and made to a non-resident or resident legal entity is not subject to Uzbekistan taxation. Any income interest of an individual holder received from the international bonds issued by an Uzbek legal entity will be subject to Uzbekistan withholding tax at the rate of 10% for non-resident individuals and 5% for resident individuals.

The draft of the new Tax Code which is expected to come into force in January 2020, before the first Interest Payment Date under the Notes, provides for the exemption from Uzbekistan withholding tax in relation to any income received from the international bonds issued by an Uzbek legal entity for both legal entities and individuals, non-residents and residents. There can be no assurance, however, as to whether the new Tax Code will be adopted and, if so adopted, that it will be adopted in the current version and that these changes to the tax legislation will achieve the desired result.

If interest payments in respect of any Notes are subject to Uzbekistan withholding tax, the Bank shall (subject to certain exceptions) pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received had no such withholding been required as more fully described in Condition 9. The Tax Code does not permit contractual provisions imposing on residents of the Republic of Uzbekistan an obligation to bear expenses in relation to tax obligations of foreign natural persons who are Non-Uzbek natural persons. Whilst tax gross-up provisions of Condition 9 are expressed to impose on the Bank an obligation to pay additional amounts rather than to bear expenses in relation to tax obligations of the non-Uzbek natural persons, there is no assurance that an Uzbek court will agree with this interpretation and, therefore, there is a risk that such gross-up provisions may not be enforceable. So far as the Bank is aware, there has been no court case in the Republic of Uzbekistan in which tax gross-up or similar provisions were considered.

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SUBSCRIPTION AND SALE

The Joint Bookrunners have, pursuant to a Subscription Agreement dated 28 November 2019 (the **"Subscription Agreement"**), jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe and pay for the Notes at the issue price of 98.934% of their principal amount.

The Issuer has agreed to pay to the Joint Bookrunners a combined management, underwriting and selling commission in respect of the Notes. The Subscription Agreement entitles the Joint Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has in the Subscription Agreement agreed to indemnify the Joint Bookrunners against certain liabilities incurred in connection with the issue of the Notes.

Each of the Joint Bookrunners and its respective affiliates may, from time to time in the ordinary course of their respective businesses, engage in further transactions with, and perform services for, the Issuer and its affiliates. In particular, the Joint Bookrunners and their respective affiliates have performed and expect to perform in the future various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non public market financing for, and enter into derivative transactions with, the Issuer or its affiliates (including their respective shareholders) and for which they will receive customary fees.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Bookrunner has represented that it has not offered or sold, and agrees that it will not offer or sell, the Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Each Joint Bookrunner severally represented that it has not entered and agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

United Kingdom

Each Joint Bookrunner has severally represented, warranted and agreed that:

(a) **Financial promotion**: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) **General compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has severally represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For these purposes the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the IDD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Republic of Uzbekistan

Each Joint Bookrunner has severally represented, warranted and agreed with the Issuer and each other Joint Bookrunner that it has not offered and will not offer the Notes for circulation, distribution, placement, sale or purchase in the territory of the Republic of Uzbekistan.

Singapore

Each Joint Bookrunner has severally represented, warranted and undertaken with the Issuer and each other Joint Bookrunner that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Preliminary Prospectus, the Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

General

Neither the Issuer nor any Joint Bookrunner has made any representation that any action will be taken in any jurisdiction by the Joint Bookrunners or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Bookrunner has agreed that it will comply to the best of its knowledge and belief with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer or any other Joint Bookrunner in any such jurisdiction as a result of any of the foregoing actions.

INDEPENDENT AUDITORS

The Group's Annual Financial Statements included elsewhere in this Prospectus have been audited by Deloitte, of Business Center "Inkonel", 75, Mustakillik Avenue, Tashkent 100000, Republic of Uzbekistan, independent auditor, as stated in their report appearing herein. The report has been included in this Prospectus with the consent of Deloitte who has authorised the contents of that part of this Prospectus for the purposes of this Prospectus. For the purposes of Prospectus Regulation Rule 5.3.5R(2)(f) Deloitte accept responsibility for the information contained in their report as part of this Prospectus and declare that to the best of their knowledge, the information contained in their report is, in accordance with the facts and the report contains no omission likely to affect its import. This declaration is included in this Prospectus in compliance with Annex 7 item 1.2 of Commission delegated regulation (EU) 2019/980 (the "**Prospectus Delegated Regulation**") and for no other purpose.

The Group's Interim Financial Statements included elsewhere in this Prospectus have been reviewed by Deloitte, independent auditor, as stated in their review report appearing herein. The unaudited consolidated interim condensed financial information for the six-month period ended 30 June 2018 contained in the Interim Financial Statements was neither audited nor reviewed by Deloitte.

In addition, Deloitte issued a report as to the proper compilation of the unaudited pro forma consolidated financial information included under "*Unaudited Pro Forma Consolidated Financial Information*". The report has been included in this Prospectus with the consent of Deloitte who has authorised the contents of that part of this Prospectus for the purposes of this Prospectus. For the purposes of Prospectus Regulation Rule 5.3.5R(2)(f) Deloitte accept responsibility for the information contained in their report as part of this Prospectus and declare that to the best of their knowledge, the information contained in their report is, in accordance with the facts and the report contains no omission likely to affect its import. This declaration is included in this Prospectus in compliance with Annex 7 item 1.2 of Prospectus Delegated Regulation and for no other purpose.

Deloitte has a licence authorising audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under registration number 00776 dated 5 April 2019 and a certificate authorising audit of banks registered by the CBU under registration number 3 dated 14 October 2013.

GENERAL INFORMATION

(1) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that listing of the Notes on the Official List and admission of the Notes to trading on the Market will be granted on or before 2 December 2019, subject only to the issue of the Global Note. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction. The expenses related to the admission to trading of the Notes are expected to be approximately £2,000.

(2) The issue of the Notes was authorised by resolution of the Supervisory Council of the Issuer passed on 28 August 2019 and decision of the Chairman of the Management Board passed on 28 November 2019.

(3) The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

(4) The indication of yield in relation to the Notes is 6.0% per annum. This yield is calculated at the Closing Date on the basis of the Issue Price. It is not an indication of future yield.

(5) The International Securities Identification Number ("**ISIN**") of the Global Note is XS2083131859 and the Common Code of the Global Note is 208313185.

(6) The CFI code is DBFNFR and FISN code is UZPROMSTROYBANK/5.125EUR NT 2024112.

(7) The Legal Entity Identifier is 213800C2NIFPFTXYIU69.

(8) Save as disclosed in "*Financial Review - Factors Affecting the Financial Statements*", there has been no material adverse change in the prospects of the Issuer since 31 December 2018 and no significant change in the financial performance of the Issuer or the Group since 30 June 2019 and to the date of this Prospectus.

(9) Save as disclosed in "*Financial Review - Factors Affecting the Financial Statements*", there has been no significant change in the financial position of the Issuer or the Group since 30 June 2019.

(10) As at the date of this Prospectus, there are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Group.

(11) For so long as any Notes are outstanding, copies of the following will be available for inspection on the Issuer's website (https://uzpsb.uz/en/):

- a copy of this Prospectus along with any supplement to this Prospectus;
- the charter documents of the Issuer; and
- the Financial Statements, including the related independent auditor's report and review report in respect thereof.

(12) For so long as any Notes are outstanding, copies of the following will be available for inspection by physical means, and may be obtained free of charge, during normal business hours on any weekday, at the specified office of the Principal Paying Agent in London:

- the Trust Deed to be entered into with the Trustee; and
- the Paying Agency Agreement to be entered into with the paying agents and the Trustee.

This Prospectus will also be published on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

(13) No natural or legal person has an interest that is material to the issue of the Notes.

(14) The Issuer has obtained all necessary consents, approvals and authorisations in Uzbekistan in connection with its entry into, and performance of its obligations under, the Trust Deed and the Agency Agreement.

(15) There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders under the Notes.

(16) Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.

(17) The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

(18) The Issuer does not intend to provide any post-issuance transaction information regarding the Notes.

(19) Citigroup Global Markets Europe AG will act as Registrar in relation to the Notes.

(20) There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer towards the Issuer and their private interests and/or other duties.

(21) The Joint Bookrunners and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with and may perform services of the Issuer in the ordinary course of business. In the ordinary course of their business activities, the Joint Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer.

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JSCB "UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

Interim condensed consolidated financial information (unaudited) for the six months ended 30 June 2019

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

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JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the interim condensed consolidated statement of financial position of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2019, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group comply with IAS 34;
- Maintaining accounting records in compliance with the Republic of Uzbekistan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 was authorized for issue by the Management Board on 8 November 2019.

On behalf of the Management Board:

Voitov Aziz
Chairman of the Management Board

8 November 2019
Tashkent, Uzbekistan

Vokhidov Oybek
Chief Accountant

8 November 2019
Tashkent, Uzbekistan

Deloitte.

"Deloitte & Touche"
Audit organization LLC
Business Center "Inkonel"
75, Mustakillik Avenue
Tashkent, 100000,
Republic of Uzbekistan

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deloitte.uz

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank".

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" and its subsidiaries ("the Group") as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Other Matter

The corresponding figures as at 30 June 2018 and for the 6 months then ended presented in this interim condensed consolidated financial information are neither audited nor reviewed.

Conclusion

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

Deloitte va Touche

"Deloitte & Touche" Audit Organisation LLC
License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019

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

Certificate authorizing audit of banks registered by the Central bank of the Republic of Uzbekistan under #3 dated 14 October 2013

Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central bank of the Republic of Uzbekistan

8 November 2019
Tashkent, Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

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JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019 (UNAUDITED)

(in millions of Uzbek Soums)

	Notes	30 June 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents	7	1,787,718	1,897,133
Due from other banks	8	1,455,272	812,092
Loans and advances to customers	9,28	31,278,577	28,020,629
Financial assets at fair value through other comprehensive income	10	232,885	41,804
Investment in associates		587	587
Premises, equipment and intangible assets	11	341,418	200,407
Other assets	12	307,623	52,613
Non-current assets held for sale		16,690	813
TOTAL ASSETS		**35,420,770**	**31,026,078**
LIABILITIES			
Due to other banks	13	914,756	676,700
Customer accounts	14,28	6,472,316	5,129,176
Debt securities in issue	15	58,954	67,741
Other borrowed funds	16,28	24,127,349	21,756,155
Other liabilities	17,28	47,755	105,972
Deferred tax liability	22	97,407	86,865
Reserves for insurance contracts		3,333	-
TOTAL LIABILITIES		**31,721,870**	**27,822,609**
EQUITY			
Share capital	18	2,177,348	1,884,882
Treasury shares		(685)	(1,330)
Retained earnings		1,509,903	1,312,607
Revaluation reserve of financial assets at fair value through other comprehensive income		7,395	2,261
Net assets attributable to the Bank's owners		3,693,961	3,198,420
Non-controlling interest		4,939	5,049
TOTAL EQUITY		**3,698,900**	**3,203,469**
TOTAL LIABILITIES AND EQUITY		**35,420,770**	**31,026,078**

Approved for issue and signed on behalf of the Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

The notes set out on pages 7 to 39 form an integral part of these interim condensed consolidated financial information. 3

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Uzbek Soums, except for earnings per share which are in Soums)

	Notes	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June of 2018 (unaudited)
Interest income	19,28	1,014,214	592,456
Interest expense	19,28	(505,990)	(307,655)
Net interest income before provision on loans and advances to customers		508,224	284,801
Provision for credit losses on loans and advances to customers	9,28	(201,842)	(15,177)
Initial recognition adjustment on interest bearing assets		(1,661)	(3,867)
Net interest income		**304,721**	**265,757**
Fee and commission income	20,28	156,532	113,718
Fee and commission expense	20	(38,065)	(23,204)
Net gain/(loss)on foreign exchange translation		7,307	(33,633)
Net gain from trading in foreign currencies	28	8,367	1,011
Insurance operations income		119	-
Insurance operations expense		(494)	-
Dividend income		5,243	1,003
Other operating income	28	6,669	6,540
(Provision for)/recovery of impairment of other assets		(3,412)	1,925
Administrative and other operating expenses	21,28	(205,944)	(192,580)
Share of result from associates		-	(253)
Profit before tax		**241,043**	**140,284**
Income tax expense	22	(43,857)	(33,615)
PROFIT FOR THE PERIOD		**197,186**	**106,669**
Attributable to:			
- Owners of the Bank		197,296	107,169
- Non-controlling interest		(110)	(500)
PROFIT FOR THE PERIOD		**197,186**	**106,669**
Total basic and diluted EPS per ordinary share (expressed in UZS per share)	23	**2**	**1**
Total basic and diluted EPS per equity component of preference share (expressed in UZS per share)	23	**4**	**4**
PROFIT FOR THE PERIOD		**197,186**	**106,669**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Fair value gain on equity securities at fair value through other comprehensive income		6,418	2,340
Tax effect		(1,284)	(515)
Other comprehensive income		**5,134**	**1,825**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**202,320**	**108,494**
Attributable to:			
- Owners of the Bank		202,430	108,994
- Non-controlling interest		(110)	(500)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**202,320**	**108,494**

Approved for issue and signed on behalf of Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

The notes set out on pages 7 to 39 form an integral part of these interim condensed consolidated financial information.

JOINT STOCK COMMERCIAL BANK "UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Uzbek Soums)

	Notes	Share capital	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income	Retained earnings	Non-controlling interest	Total equity
31 December 2018		**1,884,882**	**(1,330)**	**2,261**	**1,312,607**	**5,049**	**3,203,469**
Profit for the period		-	-	-	197,296	(110)	197,186
Other comprehensive income for the period		-	-	5,134	-	-	5,134
Total comprehensive income for the period		-	-	5,134	197,296	(110)	202,320
Shares issued	18	292,466	-	-	-	-	292,466
Disposal of treasury shares		-	645	-	-	-	645
30 June 2019 (unaudited)		**2,177,348**	**(685)**	**7,395**	**1,509,903**	**4,939**	**3,698,900**

	Share capital	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income (2017: Investment securities available for sale)	Retained earnings	Non-controlling interest	Total equity
31 December 2017	**1,460,036**	**(2,477)**	**4,220**	**996,126**	**5,476**	**2,463,381**
Effect of IFRS 9 adoption on 1 January 2018	-	-	(3,353)	127,171	-	123,818
Balance at 1 January 2018 (restated under IFRS 9)	**1,460,036**	**(2,477)**	**867**	**1,123,297**	**5,476**	**2,587,199**
Profit for the period	-	-	-	107,169	(500)	106,669
Other comprehensive income for the period	-	-	1,825	-	-	1,825
Total comprehensive income for the period	-	-	1,825	107,169	(500)	108,494
Disposal of treasury shares	-	731	-	-	-	731
30 June 2018 (unaudited)	**1,460,036**	**(1,746)**	**2,692**	**1,230,466**	**4,976**	**2,696,424**

Approved for issue and signed on behalf of Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

The notes set out on pages 7 to 39 form an integral part of these interim condensed consolidated financial information.

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Uzbek Soums)

	Notes	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June of 2018 (unaudited)
Cash flows from operating activities			
Interest received		1,224,736	432,164
Interest paid		(674,481)	(166,236)
Fee and commission received		156,786	113,894
Fee and commission paid		(38,065)	(23,204)
Insurance operations income received		3,452	-
Insurance operations expense paid		(494)	-
Net gain from trading in foreign currencies		8,367	1,011
Other operating income received		4,041	6,540
Staff costs paid		(176,591)	(130,601)
Administrative and other operating expenses paid		(64,332)	(89,243)
Income tax paid		(62,506)	(4,926)
Cash flows from operating activities before changes in operating assets and liabilities		**380,913**	**139,399**
Net increase in due from other banks		(603,937)	(496,341)
Net increase in loans and advances to customers		(3,107,172)	(1,802,173)
Net increase in other assets		(59,740)	(41,519)
Net increase in due to other banks		195,220	37,857
Net increase in customer accounts		1,253,178	1,561,277
Net (decrease)/increase in other liabilities		(4,178)	11,545
Net cash used in operating activities		**(1,945,716)**	**(589,955)**
Cash flows from investing activities			
Acquisition of financial assets at fair value through other comprehensive income		(184,663)	(12,148)
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	805
Acquisition of premises and equipment		(323,608)	(50,487)
Proceeds from disposal of premises and equipment		2,628	568
Proceeds from disposal of subsidiary, net of disposed cash		-	3,472
Dividend income received		5,243	1,003
Net cash used in investing activities		**(500,400)**	**(56,787)**
Cash flows from financing activities			
Proceeds from borrowings due to other banks		51,000	24,175
Repayment of borrowings due to other banks		(20,529)	(31,736)
Proceeds from other borrowed funds		3,032,177	1,942,371
Repayment of other borrowed funds		(1,032,608)	(1,102,581)
Proceeds from debt securities in issue		31,300	-
Repayment of debt securities in issue		(40,100)	(4,209)
Issue of ordinary shares		292,466	-
Dividends paid		(74)	(68)
Treasury shares sold		645	731
Net cash from financing activities		**2,314,277**	**828,683**
Effect of exchange rate changes on cash and cash equivalents		22,424	(32,536)
Net increase/(decrease) in cash and cash equivalents		**(109,415)**	**149,405**
Cash and cash equivalents at the beginning of the period	7	1,897,133	3,059,367
Cash and cash equivalents at the end of the period	7	**1,787,718**	**3,208,772**

Approved for issue and signed on behalf of the Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

The notes set out on pages 7 to 39 form an integral part of these condensed consolidated financial information. 6

1. INTRODUCTION

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

The Bank was incorporated in 1991 and is domiciled in the Republic of Uzbekistan. It is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under the banking license #17 issued by the Central bank of Uzbekistan ("CBU") on 21 October 2017 (succeeded the licenses #17 issued on 25 January 2003 and #25 issued on 29 January 2005 by the CBU for banking operations and general license for foreign currency operations, respectively).

Principal activity. The Bank's principal activity is commercial banking, retail banking, operations with securities, foreign currencies and origination of loans and guarantees. The Bank accepts deposits from legal entities and individuals, extended loans, and transfer payments. The Bank conducts its banking operations from its head office in Tashkent and 45 branches within Uzbekistan as of 30 June 2019 (31 December 2018: 45 branches).

The Bank participates in the state deposit insurance scheme, which was introduced by the Uzbek Law #360-II "Insurance of Individual Bank Deposit" on 5 April 2002. On 28 November 2008, the President of Uzbekistan issued the Decree #PD-4057 stating that in case of the withdrawal of a license of a bank, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

As at 30 June 2019, the number of Bank's employees was 3,781 (31 December 2018: 3,584).

Registered address and place of business. 3, Shakhrisabzskaya Street, Tashkent, 100000, Uzbekistan

At 30 June 2019 and 31 December 2018, the Group consolidated the following companies in these interim condensed consolidated financial information:

Name	Country of incorporation	The Bank's ownership 30 June 2019 (unaudited)	The Bank's ownership 31 December 2018	Type of operation
Asset Invest Trust, LLC	Uzbekistan	100	100	Consulting
PSB Capital, LLC	Uzbekistan	100	100	Asset management
PSB Industrial Investments, LLC	Uzbekistan	100	100	Asset management
PSB Insurance, LLC	Uzbekistan	100	-	Insurance
Xorazm Nasli Parranda, LLC	Uzbekistan	57	57	Poultry farming

The Group started insurance business from 20 March 2019 by obtaining a license for insurance activities through its newly established subsidiary "PSB Insurance" LLC.

The table below represents the interest of the shareholders in the Bank's share capital as at 30 June 2019 and 31 December 2018:

Shareholders	30 June 2019 (unaudited)	31 December 2018
The Fund for Reconstruction and Development of the Republic of Uzbekistan	61.7%	55.8%
The State Assets Management Agency of the Republic of Uzbekistan	27.3%	0.0%
The Ministry of Finance of the Republic of Uzbekistan	0.0%	30.4%
Joint Stock Company "Uztransgaz"	2.6%	3.0%
Tashmuxamedov Ravshan Irkinovich	1.0%	1.2%
Unitary Enterprise "Bukhara oil refinery plant"	1.0%	1.1%
Joint Stock Company "Uzbekenergo"	0.0%	1.1%
Joint Stock Company "Uzneftmahsulot"	0.9%	1.0%
Private limited company "Shurtan gas chemical complex"	0.0%	0.9%
Other legal entities and individuals (individually hold less than 1%)	5.5%	5.5%
Total	**100%**	**100%**

In accordance with the Presidential Decree #4112 dated 14 January 2019, the State Assets Management Agency of the Republic of Uzbekistan ("the Agency") was established. In accordance with this decree, the shares of the Bank owned by the Ministry of Finance of the Republic of Uzbekistan were transferred to the Agency.

2. BASIS OF PRESENTATION

Accounting basis

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

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

This interim condensed consolidated financial information is presented in millions of Uzbek Soums ("UZS"), except for earnings per share amounts and unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

Going concern. These interim condensed consolidated financial information have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

The Group's activities continue to be affected by the uncertainty and instability of the current economic environment, including the reforms of the new government, directed at increasing living standards, incomes, and job opportunities in the Republic of Uzbekistan.

As at 30 June 2019, the Group had a cumulative liquidity shortfall of UZS 285,797 million up to six months (Note 27), which reflects the effects of the decision to classify UZS 299,130 million due to the Republic of Uzbekistan as "demand and less than 1 month" as a result of a breach of certain financial covenants stipulated in the tripartite subsidiary loan agreements between the Republic of Uzbekistan, the Rural Restructuring Agency and the Bank #3471-UZB from April 2017 and #3673-UZB from November 2018 as discussed in detail in Note 16. Subsequent to 30 June 2019, the Republic of Uzbekistan confirmed to the Bank in writing that it will not take any action to demand prepayment of the loans as a consequence of past and/or ongoing breaches of the financial covenants stipulated in these subsidiary loan agreements. In addition, as a result of implementation of the Presidential Decree #4487 (Note 29), on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group.

Management of the Group believes that the Group will be able to continue as a going concern due to:

- Continued ongoing support by the Government of the Republic of Uzbekistan ("the State"). The Group is a state owned bank with the Agency and Fund for Reconstruction and Development of Uzbekistan ("UFRD") as key shareholders, jointly holding 89 % interest in the share capital of the Bank. The Group is a strategic financial institution of the Republic of Uzbekistan, responsible for the development of strategic industries.

  Subsequent to the reporting date, during July-August 2019, the Group received additional funding in the total amount of UZS 206,000 million from the Ministry of Finance, UZS 57,400 million from UFRD under the program of stimulating families to open small businesses in accordance with the Presidential Decrees #4231 and #4172, as described in Note 29;

- As at 30 June 2019, deposits of state entities callable within one year amounted to UZS 1,245,128 million and borrowings from the State and state entities with the same maturity amounted to UZS 585,490 million (total UZS 1,830,618 million). In addition, the State and state entities represent most of the long-term borrowings of the Group (30 June 2019: UZS 14,752,801 million). Given that deposits and borrowings are obtained from the State and state entities, terms of these financial instruments can be renegotiated and restructured, if there is a such necessity;

- Management regularly assesses the stability of its customer accounts funding base, in particular with respect to that of non-state entities, based on past performance and analysis of the events subsequent to the reporting date. Management believes that the customers intend to hold their term deposits with the Group, and that this source of funding will remain at a similar level for the foreseeable future.

The Management is not aware of any circumstances that would question the continuation of the Group and considers that all operations will proceed in the normal course of business, with the State retaining the strategic control for the foreseeable future.

Basis of accounting for insurance activities.

Insurance operations income primarily comprises of premiums written less provision for unearned premiums.

Premiums written. Upon inception of a contract, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage.

Provision for unearned premiums. Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force as at the reporting date, calculated using "pro rata temporis" or "1/24" method. The "pro rata temporis" method includes calculation of unearned premium in proportion to the remaining useful life of insurance contract at the balance sheet date. The "1/24" method is determined by multiplying the total amount of the basic insurance premiums on the coefficients which are defined for each subgroup as the ratio of not elapsed at the reporting date of the term of the subgroup contracts to the whole duration of subgroup contracts.

Insurance operations expense primarily comprises of claims paid and changes in insurance loss provisions.

Claims. Claims and claims handling expenses are charged to the consolidated statement of profit or loss and other comprehensive income as incurred based on the evaluated liability for compensation payable to policyholders or third parties, net of subrogation. Subrogation is a right to pursue third parties for payment of some or all costs related to the claims settlement process.

Loss provision. Loss provision represents the accumulation of estimates for ultimate losses and includes provision for losses reported but not settled ("RBNS") and incurred but not yet reported ("IBNR"). Estimates of claims handling expenses are included in both RBNS and IBNR. RBNS is provided in respect of claims reported, but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during investigation of insurance cases before or after the reporting date. IBNR is determined by the Group by line of business, and includes assumptions based on prior years' claims and claims handling experience. The methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of comprehensive income as they arise. Loss provision is estimated on an undiscounted basis due to the relatively quick pattern of claims notification and payment.

Reserves for insurance contracts primarily comprises of provision for unearned premiums and insurance loss provisions.

Liability adequacy test. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, the current best estimates of the future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income by subsequently establishing a provision for losses arising from the liability adequacy tests.

Reinsurance. The Group assumes and cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Group from its obligations to policyholders. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the term of each reinsurance contract. Reinsurance assets include balances due from reinsurance companies for paid claims, including claims handling expenses, reinsurers' share of loss provision and premiums ceded to the Group. Reinsurance payables are obligations of the Group for the transfer of reinsurance premiums to reinsurers.

The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2018.

Valuation of incurred but not reported insurance claims reserve. The Group establishes IBNR reserve to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. This reserve is established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Group relies upon historical information, loss experience analysis, type and extent of coverage to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth, and comparisons with the results of industry benchmarks in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported.

The management estimates its IBNR reserve at each year-end and reassesses on quarterly basis to ensure that the resulting provision in the Group's consolidated balance sheet reflects management's best estimate of the total costs required to settle IBNR. If the ending IBNR reserve is not considered adequate, an adjustment is recorded.

Due to inherent uncertainty underlying IBNR reserve estimates, including, but not limited to, the future settlement environment, final resolution of the estimated liability may be different from that anticipated at the reporting date. Therefore, actual paid losses in the future may yield a significantly different amount than currently reserved — favorable or unfavorable.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

IFRS 16 Leases.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related Interpretations became effective for accounting periods beginning on or after 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, which means the adoption from 1 January 2019 with no restatement of comparative periods - i.e. comparative period is presented as previously reported under IAS 17 and related interpretations.

The Group made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the assessment of a lease in accordance with IAS 17 and IFRIC 4 continued to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the lessee has:
- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019, (whether it is a lessor or a lessee in the lease contract).

On initial application of IFRS 16 for the long-term leases the Group:
a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as electronic terminals and other), the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Judgements related to the application of IFRS 16

Although, for majority of its lease agreements there is an option to extend short term lease agreements at maturity with new terms with the consent of both parties, the Management of the Group considers that these agreements fall under IFRS16 exemption available for short-term leases due to the fact that agreements are not enforceable after the initial lease term due to insignificant economic penalties to be incurred by both parties in case the lease is not extended. As such, the Group applies the exemption for short-term leases consistently on transition and subsequently.

Under IFRS 16, right-of-use assets were assessed for impairment in accordance with IAS 36 Impairment of Assets. This replaced the previous requirement to recognise a provision for onerous lease contracts.

The implementation of IFRS 16 has no material impact on the amounts or disclosures in these interim condensed consolidated financial information.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately
• The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies judgement in identifying uncertainties over income tax treatments, as the Group operates only in Republic of Uzbekistan, it assessed whether the Interpretation had a material impact on its interim condensed consolidated financial information.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions and concluded that the interpretation did not have an impact on the interim condensed consolidated financial information of the Group, given that the Bank's and the subsidiaries' tax filings are in the same jurisdiction.

6. SEGMENT REPORTING

The Group's operations are a single reportable segment.

The Group provides mainly banking services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8, *Operating Segments*, and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker ("CODM") has been determined as the Group's Chairman of the Management Board. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The Management has determined a single operating segment being banking services based on these internal reports.

7. CASH AND CASH EQUIVALENTS

	30 June 2019 (unaudited)	31 December 2018
Cash on hand	510,366	456,067
Cash balances with the CBU (other than mandatory reserve deposits)	324,626	813,180
Correspondent accounts and placements with other banks with original maturities of less than three months	952,777	627,940
Less: Allowance for expected credit losses	(51)	(54)
Total cash and cash equivalents	**1,787,718**	**1,897,133**

The credit quality of cash and cash equivalents at 30 June 2019 (unaudited) is as follows:

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired			
- Central bank of Uzbekistan	324,626	-	**324,626**
- Rated AA to A-	-	770,161	**770,161**
- Rated below A-	-	182,616	**182,616**
Less: Allowance for expected credit losses	(11)	(40)	**(51)**
Total cash and cash equivalents, excluding cash on hand	**324,615**	**952,737**	**1,277,352**

The credit quality of cash and cash equivalents at 31 December 2018 is as follows:

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired			
- Central bank of Uzbekistan	813,180	-	**813,180**
- Rated AA to A-	-	613,083	**613,083**
- Rated below A-	-	14,857	**14,857**
Less: Allowance for expected credit losses	(28)	(26)	**(54)**
Total cash and cash equivalents, excluding cash on hand	**813,152**	**627,914**	**1,441,066**

8. DUE FROM OTHER BANKS

	30 June 2019 (unaudited)	31 December 2018
Mandatory cash balances with CBU	323,568	240,488
Placements with other banks with original maturities of more than three months	867,448	334,145
Restricted cash	272,801	242,270
Less: Allowance for expected credit losses	(8,545)	(4,811)
Total due from other banks	**1,455,272**	**812,092**

Restricted cash represents balances on correspondent accounts with foreign banks placed by the Group on behalf of its customers. The Group does not have the right to use these funds for the purpose of funding its own activities.

Analysis by credit quality of due from other banks outstanding at 30 June 2019 (unaudited) is as follows:

	Mandatory cash balances with CBU	Placements with other banks with original maturities of more than three months	Restricted cash	Total
Neither past due nor impaired				
- Central bank of Uzbekistan	323,568	-	-	323,568
- Rated AA to A-	-	131,860	268,520	400,380
- Rated below A-	-	731,588	4,281	735,869
Unrated		4,000		4,000
Less: Allowance for expected credit losses	(11)	(8,437)	(97)	(8,545)
Total due from other banks	**323,557**	**859,011**	**272,704**	**1,455,272**

Analysis by credit quality of due from other banks outstanding at 31 December 2018 is as follows:

	Mandatory cash balances with CBU	Placements with other banks with original maturities of more than three months	Restricted cash	Total
Neither past due nor impaired				
- Central bank of Uzbekistan	240,488	-	-	**240,488**
- Rated AA to A-	-	-	237,820	**237,820**
- Rated below A-	-	334,145	4,450	**338,595**
Less: Allowance for expected credit losses	(8)	(4,709)	(94)	(4,811)
Total due from other banks	**240,480**	**329,436**	**242,176**	**812,092**

Mandatory deposits with the CBU include non-interest bearing reserves against client deposits. The Group does not have the right to use these deposits for the purposes of funding its own activities.

9. LOANS AND ADVANCES TO CUSTOMERS

The Bank uses the following classification of loans:

- Loans to state and municipal organisations - loans issued to clients wholly owned by the Government of the Republic of Uzbekistan and budget organisations;
- Corporate loans - loans issued to clients other than government entities and private entrepreneurs;
- Loans to individuals - loans issued to individuals for consumption purposes, for the purchase of residential houses and flats and loans issued to private entrepreneurs without forming legal entity.

Loans and advances to customers comprise:

	30 June 2019 (unaudited)	31 December 2018
State and municipal organisations	20,765,106	20,614,186
Corporate loans	8,898,190	6,193,791
Loans to individuals	2,279,052	1,673,984
Total loans and advances to customers, gross	**31,942,348**	**28,481,961**
Less: Allowance for expected credit losses	(663,771)	(461,332)
Total loans and advances to customers	**31,278,577**	**28,020,629**

As at 30 June 2019 (unaudited), loans and advances to customers include finance lease receivables in the amount of UZS 196,115 million (31 December 2018: UZS 198,327 million).

The table below represents loans and advances to customer's classification by stages as at 30 June 2019 and 31 December 2018:

	30 June 2019 (unaudited)	31 December 2018
Originated loans to customers	31,921,882	28,468,512
Overdrafts	20,466	13,449
Total loans and advances to customers, gross	**31,942,348**	**28,481,961**
Stage 1	29,544,350	24,580,970
Stage 2	1,546,457	3,341,788
Stage 3	851,541	559,203
Total loans and advances to customers, gross	**31,942,348**	**28,481,961**
Less: Allowance for expected credit losses	(663,771)	(461,332)
Total loans and advances to customers	**31,278,577**	**28,020,629**

The tables below analyze information about significant changes in the gross carrying amount of loans and advances to customers during the six months period ended 30 June 2019:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amount as at 1 January 2019	**24,580,970**	**3,341,788**	**559,203**	**28,481,961**
Changes in the gross carrying amount				
- Transfer from stage 1	(552,030)	114,088	437,942	-
- Transfer from stage 2	1,597,861	(1,707,122)	109,261	-
- Transfer from stage 3	56,925	1,142	(58,067)	-
- Changes due to modifications that did not result in derecognition	(3,314,754)	(33,262)	(55,373)	**(3,403,389)**
New assets issued or acquired	8,239,417	-	-	**8,239,417**
Matured or derecognized assets (except for write off)	(1,654,871)	(208,008)	(150,066)	**(2,012,945)**
Written off assets	-	-	(829)	**(829)**
Foreign exchange differences	590,832	37,831	9,470	**638,133**
Gross carrying amount as at 30 June 2019 (unaudited)	**29,544,350**	**1,546,457**	**851,541**	**31,942,348**
Loss allowance for ECL as at 30 June 2019 (unaudited)	(174,781)	(40,159)	(448,831)	**(663,771)**
Total loans and advances to customers (unaudited)	**29,369,569**	**1,506,298**	**402,710**	**31,278,577**

As at 30 June 2019, written off assets in the amount of UZS 829 million are still subject to enforcement activity.

The tables below analyze information about significant changes in the gross carrying amount of loans and advances to customers during the year 2018:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amount as at 1 January 2018	**18,989,527**	**1,669,228**	**240,116**	**20,898,871**
Changes in the gross carrying amount				
- Transfer from stage 1	(2,653,541)	2,122,886	530,655	-
- Transfer from stage 2	109,082	(164,294)	55,212	-
- Transfer from stage 3	12,204	23,722	(35,926)	-
- Changes due to modifications that did not result in derecognition	(3,672,300)	(255,641)	(154,027)	**(4,081,968)**
New assets issued or acquired	12,567,821	-	-	**12,567,821**
Matured or derecognized assets (except for write off)	(1,224,354)	(124,927)	(68,874)	**(1,418,155)**
Written off assets	-	-	(22,778)	**(22,778)**
Foreign exchange differences	452,531	70,814	14,825	**538,170**
Gross carrying amount as at 31 December 2018	**24,580,970**	**3,341,788**	**559,203**	**28,481,961**
Loss allowance for ECL as at 31 December 2018	(175,253)	(70,747)	(215,332)	**(461,332)**
Total loans and advances to customers	**24,405,717**	**3,271,041**	**343,871**	**28,020,629**

As at 31 December 2018, written off assets in the amount of UZS 22,778 million were subject to enforcement activity.

The tables below analyze information about significant changes in the expected credit loss of loans and advances to customers during the six months ended 30 June 2019:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance for ECL as at 1 January 2019	**175,253**	**70,747**	**215,332**	**461,332**
Changes in the gross carrying amount				
- Transfer from stage 1	(9,942)	2,137	7,805	-
- Transfer from stage 2	35,810	(43,394)	7,584	-
- Transfer from stage 3	12,574	139	(12,713)	-
- Changes due to modifications that did not result in derecognition	(64,159)	13,450	260,981	**210,272**
New assets issued or acquired	37,405	-	-	**37,405**
Matured or derecognized assets (except for write off)	(12,330)	(3,277)	(30,228)	**(45,835)**
Written off assets	-	-	(829)	**(829)**
Foreign exchange differences	170	357	899	**1,426**
Loss allowance for ECL as at 30 June 2019 (unaudited)	**174,781**	**40,159**	**448,831**	**663,771**

As at 30 June 2019, the Group has individually credit impaired loans to customers in the amount of UZS 269,642 million (31 December 2018: UZS 170,074 million), which were collateralised by real estates, equipment, vehicles, inventory and receivables and other assets (31 December 2018: Real estates, equipment, insurance policies, vehicles and letter of sureties).

As at 30 June 2019, the Group has not recognised expected credit losses for individually impaired loans in the amount of UZS 25,616 million (31 December 2018: Nil) because of the collateral. The collateral primarily comprise of equipment and real estate.

The tables below analyze information about significant changes in the expected credit loss of loans and advances to customers during the year 2018:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance for ECL as at 1 January 2018	**229,911**	**29,450**	**109,010**	**368,371**
Changes in the gross carrying amount				
- Transfer from stage 1	(156,459)	32,441	124,018	-
- Transfer from stage 2	12,678	(17,574)	4,896	-
- Transfer from stage 3	8,801	7,740	(16,541)	-
- Changes due to modifications that did not result in derecognition	(22,108)	21,205	43,057	**42,154**
New assets issued or acquired	107,882	-	-	**107,882**
Matured or derecognized assets (except for write off)	(8,719)	(3,830)	(37,961)	**(50,510)**
Recovery of assets previously written off	-	-	7,977	**7,977**
Written off assets	-	-	(22,778)	**(22,778)**
Foreign exchange differences	3,267	1,315	3,654	**8,236**
Loss allowance for ECL as at 31 December 2018	**175,253**	**70,747**	**215,332**	**461,332**

Economic sector risk concentrations within the loans and advances to customer are as follows:

	30 June 2019 (unaudited)		31 December 2018	
	Amount	%	Amount	%
Oil and gas & chemicals	14,674,210	45.9%	14,152,593	49.7%
Manufacturing	4,499,479	14.1%	3,429,674	12.0%
Energy	4,448,414	13.9%	4,633,970	16.3%
Individuals	2,279,052	7.1%	1,673,984	5.9%
Transport and communication	1,929,847	6.0%	1,677,406	5.9%
Services	1,152,846	3.6%	740,501	2.6%
Agriculture	1,142,134	3.6%	1,010,762	3.5%
Trade	1,117,307	3.5%	630,441	2.2%
Construction	699,059	2.2%	532,630	1.9%
Total loans and advances to customers, gross	**31,942,348**	**100%**	**28,481,961**	**100%**
Less: Allowance for expected credit losses	(663,771)		(461,332)	
Total loans and advances to customers	**31,278,577**		**28,020,629**	

As at 30 June 2019 (unaudited), the Group granted loans to 8 (31 December 2018: 7) borrowers in the amount of UZS 19,122,074 million (31 December 2018: UZS 18,563,205 million), which individually exceeded 10% of the Group's equity.

Information about collateral as at 30 June 2019 and 31 December 2018:

	State and municipal organisations	Corporate loans	Loans to individuals	30 June 2019 (unaudited)
Loans collateralised by:				
State guarantee	14,002,755	167,372	-	**14,170,127**
Letter of surety	2,412,178	1,617,799	719,059	**4,749,036**
Real estate	1,699,240	5,586,683	1,097,204	**8,383,127**
Equipment	1,783,106	565,517	-	**2,348,623**
Equity securities	610,892	35,524	-	**646,416**
Vehicles	6,567	299,422	321,875	**627,864**
Insurance policy	2,325	464,432	89,755	**556,512**
Inventory and receivables	16,986	89,614	-	**106,600**
Cash deposits	3,126	1,378	793	**5,297**
Not collateralised	227,931	70,449	50,366	**348,746**
Total loans and advances to customers, gross	**20,765,106**	**8,898,190**	**2,279,052**	**31,942,348**
Less: Allowance for expected credit losses	(179,502)	(478,656)	(5,613)	**(663,771)**
Total loans and advances to customers	**20,585,604**	**8,419,534**	**2,273,439**	**31,278,577**

	State and municipal organisations	Corporate loans	Loans to individuals	31 December 2018
Loans collateralised by:				
State guarantee	13,455,000	-	-	**13,455,000**
Letter of surety	3,714,688	2,468,354	641,093	**6,824,135**
Real estate	1,509,079	2,182,677	761,336	**4,453,092**
Equipment	1,097,279	886,819	-	**1,984,098**
Equity securities	615,667	-	-	**615,667**
Vehicles	103	311,120	122,072	**433,295**
Insurance policy	6,651	186,643	148,724	**342,018**
Inventory and receivables	134,722	104,900	-	**239,622**
Cash deposits	11	53,278	704	**53,993**
Not collateralised	80,986	-	55	**81,041**
Total loans and advances to customers, gross	**20,614,186**	**6,193,791**	**1,673,984**	**28,481,961**
Less: Allowance for expected credit losses	(144,489)	(314,521)	(2,322)	**(461,332)**
Total loans and advances to customers	**20,469,697**	**5,879,270**	**1,671,662**	**28,020,629**

Analysis by credit quality of loans and advances to customers that are collectively and individually assessed for impairment as at 30 June 2019 is as follows:

	State and municipal organisations	Corporate loans	Loans to individuals	Total 30 June 2019 (unaudited)
Loans assessed for impairment on a collective basis				
Not past due loans	19,774,526	7,938,795	2,211,390	**29,924,711**
Past due loans				
- less than 30 days overdue	926,405	280,691	46,784	**1,253,880**
- 31 to 90 days overdue	1,999	223,350	12,087	**237,436**
- over 90 days overdue	-	27,797	8,791	**36,588**
Total loans assessed for impairment on a collective basis, gross	**20,702,930**	**8,470,633**	**2,279,052**	**31,452,615**
Loans individually determined to be impaired (gross):				
Not past due loans	39,970	101,419	-	**141,389**
Restructured loans	4,958	212,788	-	**217,746**
Past due loans				
- less than 30 days overdue	17,248	57,806	-	**75,054**
- 31 to 90 days overdue	-	55,544	-	**55,544**
Total loans individually determined to be impaired, gross	**62,176**	**427,557**	**-**	**489,733**
- Impairment provisions for individually impaired loans	(32,538)	(306,809)	-	**(339,347)**
- Impairment provisions assessed on a collective basis	(146,964)	(171,847)	(5,613)	**(324,424)**
Less: Allowance for expected credit losses	**(179,502)**	**(478,656)**	**(5,613)**	**(663,771)**
Total loans and advances to customers	**20,585,604**	**8,419,534**	**2,273,439**	**31,278,577**

Analysis by credit quality of loans and advances to customers that are collectively and individually assessed for impairment as at 31 December 2018 is as follows:

	State and municipal organisations	Corporate loans	Loans to individuals	Total 31 December 2018
Loans assessed for impairment on a collective basis				
Not past due loans	20,563,999	5,703,413	1,656,456	**27,923,868**
Past due loans				
- less than 30 days overdue	1,044	153,237	6,141	**160,422**
- 31 to 90 days overdue	18,549	109,076	7,788	**135,413**
- over 90 days overdue	3,691	45,402	3,599	**52,692**
Total loans assessed for impairment on a collective basis, gross	**20,587,283**	**6,011,128**	**1,673,984**	**28,272,395**
Loans individually determined to be impaired (gross):				
Not past due loans	26,903	68,688	-	**95,591**
Restructured loans	-	87,486	-	**87,486**
Past due loans	-	-	-	
- 31 to 90 days overdue	-	26,489	-	**26,489**
Total loans individually determined to be impaired, gross	**26,903**	**182,663**	**-**	**209,566**
- Impairment provisions for individually impaired loans	(781)	(104,689)	-	**(105,470)**
- Impairment provisions assessed on a collective basis	(143,708)	(209,832)	(2,322)	**(355,862)**
Less: Allowance for expected credit losses	**(144,489)**	**(314,521)**	**(2,322)**	**(461,332)**
Total loans and advances to customers	**20,469,697**	**5,879,270**	**1,671,662**	**28,020,629**

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In accordance with the Presidential Decree "On the development of the innovative business in Tashkent regions" dated 21 December 2018, the Group made an investment in share capital of LLC "Steel Property Construction" in the amount of UZS 24,938 million and UZS 184,513 million during the year ended 31 December 2018 and six months ended 30 June 2019, respectively.

As a result, the Group's ownership share in LLC "Steel Property Construction" comprised 12.4% and 25% as at 31 December 2018 and 30 June 2019, respectively. The Group has neither control nor significant influence over the Entity during the periods. The Group's plan is to earn from this investment in the form of dividends, as such classified it as Financial assets at fair value through other comprehensive income.

As at 30 June 2019 and 31 December 2018, none of the financial assets at FVTOCI were pledged.

11. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

In 2018, the Group has started rebranding its logo and renovation of its branches. On 25 December 2018, the management of the Group approved the Budget on reconstruction of branches and the Head office of the Bank.

For the financial year ending 31 December 2019, the Group budgeted to invest UZS 218,026 million on renovation of its branches of which UZS 89,304 million was recorded in CIP as at 30 June 2019:

- UZS 27,371 million on renovation of the Head office;
- UZS 10,002 million on renovation of Chilanzar branch;
- UZS 8,644 million on renovation of Yashnabad branch;
- UZS 6,724 million on renovation of Mirzo Ulugbek branch;
- UZS 3,189 million on construction of Tashkent City), and;
- Others UZS 33,374 million.

12. OTHER ASSETS

	30 June 2019 (unaudited)	31 December 2018
Other financial assets		
Receivable from JSC "Republican Currency Exchange"	51,415	-
Receivables from other banks for Uzcard transfers	5,685	-
Commission income receivable	3,899	4,153
Other receivables	6,516	3,306
Less: Allowance for expected credit losses	(1,171)	(485)
Total other financial assets	**66,344**	**6,974**
Other non-financial assets		
Prepayment for construction of building	199,406	29,142
Prepaid income tax	24,489	5,762
Prepaid expenses and advances	7,157	7,845
Inventory	5,876	139
Prepayments for equipment and property	1,470	813
Repossessed collateral	-	574
Other	3,279	1,673
Less: Provision for impairment	(398)	(309)
Total other non-financial assets	**241,279**	**45,639**
Total other assets	**307,623**	**52,613**

As at 30 June 2019, receivable from JSC "Republican Currency Exchange" includes UZS equivalent of USD 6 million of the customers' funds deposited with JSC "Republican Currency Exchange" to carry out foreign currency conversion, which normally takes 1-2 banking days.

As at 30 June 2019, the prepayment for the construction of a building comprises prepayment to Shanghai Construction company in the amount of UZS 180,045 million equivalent (USD 20.48 million) for construction of building in Tashkent city in accordance with the Decree of Cabinet of Ministers #961 dated 27 November 2018. The construction works have started on 20 June 2019 and expected to be completed by the end of 2021.

13. DUE TO OTHER BANKS

	30 June 2019 (unaudited)	31 December 2018
Long term placements of other banks	465,295	434,827
Short term placements of other banks	377,932	187,535
Correspondent accounts and overnight placements of other banks	71,529	54,338
Total due to other banks	**914,756**	**676,700**

As at 30 June 2019 and 31 December 2018, "Long term placements of other banks" consists of borrowings from National Bank of Uzbekistan and Halk Bank obtained to finance strategic government infrastructural projects.

14. CUSTOMER ACCOUNTS

	30 June 2019 (unaudited)	31 December 2018
State and public organisations		
- Current/settlement accounts	673,909	1,313,514
- Term deposits	1,908,197	560,420
Other legal entities		
- Current/settlement accounts	2,273,337	2,078,622
- Term deposits	357,264	76,529
Individuals		
- Current/demand accounts	463,304	405,623
- Term deposits	796,305	694,468
Total customer accounts	**6,472,316**	**5,129,176**

Economic sector concentrations within customer accounts are as follows:

	30 June 2019 (unaudited)		31 December 2018	
	Amount	%	Amount	%
Public administration	1,947,005	30%	549,218	11%
Individuals	1,259,609	18%	1,100,091	21%
Manufacturing	1,020,073	16%	1,472,136	29%
Mining	294,648	5%	363,430	7%
Oil and gas	265,647	4%	602,301	12%
Finance	251,176	4%	190,245	4%
Services	250,442	4%	108,121	2%
Engineering	228,692	4%	55,663	1%
Trade	215,062	3%	183,992	4%
Construction	186,309	3%	150,062	3%
Communication	178,608	3%	87,489	2%
Energy	118,234	2%	59,299	1%
Transportation	106,529	2%	20,607	0%
Agriculture	77,359	1%	120,156	2%
Medicine	187	0%	709	0%
Other	72,736	1%	65,657	1%
Total customer accounts	**6,472,316**	**100%**	**5,129,176**	**100%**

15. DEBT SECURITIES IN ISSUE

	30 June 2019 (unaudited)			31 December 2018		
	Amount	Interest, %	Maturity, year	Amount	Interest, %	Maturity, year
Bonds	32,061	14-16	2020-2022	42,201	14-16	2019-2022
Certificates of deposit	26,893	3-16	2019-2022	25,540	7-16	2019-2021
Total debt securities issued	**58,954**			**67,741**		

As at 30 June 2019 and 31 December 2018, debt securities in issue are denominated in UZS and do not have any covenants.

16. OTHER BORROWED FUNDS

	30 June 2019 (unaudited)	31 December 2018
International financial institutions:		
The Export-Import Bank of China	4,556,236	4,468,352
China Development Bank	622,763	586,801
International Bank of Reconstruction and Development	665,647	570,042
International Development Association of the World Bank	494,463	485,878
Landesbank Baden-Wurttemberg	338,255	219,093
The Export-Import Bank of Russia	205,040	175,372
Commerzbank AG	494,548	161,308
Asian Development Bank	300,429	151,492
Raiffeisen Bank International AG	244,696	113,023
Gazprombank	163,403	-
ODDO Bank	66,134	-
The Export-Import Bank of Korea	71,451	47,600
Amsterdam Trade Bank N.V.	3,014	-
International Fund for Agricultural Development	2,578	2,737
KfW	2,063	1,749
Financial institutions of Uzbekistan:		
Fund for Reconstruction and Development of Uzbekistan	14,451,114	13,072,873
Long term borrowings from Ministry of finance	1,412,362	1,418,359
Long term borrowings from CBU	22,461	269,238
Preference shares	8,647	8,647
Other	2,045	3,591
Total other borrowed funds	**24,127,349**	**21,756,155**

The borrowing agreements do not stipulate financial covenants except for the agreement with China Development Bank (CDB), The Export-Import Bank of Russia (Rosexim), Gazprombank and Asian Development Bank (ADB), which is provided through subsidiary loans from the Ministry of Finance. The Group is required to comply with certain financial covenants, non-compliance of which may give the lender a right to demand repayment.

In 2017 and 2018, the ADB advanced two loans to the Republic of Uzbekistan (the "**Republic**") in connection with the financing of horticulture projects in Uzbekistan (the "**Project**"). The Republic on-lent a portion of these loans to the Bank under tripartite subsidiary loan agreements No. 3471-UZB dated April 2017 and No. 3673-UZB dated November 2018 between the Republic, the Rural Restructuring Agency and the Bank (the "**Subsidiary Loan Agreements**"). The loan agreements between ADB and the Republic require the Republic to cause the Bank to ensure the maintenance of certain financial covenants throughout the implementation period of the Project. The same financial covenants are included in the Subsidiary Loan Agreements.

As at 30 June 2019, the Bank was not in compliance with the following covenants in the Subsidiary Loan Agreements:
(i) a cost to income ratio;
(ii) a return on average assets ratio; and
(iii) a maximum limit on individual related party exposure.

Under the terms of the Subsidiary Loan Agreements, any non-compliance with such covenants gives the Republic the right to demand prepayment of the loans advanced to the Bank. As at 30 June 2019, in accordance with IFRS, the Bank classified the long-term borrowings from the Republic under the Subsidiary Loan Agreements as "demand and less than 1 month".

The Bank proactively communicated with both ADB and the Republic and established a strategic action plan in relation to financial years 2019-2024 with a view of ensuring compliance with the covenants in the future. On 5 November 2019, ADB issued a letter to the Bank confirming ADB's agreement with the action plan and the fact that ADB remains committed to the Project and to continuing relationships with the Republic under the Project. In addition, on 5 November 2019, the Republic confirmed to the Bank that it would not take any action to demand a prepayment of the loans advanced to the Bank under the Subsidiary Loan Agreements as a consequence of past and/or on-going non-compliance with these covenants.

The Bank believes that non-compliance with these covenants is not expected to adversely affect the financial condition and results of operation of the Group, and in particular its liquidity position. As at 30 June 2019, UZS 299,130 million was outstanding by the Bank under the Subsidiary Loan Agreements.

As a result of implementation of the Presidential Decree #4487 (Note 29), on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group. In addition, the loans and advances to customers in the amount of USD 1,217 million (equivalent to UZS 11,475,320 million as at 1 October 2019) will be transferred back to UFRD within two months from the date of the Decree.

17. OTHER LIABILITIES

	30 June 2019 (unaudited)	31 December 2018
Other financial liabilities		
Trade payables	17,505	3,364
Payable to other creditors	2,129	817
Dividends payable	1,498	1,572
Total other financial liabilities	**21,132**	**5,753**
Other non-financial liabilities		
Unearned income from guarantees and letters of credit	10,849	15,463
Income tax payable	5,477	14,657
Provision for Bank's guarantees and letters of credit	4,710	6,530
Taxes payable other than income tax	3,019	20,944
Payable to employees	236	39,370
Other	2,332	3,255
Total other non-financial liabilities	**26,623**	**100,219**
Total other liabilities	**47,755**	**105,972**

As at 30 June 2019, trade payables comprise for obtained terminals for "Humo" cards in accordance with contract with CBU dated 25 March 2019. Payment will be made upon receipt of the full number of terminals required by the CBU.

18. SHARE CAPITAL

During the six months ended 30 June 2019, there was a capital injection of UZS 292,466 million by the UFRD. The funds were received on 18 January 2019.

19. INTEREST INCOME AND EXPENSE

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Interest income		
Interest income on assets recorded at amortized cost comprises:		
Interest on loans and advances to customers	993,358	577,300
Interest on balances due from other banks	20,856	15,156
Total interest income	**1,014,214**	**592,456**
Interest expense		
Interest expense on liabilities recorded at amortized cost comprises:		
Interest on other borrowed funds	(317,873)	(244,068)
Interest on customer accounts	(125,078)	(44,436)
Interest on balances due to other banks	(58,930)	(15,375)
Interest on debt securities in issue	(4,109)	(3,776)
Total interest expense	**(505,990)**	**(307,655)**
Net interest income before provision on loans and advances to customers	**508,224**	**284,801**

20. FEE AND COMMISSION INCOME AND EXPENSE

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Fee and commission income		
Settlement transactions	102,972	74,799
Foreign currency exchange	21,225	22,139
International money transfers	13,579	8,468
Guarantees issued	12,888	1,496
Services of engineers for conducting control measurements	2,695	4,477
Letters of credit	2,532	2,339
Other	641	-
Total fee and commission income	**156,532**	**113,718**
Fee and commission expense		
Settlement transactions	(21,486)	(9,330)
Cash collection	(12,298)	(10,319)
Foreign currency exchange	(2,147)	(1,434)
Other	(2,134)	(2,121)
Total fee and commission expense	**(38,065)**	**(23,204)**
Net fee and commission income	**118,467**	**90,514**

21. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Staff costs	137,457	107,063
Security services	13,512	9,669
Depreciation and amortisation	11,676	9,929
Stationery and other low value items	6,556	5,147
Membership fees	3,401	4,759
Consultancy fee	4,055	1,071
Taxes other than income tax	3,815	27,686
Advertising expenses	3,260	1,453
Legal and audit fees	2,957	1,046
Rent expenses	2,626	1,256
Travel expenses	2,536	1,832
Communication expenses	2,553	1,350
Utilities expenses	1,757	1,041
Repair and maintenance of buildings	1,710	1,752
Representation and entertainment	1,081	794
Charity expenses	1,065	8,810
Fuel	882	963
Other operating expenses	5,045	6,959
Total administrative and other operating expenses	**205,944**	**192,580**

According to the Presidential Decree #5468 dated 29 June 2018 "On the concept of improvement of tax policy of the Republic of Uzbekistan", significant changes occurred in tax rates:

- mandatory contributions to the State special purpose funds levied on the turnover (revenue) of legal entities at 3.2% was cancelled starting from 1 January 2019;
- Property tax rate reduced from 5% to 2%;

22. INCOME TAXES

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Current income tax expense	34,599	18,248
Deferred tax expense:		
-Deferred tax expense	9,258	15,367
-Deferred tax expense relating to the components of other comprehensive income	1,284	515
Total income tax expense through profit or loss and other comprehensive income	**45,141**	**34,130**

In 2018, corporate income tax rate was 22%. In accordance with the Presidential Decree #4086 dated 26 December 2018 "On the forecast of major macroeconomic indicators and parameters of the State budget of the Republic of Uzbekistan for 2019 and budget guidelines for 2020-2021", the new corporate income tax rate for banks was substantially enacted at 20%, effective from 1 January 2019.

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

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
IFRS profit before tax	**241,043**	**140,284**
Theoretical tax charge at the applicable statutory rate - 20% (2018: 22%)	48,209	30,862
- Non deductible expenses (employee compensation, representation and other non-deductible expenses)	1,598	5,392
- Tax rate difference	(6,793)	(2,944)
- Tax incentives	(40)	(701)
- Tax exempt income	(1,049)	(283)
- Change of tax rate	-	(969)
- Other	1,932	2,258
Income tax expense for the year through profit or loss	**43,857**	**33,615**
Net income tax expense relating to the components of other comprehensive income	1,284	515
Income tax expense through profit or loss and other comprehensive income	**45,141**	**34,130**

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

	30 June 2019 (unaudited)	(Debited)/ credited to profit or loss (unaudited)	Charged to other comprehensive income (unaudited)	31 December 2018	30 June 2018 (unaudited)	(Debited)/ credited to profit or loss (unaudited)	(Debited)/ charged to other comprehensive income (unaudited)	1 January 2018	IFRS 9	31 December 2017
Tax effect of deductible/(taxable) temporary differences										
Cash and cash equivalents	10	(1)	-	11	13	(11)	-	24	24	-
Due from other banks	1,709	929	-	780	163	74	-	89	89	-
Loans and advances to customers	(89,410)	(8,078)	-	(81,332)	(111,910)	(14,643)	-	(97,267)	(37,380)	(59,887)
Property, equipment and intangible assets	120	(115)	-	235	-	328	-	(328)	-	(328)
Financial assets at fair value through other comprehensive income	(468)	-	(1,284)	816	(571)	-	(515)	(56)	946	(1,002)
Investment in associates and subsidiaries	(9,350)	-	-	(9,350)	(2,629)	(188)	-	(2,441)	-	(2,441)
Other assets	(960)	(1,774)	-	814	705	(199)	-	904	95	809
Other liabilities	942	(219)	-	1,161	576	(728)	-	1,304	1,304	-
Net deferred tax liability	**(97,407)**	**(9,258)**	**(1,284)**	**(86,865)**	**(113,653)**	**(15,367)**	**(515)**	**(97,771)**	**(34,922)**	**(62,849)**
Recognised deferred tax asset	2,641	929	-	3,817	1,457	402	-	2,321	2,458	809
Recognised deferred tax liability	(100,048)	(10,187)	(1,284)	(90,682)	(115,110)	(15,769)	(515)	(100,092)	(37,380)	(63,658)
Net deferred tax liability	**(97,407)**	**(9,258)**	**(1,284)**	**(86,865)**	**(113,653)**	**(15,367)**	**(515)**	**(97,771)**	**(34,922)**	**(62,849)**

23. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shares by the weighted average number of ordinary shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

According to the charter of the Group, dividend payments per ordinary share cannot exceed the dividends per share on preferred shares for the same period and the minimum dividends payable to the owners of preference shares comprise not less than 20%. Therefore, net profit for the period is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Profit for the year from continuing operations attributable to ordinary shareholders	195,780	105,263
Profit for the year from continuing operations attributable to preference shareholders	1,406	1,406
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	105,277,260,949	76,042,814,208
Weighted average number of preference shares for the purpose of basic and diluted earnings per share	370,000,000	370,000,000
From continuing operations		
Basic and diluted EPS per ordinary share in UZS	2	1
Basic and diluted EPS per equity component of preference share in UZS	4	4
Total basic and diluted EPS per ordinary share in UZS	**2**	**1**
Total basic and diluted EPS per equity component of preference share in UZS	**4**	**4**

24. COMMITMENTS AND CONTINGENCIES

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

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

The Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, as at 30 June 2019, no provision for potential tax liabilities had been recorded (2018: Nil). The Group estimates that it has no potential obligations from exposure to other than remote tax risks.

Capital expenditure commitments. As at 30 June 2019, the Group had contractual capital expenditure commitments for the total amount of UZS 1,018,599 million in respect of premises and equipment (2018: UZS 16,790 million).

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	30 June 2019 (unaudited)	31 December 2018
Guarantees issued	1,197,027	932,286
Letters of credit, non post-financing	862,623	682,212
Letters of credits, post-financing with commencement after reporting period end	1,949,238	1,542,353
Undrawn credit lines	369,446	77,561
Total gross credit related commitments	**4,378,334**	**3,234,412**
Less - Cash held as security against letters of credit and guarantees	(1,510,290)	(895,798)
Less – Provision for expected credit losses	(4,710)	(6,530)
Total credit related commitments	**2,863,334**	**2,332,084**

The total outstanding contractual amount of letters of credit, guarantees issued and undrawn credit lines does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded.

Operating Environment. Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. During the first half of 2019 and 2018, the government of Uzbekistan remained committed to carry out social-economic reforms started in 2016 and liberalization of the market with an emphasis predominantly on broadening the export potential and improvement of business climate of Uzbekistan to attract foreign direct investment. As a result, laws and regulations, including tax and regulatory frameworks, affecting businesses in Uzbekistan started to change rapidly. The future economic direction of the Republic of Uzbekistan heavily depends on the new fiscal and monetary policies the government plans to adopt during the on-going reforms, together with developments in the legal, regulatory, and political environment.

The Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

25. FAIR VALUE

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

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). The Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires the Management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related profit or loss reported on the consolidated statement of profit or loss, could be material.

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and financial liabilities recognised in the interim condensed consolidated financial information approximate their fair values:

Financial Assets/ Liabilities as at 30 June 2019 (unaudited)	Carrying value	Fair value	Fair value hierarchy	Valuation model(s) and key input(s)	Signifi-cant unobser-vable input(s)	Relationship of unobservable inputs to fair value
Loans and advances to customers	31,278,577	23,172,281	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	N/A	The greater discount- the smaller fair value
Due from other banks	1,455,272	1,285,524	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	N/A	The greater discount- the smaller fair value
Due to other banks	914,756	921,004	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	N/A	The greater discount- the smaller fair value
Customer accounts	6,472,316	6,493,130	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	N/A	The greater discount- the smaller fair value
Other borrowed funds	24,127,349	22,041,804	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value

Starting from 30 June 2019, the Group determines the fair value for some of its financial instruments using the discounted cash flow model and publicly available interest rates published by CBU in the Statistical bulletin, which became available starting from 2019, as a proxy market rate taking into account the risk characteristics (tenor, currency, etc) of the respective financial instruments. Such financial instruments were categorised as Level 2.

For those financial instruments where interest rates were not directly available in the CBU's Statistical bulletin, the Management uses discounted cash flow model by applying market interest rates based on the rates of the deals concluded towards the end of the reporting period, thereby, categorizing such instruments as Level 3.

Financial Assets/ Liabilities as at 31 December 2018	Carrying value	Fair value	Fair value hierarchy	Valuation model(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans and advances to customers	28,020,629	23,130,481	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Due from other banks	812,092	802,125	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Due to other banks	676,700	895,900	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Customer accounts	5,129,176	5,063,919	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Other borrowed funds	21,756,155	21,680,150	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value

As at 31 December 2018, the Group determined the fair value of financial instruments using the discounted cash flow model based on the rates of the deals concluded towards the end of the reporting period. Due to the absence of an active market or observable inputs for instruments with characteristics similar to the Bank's financial instruments, the Management considered the latest rates as the most appropriate input from all available data for calculation of the fair value of financial assets and financial liabilities. Therefore, these long-term financial instruments that are not measured at fair value on a recurring basis but where fair value disclosures are required, are categorised within Level 3.

The fair value of the equity instruments at fair value through other comprehensive income disclosed in note 10 were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities, given they are not traded. Such financial instruments were categorised as Level 3.

26. CAPITAL RISK MANAGEMENT

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

Under the current capital requirements set by the CBU, banks have to maintain ratios of (actual ratios given below are unaudited):

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13% (31 December 2018: 12.5%). Actual ratio as at 30 June 2019: 14.2% (31 December 2018: 13.4%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2018: 9.5%). Actual ratio as at 30 June 2019: 12.5% (31 December 2018: 12.6%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2018: 6%). Actual ratio as at 30 June 2019: 7.4% (31 December 2018: 7%).

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

	30 June 2019 (unaudited)	31 December 2018 (unaudited)
Tier 1 capital	3,087,694	2,570,953
Less: Deductions from capital	(7,051)	(5,705)
Tier 1 capital (adjusted)	**3,080,643**	**2,565,248**
Tier 2 capital	**375,590**	**166,324**
Total regulatory Capital	**3,456,233**	**2,731,572**

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, preference shares, retained earnings excluding current year profit and less intangible assets. The other component of regulatory capital is Tier 2 capital, which includes current year profit.

27. RISK MANAGEMENT POLICIES

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

Credit risk. The Group takes on exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

Off-balance sheet risk. The Group applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages its market risk through risk-based limits established by the Bank Supervisory Board on the value of risk that may be accepted. The risk-based limits are subject to review by the Bank Council on a quarterly basis. Overall Group's position is split between Corporate and Retail banking positions. The exposure of Corporate and Retail banking operations to market risk is managed through the system of limits monitored by the Treasury Department on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Council sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's Treasury Department measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses effect of actual annual appreciation/depreciation of that currency against Uzbekistan Soum to the profit and loss of the Group.

The Group measures its currency risk by:

- Net position on each currency should not exceed 5 % of Group's total equity;
- Total net position on all currencies should not exceed 10 % of Group's total equity.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of reporting period:

Non-derivative monetary assets and monetary liabilities:

30 June 2019 (unaudited)	USD	EUR	Other currencies	UZS	Total
Cash and cash equivalents	1,227,554	27,175	125,393	407,596	**1,787,718**
Due from other banks	673,112	61,901	-	720,259	**1,455,272**
Loans and advances to customers	22,791,949	1,290,956	-	7,195,672	**31,278,577**
Other financial assets	57,353	1,683	-	7,308	**66,344**
Total monetary financial assets	**24,749,968**	**1,381,715**	**125,393**	**8,330,835**	**34,587,911**
Due to other banks	265,474	48,689	29	600,564	**914,756**
Customer accounts	3,064,164	44,213	35,517	3,328,422	**6,472,316**
Debt securities in issue	-	-	-	58,954	**58,954**
Other borrowed funds	21,306,302	1,144,698	-	1,676,349	**24,127,349**
Other financial liabilities	-	-	-	21,132	**21,132**
Total monetary financial liabilities	**24,635,940**	**1,237,600**	**35,546**	**5,685,421**	**31,594,507**
Net Balance sheet position	**114,028**	**144,115**	**89,847**	**2,645,414**	**2,993,404**

31 December 2018	USD	EUR	Other currencies	UZS	Total
Cash and cash equivalents	1,208,088	100,890	81,143	507,012	**1,897,133**
Due from other banks	409,614	115,930	277	286,271	**812,092**
Loans and advances to customers	19,903,401	949,544	-	7,167,684	**28,020,629**
Other financial assets	3,511	2,472	-	991	**6,974**
Total monetary financial assets	**21,524,614**	**1,168,836**	**81,420**	**7,961,958**	**30,736,828**
Due to other banks	63,702	24	26	612,948	**676,700**
Customer accounts	1,827,770	246,142	26,962	3,028,302	**5,129,176**
Debt securities in issue	-	-	-	67,741	**67,741**
Other borrowed funds	19,538,645	785,203	-	1,432,307	**21,756,155**
Other financial liabilities	105	-	-	5,648	**5,753**
Total monetary financial liabilities	**21,430,222**	**1,031,369**	**26,988**	**5,146,946**	**27,635,525**
Net Balance sheet position	**94,392**	**137,467**	**54,432**	**2,815,012**	**3,101,303**

The CBU sets a number of requirements for foreign currency position.

Changes of the possible movement of the currency rates from 2018 to six months ended 2019 were associated with the increase in the volatility of the exchange rate. The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of reporting period, with all other variables held constant:

	Six month period ended 30 June 2019 (unaudited) Impact on profit or loss	At 31 December 2018 Impact on profit or loss
US Dollars strengthening by 20% (31 December 2018: 10%)	22,806	9,439
US Dollars weakening by 20% (31 December 2018: 10%)	(22,806)	(9,439)
EUR strengthening by 20% (31 December 2018: 10%)	28,823	13,747
EUR weakening by 20% (31 December 2018: 10%)	(28,823)	(13,747)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group. Impact on equity would be the same as impact on statement of profit or loss and other comprehensive income.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

30 June 2019 (unaudited)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	248,298	-	-	-	-	-	**248,298**
Due from other banks	5	279,135	3,425	179,748	47,495	317,016	**826,824**
Loans and advances to customers	525,260	1,993,503	2,422,640	14,525,079	4,873,171	6,122,847	**30,462,500**
Total % bearing financial assets	**773,563**	**2,272,638**	**2,426,065**	**14,704,827**	**4,920,666**	**6,439,863**	**31,537,622**
Liabilities							
Due to other banks	70,000	240,715	58,973	36,424	73,569	296,328	**776,009**
Customer accounts	261,209	867,364	436,936	450,259	604,179	441,818	**3,061,765**
Debt securities in issue	553	9,200	17,550	22,360	8,000	-	**57,663**
Other borrowed funds	545,928	388,196	760,020	2,882,605	9,782,260	8,683,207	**23,042,216**
Total financial % bearing liabilities	**877,690**	**1,505,475**	**1,273,479**	**3,391,648**	**10,468,008**	**9,421,353**	**26,937,653**
Net interest sensitivity gap	**(104,127)**	**767,163**	**1,152,586**	**11,313,179**	**(5,547,342)**	**(2,981,490)**	

31 December 2018	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	542,071	-	-	-			**542,071**
Due from other banks	-	108,149	3,336	219,781	48,097	-	**379,363**
Loans and advances to customers	666,568	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	**26,966,364**
Total % bearing financial assets	**1,208,639**	**2,112,976**	**1,795,148**	**11,526,683**	**5,018,840**	**6,225,512**	**27,887,798**
Liabilities							
Due to other banks	100,000	72,460	-	36,525	-	-	**208,985**
Customer accounts	156,076	491,452	357,461	319,514	1,167	287	**1,325,957**
Debt securities in issue	3	22,250	11,200	25,010	8,000	-	**66,463**
Other borrowed funds	401,989	789,964	395,556	2,519,808	7,329,128	9,001,520	**20,437,965**
Total financial % bearing liabilities	**658,068**	**1,376,126**	**764,217**	**2,900,857**	**7,338,295**	**9,001,807**	**22,039,370**
Net interest sensitivity gap	**550,571**	**736,850**	**1,030,931**	**8,625,826**	**(2,319,455)**	**(2,776,295)**	

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	30 June 2019 (unaudited)			
In % p.a.	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	-	2.05	-	-
Due from other banks	3 - 5	0-5	-	-
Loans and advances to customers	0-47.5	0.25-15	0.75-12	
Liabilities				
Due to other banks	0-16	0-4	-	-
Customer accounts:				
-term deposits	1-35	4-17	5-6	5
Debt securities in issue	7.5-16	-	-	-
Other borrowed funds:				
-International Financial Institutions	5-13%	2-6.5	2-5%	-
-Local Financial Institutions	0-16	0-7.2	1	-

	31 December 2018			
In % p.a.	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	-	2.05	-	-
Due from other banks	3.1-5	0-5	-	-
Loans and advances to customers	0-48	0.25-15	0.75-10	-
Liabilities				
Due to other banks	0-16	-	-	-
Customer accounts:				
-term deposits	0-35	4-17	5-6	5
Debt securities in issue	7-16	-	-	-
Other borrowed funds:				
-International Financial Institutions	-	0-6	Euribor+1.6-5	-
-Local Financial Institutions	0-12	0-6	0.5-1	-

Other price risk. The Group is exposed to prepayment risk through providing loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised

cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers. The Group has no significant exposure to equity price risk.

Geographical risk concentration. The geographical concentration of the Group's financial assets and liabilities at 30 June 2019 (unaudited) is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	940,873	843,865	2,980	**1,787,718**
Due from other banks	1,183,383	171,317	100,572	**1,455,272**
Loans and advances to customers	31,278,577	-	-	**31,278,577**
Financial assets at fair value through other comprehensive income	224,374	8,511	-	**232,885**
Other financial assets	59,862	3,870	2,612	**66,344**
Total financial assets	**33,687,069**	**1,027,563**	**106,164**	**34,820,796**
Liabilities				
Due to other banks	908,125	-	6,631	**914,756**
Customer accounts	6,472,316	-	-	**6,472,316**
Debt securities in issue	58,954	-	-	**58,954**
Other borrowed funds	15,896,630	2,546,251	5,684,468	**24,127,349**
Other financial liabilities	21,132	-	-	**21,132**
Total financial liabilities	**23,357,157**	**2,546,251**	**5,691,099**	**31,594,507**
Net balance sheet position	**10,329,912**	**(1,518,688)**	**(5,584,935)**	**3,226,289**
Credit related commitments (Note 24)	**2,863,334**	**-**	**-**	**2,863,334**

The geographical concentration of the Group's financial assets and liabilities at 31 December 2018 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,275,203	614,243	7,687	**1,897,133**
Due from other banks	574,008	237,805	279	**812,092**
Loans and advances to customers	28,020,629	-	-	**28,020,629**
Financial assets at fair value through other comprehensive income	35,473	6,331	-	**41,804**
Other financial assets	3,673	3,210	91	**6,974**
Total financial assets	**29,908,986**	**861,589**	**8,057**	**30,778,632**
Liabilities				
Due to other banks	674,396	-	2,304	**676,700**
Customer accounts	5,129,176	-	-	**5,129,176**
Debt securities in issue	67,741	-	-	**67,741**
Other borrowed funds	14,772,708	1,601,430	5,382,017	**21,756,155**
Other financial liabilities	5,753	-	-	**5,753**
Total financial liabilities	**20,649,774**	**1,601,430**	**5,384,321**	**27,635,525**
Net balance sheet position	**9,259,212**	**(739,841)**	**(5,376,264)**	**3,143,107**
Credit related commitments (Note 24)	**2,332,084**	**-**	**-**	**2,332,084**

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

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

The liquidity management of the Group requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring

balance sheet liquidity ratios against regulatory requirements. The Group calculates liquidity ratios on a monthly basis in accordance with the requirement of the Central Bank of Uzbekistan. These ratios are calculated using figures based on National Accounting Standards.

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

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

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

The undiscounted maturity analysis of financial instruments at 30 June 2019 (unaudited) is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	216,242	271,782	92,173	155,722	182,319	345,706	**1,263,944**
Customer accounts	2,846,919	1,424,870	827,408	557,649	766,121	561,953	**6,984,920**
Debt securities in issue	1,326	13,823	20,583	25,586	9,430	-	**70,748**
Other borrowed funds	705,259	736,617	1,061,873	4,398,289	10,776,593	9,255,342	**26,933,973**
Other financial liabilities	21,132	-	-	-	-	-	**21,132**
Undrawn credit lines	14,843	98,897	154,948	61,334	14,812	24,612	**369,446**
Guarantees issued	1,929	43,298	24,642	-	-	479,491	**549,360**
Letters of credit	23,437	200,885	239,998	664,113	345,441	475,364	**1,949,238**
Total potential future payments for financial obligations	**3,831,087**	**2,790,172**	**2,421,625**	**5,862,693**	**12,094,716**	**11,142,468**	**38,142,761**

The undiscounted maturity analysis of financial instruments at 31 December 2018 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	176,122	100,052	33,031	161,934	159,923	429,359	**1,060,421**
Customer accounts	3,969,697	536,292	386,091	332,108	4,512	418	**5,229,118**
Debt securities in issue	1,992	25,371	14,287	29,272	9,999	-	**80,921**
Other borrowed funds	621,862	1,172,713	707,188	4,346,182	8,059,701	9,860,788	**24,768,434**
Other financial liabilities	5,753	-	-	-	-	-	**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,504	**718,701**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total potential future payments for financial obligations	**4,819,071**	**2,041,356**	**1,204,587**	**6,181,604**	**8,263,238**	**10,973,406**	**33,483,262**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Group does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at 30 June 2019 (unaudited):

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	1,787,718	-	-	-	-	-	**1,787,718**
Due from other banks	326,685	396,214	170,375	197,487	47,495	317,016	**1,455,272**
Loans and advances to customers	1,341,337	1,993,503	2,422,640	14,525,079	4,873,171	6,122,847	**31,278,577**
Financial assets at fair value through other comprehensive income	-	-	-	232,885	-	-	**232,885**
Other financial assets	66,344	-	-	-	-	-	**66,344**
Total financial assets	**3,522,084**	**2,389,717**	**2,593,015**	**14,955,451**	**4,920,666**	**6,439,863**	**34,820,796**
Liabilities							
Due to other banks	208,747	240,715	58,973	36,424	73,569	296,328	**914,756**
Customer accounts	2,824,128	1,364,440	765,532	472,219	604,179	441,818	**6,472,316**
Debt securities in issue	584	10,460	17,550	22,360	8,000	-	**58,954**
Other borrowed funds	653,651	490,452	768,582	3,332,887	10,104,243	8,777,534	**24,127,349**
Other financial liabilities	21,132	-	-	-	-	-	**21,132**
Undrawn credit lines	14,843	98,897	154,948	61,334	14,812	24,612	**369,446**
Guarantees issued	1,929	43,298	24,642	-	-	479,491	**549,360**
Letters of credit	23,437	200,885	239,998	664,113	345,441	475,364	**1,949,238**
Total financial liabilities	**3,748,451**	**2,449,147**	**2,030,225**	**4,589,337**	**11,150,244**	**10,495,147**	**34,462,551**
Net liquidity gap	**(226,367)**	**(59,430)**	**562,790**	**10,366,114**	**(6,229,578)**	**(4,055,284)**	**358,245**
Cumulative liquidity gap	**(226,367)**	**(285,797)**	**276,993**	**10,643,107**	**4,413,529**	**358,245**	

The analysis by remaining contractual maturities may be summarised as follows at 31 December 2018:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	1,897,133	-	-	-	-	-	**1,897,133**
Due from other banks	331,538	212,563	48,210	171,684	48,097	-	**812,092**
Loans and advances to customers	1,720,833	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	**28,020,629**
Financial assets at fair value through other comprehensive income	-	-	-	41,804	-	-	**41,804**
Other financial assets	6,974	-	-	-	-	-	**6,974**
Total financial assets	**3,956,478**	**2,217,390**	**1,840,022**	**11,520,390**	**5,018,840**	**6,225,512**	**30,778,632**
Liabilities							
Due to other banks	169,416	72,460	-	36,525	44,223	354,076	**676,700**
Customer accounts	3,959,295	491,452	357,461	319,514	1,168	286	**5,129,176**
Debt securities in issue	1,281	22,250	11,200	25,010	8,000	-	**67,741**
Other borrowed funds	574,831	951,361	440,822	3,343,437	7,349,138	9,096,566	**21,756,155**
Other financial liabilities	5,753	-	-	-			**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,504	**718,701**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total financial liabilities	**4,754,221**	**1,744,451**	**873,473**	**5,036,594**	**7,431,632**	**10,133,769**	**29,974,140**
Net liquidity gap	**(797,743)**	**472,939**	**966,549**	**6,483,796**	**(2,412,792)**	**(3,908,257)**	**804,492**
Cumulative liquidity gap	**(797,743)**	**(324,804)**	**641,745**	**7,125,541**	**4,712,749**	**804,492**	

The above analysis is based on remaining contractual maturities.

As at 30 June 2019, the Group had a cumulative liquidity shortfall of UZS 285,797 million up to six months, which partially reflects the effects of the decision to classify UZS 299,130 million due to the Republic of Uzbekistan as "demand and less than 1 month" as a result of a breach of certain financial covenants stipulated in the Subsidiary Loan Agreements as discussed in detail in Note 16. Subsequent to 30 June 2019, the Republic of Uzbekistan confirmed to the Bank in writing that it will not take any action to demand prepayment of the loans as a consequence of past and/or ongoing breaches of these Subsidiary Loan Agreements. In addition, as a result of implementation of the Presidential Decree #4487 (Note 29), on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group.

Although the Group does not have the right to use the mandatory deposits held in Central bank of Uzbekistan for the purposes of funding its operating activities, the Management classifies them as demand deposits in the liquidity gap analysis on the basis that their nature is inherently to fund sudden withdrawal of customer accounts.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

The Management believes that in spite of a substantial portion of customer accounts being on demand, the fact that significant portion of these customer accounts are of large state controlled entities which are either the Group's shareholders or its entities under common control and the past experience of the Group, indicate that these customer accounts provide a long-term and stable source of funding for the Group.

As part of liquidity risk management, the Group maintains a contingency plan, periodically reviewed and adjusted, to be able to withstand any unexpected outflow of customers and to respond to financial stress. The contingency plan is developed primarily on the basis of the Group's ability to access the State resources due to its state ownership and strategic importance to the national banking system of the Republic of Uzbekistan.

As at 30 June 2019, the contingency plan of the Group consisted of the following:

- Attraction of long-term deposits of State funds under the Ministry of Finance – Pension Fund, State Deposit Insurance Fund and others;
- Attraction of budgetary funds up to one year through weekly electronic bidding platform run by the State Treasury under the Ministry of Finance;
- Utilization of the CBU's short-term liquidity loans;
- Attraction of deposits from inter-bank money markets within the limits set by the local commercial banks.

The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap as at 30 June 2019 and 31 December 2018.

28. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

- "Significant shareholders" - legal entities-shareholders which have a significant influence to the Group through Government;
- "Senior management" – members of the Management Board and the Council of the Bank.

Details of transactions between the Group and related parties are disclosed below:

30 June 2019 (unaudited)	Significant shareholders	Senior management	Total
Loans and advances to customers	14,393,220	181	**14,393,401**
Customer accounts	1,774,518	1,540	**1,776,058**
Other borrowed funds	16,541,208	-	**16,541,208**
Other liabilities	5,127	-	**5,127**

31 December 2018	Significant shareholders	Senior management	Total
Loans and advances to customers	14,870,027	219	**14,870,246**
Customer accounts	912,552	2,715	**915,267**
Other borrowed funds	14,491,232	-	**14,491,232**
Other liabilities	9,712	543	**10,255**

Six months ended 30 June 2019 (unaudited)	Significant shareholders	Senior management	Total
Interest income	286,659	26	**286,685**
Interest expense	250,771	80	**250,851**
Recovery of provision credit losses on loans and advances to customers	4,011	-	**4,011**
Commission income	28,742	-	**28,742**
Gain from trading in foreign currencies	118	-	**118**
Other income	271	-	**271**
Administrative and other operating expenses	-	1,193	**1,193**

Six months ended 30 June 2018 (unaudited)	Significant shareholders	Senior management	Total
Interest income	253,989	1	**253,990**
Interest expense	174,521	40	**174,561**
Recovery of provision credit losses on loans and advances to customers	205,672	-	**205,672**
Commission income	12,387	-	**12,387**
Gain from trading in foreign currencies	904	-	**904**
Other income	24	-	**24**
Administrative and other operating expenses	-	1	**1**

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Salaries and other benefits	697	465
Bonuses	452	207
Social security contributions	44	79
Total	**1,193**	**751**

The Group enters into transaction with other government related entities in the normal course of business.

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the reporting date, during July-August 2019, the Group received additional funding in the total amount of UZS 206,000 million from the Ministry of Finance, UZS 57,400 million from UFRD under the program of stimulating families to open small businesses in accordance with the Presidential Decrees #4231 and #4172.

A reduction of the Government control in the banking sector of Uzbekistan was determined to be one of the core pillars of the government reforms. As part of these reforms, the Presidential Decree #4487 was issued on 9 October 2019, which, among other initiatives, stipulated a withdrawal of government directed low-margin and subsidized assets out from the State owned banks, including the Group, to improve their return on assets. As part of this Decree, the Group plans to reduce its Other borrowed funds from the Government (UFRD) in the amount of USD 1,217 million (equivalent to UZS 11,475,320 million as at 1 October 2019) by transferring low margin and subsidized loans and advances to customers. In addition, on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group.

On 5 November 2019, a new Law on "Banks and banking activity" has been signed which the management of the Group has started assessing to understand its impact on its activities.

JSCB "UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

Consolidated Financial Statements
and Independent Auditor's Report
For the Years Ended 31 December 2018, 2017 and 2016

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

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JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 and 2016

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" ("the Bank") and its subsidiaries ("the Group") as at 31 December 2018, 2017 and 2016 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

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

The consolidated financial statements of the Group for the years ended 31 December 2018, 2017 and 2016 were approved by the Management on 8 November 2019.

On behalf of the Management Board:

Voitov Aziz
Chairman of the Management Board

8 November 2019
Tashkent, Uzbekistan

Vokhidov Oybek
Chief Accountant

8 November 2019
Tashkent, Uzbekistan

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank"

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at 31 December 2018, 2017 and 2016, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, 2017 and 2016 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Assessment of expected credit losses on loans and advances to customers	
As at 31 December 2018, loans and advances to customers represent UZS 28,020,629 million or 90% of total assets, net of allowance for expected credit losses ("ECL") of UZS 355,862 million assessed on a collective basis and UZS 105,470 million on an individual basis.	We obtained an understanding of the credit risk management processes and ECL assessment and measurement, including identification of events leading to significant increase in credit risk ("SICR") and events of default.
The collective assessment of ECL on loans and advances to customers is associated with the risk of inadequately collected historical data of the Group and its inconsistent application in the ECL models. Specifically, data on loans' maturity dates, outstanding balances, and status of arrears could be incomplete and/or inaccurate, which, as a consequence, could lead to inappropriate assumptions and inputs used in determining the risk factors such as probability of default (PD), loss given default (LGD), and exposure at default (EAD).	We critically assessed the Group's impairment methodologies for compliance with the requirements of IFRS 9. We tested, on a sample basis, the accuracy and completeness of input data and other information used in the models, including principle balances, allocation of loans by days in arrears, and checked other parameters, such as delinquency of interest or principle, restructuring events, existence of litigation processes and statistics for recoveries of loans.
While assessing the ECL on an individual basis, significant assumptions are used in determining whether a significant increase in credit risk or credit impairing events have occurred on loans since their initial recognition (migration between stage 1, 2 and 3). Additionally, the assessment of ECL requires an analysis of financial and non-financial data for estimating the future cash flows under different scenarios weighted for	For collectively assessed loans, we challenged appropriateness of identification of significant increase in credit risk and classification of exposures into stages. For a sample of loans classified as stage 1 and stage 2, we challenged the Group's identification of SICR. For a sample of loans classified as stage 3 we challenged the Group's assessment of credit-impaired classification

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their probabilities. Information used for such analysis includes current financial performance of the borrower, forecasts of the industry trends, collateral value and costs and time required to sell the collateral.

Due to the significance of the loans and advances to customers' balance, the risks associated with the implementation of the new impairment model under IFRS 9 "Financial Instruments" and the complexity and the effect of Management's judgements on the amount of expected credit losses, we identified impairment of loans as a key audit matter.

Refer to Notes 2 and 8 to the consolidated financial statements for the Group's accounting policy and disclosures of expected credit loss allowances.

and whether relevant impairment events had been identified on a timely manner and whether the loans have been appropriately classified to the respective stage. We also analysed the determination of the loss given default used by the Group, including information on sale of collateral, statistics for recoveries of loans and the resultant arithmetical calculations.

For individually significant borrowers, we have challenged the Group's staging results and whether relevant impairment events had been identified on a timely basis, including overdue of interest or principal, restructuring events and certain financial performance indicators, in order to evaluate whether the loans have been appropriately classified to the respective stage.

To check appropriateness of ECL for individually significant loans in stage 3, we reviewed the Group's documentation in relation to credit assessment of the borrowers, challenged assumptions underlying ECL calculation, such as future cash flow projections, the valuation of collateral held and key assumptions applied.

We assessed the accuracy of the disclosures in the financial statements.

Going concern

As discussed in Note 18 to the consolidated financial statements, as at 31 December 2018 the Group had not complied with certain financial covenants of its long-term loan agreements with Asian Development Bank ("ADB") for the total amount of UZS 151,492 million. The Management classified these borrowings as short-term in the consolidated statement of financial position and as on demand in the liquidity analysis. The Group has communicated these breaches to ADB and the remediation action plan is under discussion.

The Bank has concluded that the going concern basis remains appropriate according to actions taken and plans as described in Note 2.

Due to a significant impact of the covenant breaches on the liquidity and financial position of the Bank and pervasiveness of the conclusion on appropriateness of going concern assumption on the financial statements, this area is determined as a key audit matter.

We obtained an understanding of management's processes related to assessment of the Group's ability to continue as a going concern. We focused on evaluating and challenging the reasonableness of the Group's assumptions in respect of its strategic role in governmental programs and the continuing financial support by the Government.

We read the Management's board and the Council meeting minutes and reviewed management's action plan.

As part of the review of the Management's action plan, we analyzed the sources of planned funding from the Government and international financial institutions and checked the status of negotiating and agreeing the terms of financing.

We also assessed the Group's ongoing support from the Government and performed the following procedures:
- we reviewed the Group's participation in the strategically important state programs and checked supporting documentation on eligibility for the Government's financing;
- we also reviewed the Government's plan for the Bank's share capital injections, checked the progress and reviewed relevant supporting documentation.

We analysed the impact of possible downside scenarios on non-state customer base, including the effect of significant withdrawal of deposits. Further, we assessed the Bank's ability to take mitigating actions by attracting additional funding or renegotiating current borrowings with the state and state entities, if required, in advance of any such scenario threatening the compliance with covenants.

We reviewed key loan agreements with regards to the risk of non-compliance with covenants and performed loan covenant recalculations. We also performed critical

analysis of Management forecasts and assessed the possible effects of the immediate loans' settlement.

We checked appropriateness and completeness of the disclosures made in the financial statements in respect of going concern.

Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of an assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the consolidated financial statements, Management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, which constitute the key audit matters included herein.



"Deloitte & Touche" Audit Organisation LLC

License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019

Certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan under #3 dated 14 October 2013

8 November 2019

Tashkent, Uzbekistan

Erkin Ayupov

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

Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central Bank of the Republic of Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018, 2017 AND 2016
(in millions of Uzbek Soums)

	Notes	31 December 2018	31 December 2017	31 December 2016
ASSETS				
Cash and cash equivalents	6	1,897,133	3,059,367	959,586
Due from other banks	7	812,092	669,375	535,769
Loans and advances to customers	8,33	28,020,629	20,360,591	8,568,525
Financial assets at fair value through other comprehensive income	9	41,804	-	-
Investment securities available for sale	9	-	19,864	14,484
Investment securities held to maturity	10	-	-	13,209
Investments in associates	11	587	840	3,471
Premises, equipment and intangible assets	12	200,407	146,933	112,616
Deferred tax asset	25	-	-	28,943
Other assets	13	52,613	31,695	26,408
Non-current assets held for sale	14	813	17,895	45,997
TOTAL ASSETS		**31,026,078**	**24,306,560**	**10,309,008**
LIABILITIES				
Due to other banks	15	676,700	376,560	193,969
Customer accounts	16,33	5,129,176	3,900,334	2,568,972
Debt securities in issue	17	67,741	68,885	78,885
Other borrowed funds	18,33	21,756,155	17,380,160	6,572,295
Deferred tax liability	25	86,865	62,849	-
Other liabilities	19,33	105,972	52,400	40,639
Liabilities directly associated with disposal groups held for sale	14	-	1,991	586
TOTAL LIABILITIES		**27,822,609**	**21,843,179**	**9,455,346**
EQUITY				
Share capital	20	1,884,882	1,460,036	706,385
Treasury shares	20	(1,330)	(2,477)	(4,332)
Retained earnings		1,312,607	996,126	150,122
Revaluation reserve of financial assets at fair value through other comprehensive income (2017 and 2016: Investment securities available for sale)	4	2,261	4,220	1,487
Net assets attributable to the Bank's owners		3,198,420	2,457,905	853,662
Non-controlling interest	29	5,049	5,476	-
TOTAL EQUITY		**3,203,469**	**2,463,381**	**853,662**
TOTAL LIABILITIES AND EQUITY		**31,026,078**	**24,306,560**	**10,309,008**

Approved for issue and signed on behalf of the Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

The notes set out on pages 10 to 75 form an integral part of these consolidated financial statements. 6

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016
(in millions of Uzbek Soums, except for earnings per share which are in Soums)

	Notes	2018	2017	2016
Continuing operations				
Interest income	21,33	1,359,390	745,972	476,046
Interest expense	21,33	(687,788)	(381,282)	(228,358)
Net interest income before provision on loans and advances to customers		671,602	364,690	247,688
(Provision for) / recovery of credit losses on loans and advances to customers	8	(99,526)	50,732	(66,638)
Initial recognition adjustment on interest bearing assets		(6,833)	(3,996)	(1,517)
Net interest income		**565,243**	**411,426**	**179,533**
Fee and commission income	22,33	255,141	201,658	146,911
Fee and commission expense	22	(51,751)	(38,645)	(32,477)
Net (loss)/gain on foreign exchange translation		(25,880)	759,801	57,000
Net gain from trading in foreign currencies		19,528	9,191	4,123
Dividend income		3,261	1,973	1,743
Other operating income	23	3,214	4,286	3,417
Provision for impairment of other assets		(4,078)	(5,888)	(11,853)
Provision for impairment of investment securities available for sale		-	(5,000)	-
Administrative and other operating expenses	24,33	(497,539)	(338,218)	(246,908)
Share of result from associates		(253)	(2,631)	68
Profit before tax		**266,886**	**997,953**	**101,557**
Income tax expense	25	(48,695)	(99,446)	(12,421)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**218,191**	**898,507**	**89,136**
Discontinued operations				
Profit/(loss) for the period from discontinued operations	14	1,205	829	(2,581)
PROFIT FOR THE YEAR		**219,396**	**899,336**	**86,555**
Attributable to:				
- Owners of the Bank		219,823	896,663	86,555
- Non-controlling interest		(427)	2,673	-
PROFIT FOR THE YEAR		**219,396**	**899,336**	**86,555**
Total basic and diluted EPS per ordinary share (expressed in UZS per share	27	**3**	**19**	**2**
Total basic and diluted EPS per equity component of preference share (expressed in UZS per share)	27	**4**	**19**	**4**
PROFIT FOR THE YEAR		**219,396**	**899,336**	**86,555**
Other comprehensive income:				
Items that will not be subsequently reclassified to profit or loss:				
Fair value gain on equity securities at fair value through other comprehensive income (for 2017 and 2016, Items that may be subsequently reclassified to profit or loss: Investment securities available for sale)	9	1,743	3,504	199
Tax effect	25	(349)	(771)	(43)
Other comprehensive income		**1,394**	**2,733**	**156**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**220,790**	**902,069**	**86,711**
Attributable to:				
- Owners of the Bank		221,217	899,396	86,711
- Non-controlling interest		(427)	2,673	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**220,790**	**902,069**	**86,711**

Approved for issue and signed on behalf of Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

The notes set out on pages 10 to 75 form an integral part of these consolidated financial statements.

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016
(in millions of Uzbek Soums)

	Notes	Share capital	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income (2017 and 2016: Investment securities available for sale)	Retained earnings	Non-controlling interest	Total equity
31 December 2015		**706,983**	**(5,027)**	**1,331**	**83,577**	**-**	**786,864**
Profit for the year		-	-	-	86,555	-	**86,555**
Other comprehensive income		-	-	156	-	-	**156**
Total comprehensive income for 2016		-	-	156	86,555	-	**86,711**
Disposal of treasury shares		-	695	-	-	-	**695**
Effect of change in present value of preference shares		(598)	-	-	-	-	**(598)**
Dividends declared		-	-	-	(20,010)	-	**(20,010)**
31 December 2016		**706,385**	**(4,332)**	**1,487**	**150,122**	**-**	**853,662**
Profit for the year		-	-	-	896,663	2,673	**899,336**
Other comprehensive income		-	-	2,733	-	-	**2,733**
Total comprehensive income for 2017		-	-	2,733	896,663	2,673	**902,069**
Shares issued		726,470	-	-	-	-	**726,470**
Disposal of treasury shares		-	1,855	-	-	-	**1,855**
Non-controlling interests arising on the acquisition of subsidiary		-	-	-	-	2,803	**2,803**
Effect of change in present value of preference shares		(266)	-	-	-	-	**(266)**
Dividends declared		27,447	-	-	(50,659)	-	**(23,212)**
31 December 2017		**1,460,036**	**(2,477)**	**4,220**	**996,126**	**5,476**	**2,463,381**
Effect of IFRS 9 adoption on 1 January 2018	4	-	-	(3,353)	127,171	-	**123,818**
Balance at 1 January 2018 (restated under IFRS 9)		**1,460,036**	**(2,477)**	**867**	**1,123,297**	**5,476**	**2,587,199**
Profit for the year		-	-	-	219,823	(427)	**219,396**
Other comprehensive income		-	-	1,394	-	-	**1,394**
Total comprehensive income for 2018		-	-	1,394	219,823	(427)	**220,790**
Shares issued	20	424,846	-	-	-	-	**424,846**
Disposal of treasury shares		-	1,147	-	-	-	**1,147**
Dividends declared		-	-	-	(30,513)	-	**(30,513)**
31 December 2018		**1,884,882**	**(1,330)**	**2,261**	**1,312,607**	**5,049**	**3,203,469**

Approved for issue and signed on behalf of Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

The notes set out on pages 10 to 75 form an integral part of these consolidated financial statements.

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 and 2016
(in millions of Uzbek Soums)

	Notes	2018	2017	2016
Cash flows from operating activities				
Interest received		941,562	267,032	362,495
Interest paid		(346,213)	(22,290)	(155,279)
Fee and commission received		258,394	207,338	142,828
Fee and commission paid		(51,751)	(38,645)	(32,477)
Net gain from trading in foreign currencies		19,528	9,191	4,122
Other operating income received		2,775	10,823	11,517
Staff costs paid		(299,660)	(194,083)	(150,945)
Administrative and other operating expenses paid		(154,546)	(116,132)	(70,143)
Income tax paid		(29,117)	(25,088)	(22,471)
Cash flows from operating activities before changes in operating assets and liabilities		**340,972**	**98,146**	**89,647**
Net (increase)/decrease in due from other banks		(126,428)	994,761	113,147
Net increase in loans and advances to customers		(6,634,702)	(804,242)	(604,358)
Net (increase)/decrease in other assets		(6,637)	41,818	7,697
Net increase/(decrease) in due to other banks		33,155	13,479	(137,340)
Net increase/(decrease) in customer accounts		1,186,114	(360,746)	325,955
Net increase/(decrease) in other liabilities		1,613	(307,640)	(1,074)
Net increase in liabilities directly associated with assets held for sale (or disposal group)		-	-	27
Net cash used in operating activities		**(5,205,913)**	**(324,424)**	**(206,299)**
Cash flows from investing activities				
Acquisition of financial assets at fair value through other comprehensive income		(25,301)	-	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		805	-	-
Acquisition of investment securities available for sale		-	(6,552)	-
Proceeds at maturity of investment securities held to maturity		-	13,000	1,000
Acquisition of premises and equipment		(105,496)	(37,361)	(31,263)
Proceeds from disposal of premises and equipment		1,353	4,789	1,127
Proceeds from disposal of subsidiary, net of disposed cash		3,472	-	7,048
Net cash outflow on acquisition of subsidiary		-	(3,500)	-
Dividend income received		3,261	1,973	1,743
Net cash used in investing activities		**(121,906)**	**(27,651)**	**(20,345)**
Cash flows from financing activities				
Proceeds from borrowings due to other banks		298,033	134,282	-
Repayment of borrowings due to other banks		(31,736)	(31,677)	-
Proceeds from other borrowed funds		6,107,019	1,843,359	557,086
Repayment of other borrowed funds		(2,608,701)	(1,499,851)	(197,873)
Proceeds from debt securities in issue		3,950	-	19,810
Repayment of debt securities in issue		(4,910)	(10,080)	(4,000)
Issue of ordinary shares	20	424,846	726,470	-
Dividends paid		(29,965)	(22,913)	(19,814)
Treasury shares sold		1,147	1,855	695
Net cash from financing activities		**4,159,683**	**1,141,445**	**355,904**
Effect of exchange rate changes on cash and cash equivalents		5,902	1,310,411	23,983
Net increase/(decrease) in cash and cash equivalents		**(1,162,234)**	**2,099,781**	**153,243**
Cash and cash equivalents at the beginning of the year	6	3,059,367	959,586	806,343
Cash and cash equivalents at the end of the year	6	**1,897,133**	**3,059,367**	**959,586**

Approved for issue and signed on behalf of the Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

The notes set out on pages 10 to 75 form an integral part of these consolidated financial statements.

1. INTRODUCTION

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

The Bank was incorporated in 1991 and is domiciled in the Republic of Uzbekistan. It is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under the banking license #17 issued by the Central bank of Uzbekistan ("CBU") on 21 October 2017 (succeeded the licenses #17 issued on 25 January 2003 and #25 issued on 29 January 2005 by the CBU for banking operations and general license for foreign currency operations, respectively).

Principal activity. The Bank's principal activity is commercial banking, retail banking, operations with securities, foreign currencies and origination of loans and guarantees. The Bank accepts deposits from legal entities and individuals and extends loans and transfers payments. The Bank conducts its banking operations from its head office in Tashkent and 45 branches within Uzbekistan as of 31 December 2018 (31 December 2017: 45 branches and 31 December 2016: 44 branches).

The Bank participates in the state deposit insurance scheme, which was introduced by the Uzbek Law #360-II "Insurance of Individual Bank Deposit" on 5 April 2002. On 28 November 2008, the President of Uzbekistan issued the Decree #PD-4057 stating that in case of the withdrawal of a license of a bank, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

As at 31 December 2018, the number of Bank's employees was 3,584 (31 December 2017: 3,850 and 31 December 2016: 3,674).

Registered address and place of business. 3, Sharisabzskaya Street, Tashkent, 100000, Uzbekistan

At 31 December 2018, 2017 and 2016, the Group consolidated the following companies in these consolidated financial statements:

Name	Country of incorporation	The Bank's ownership 2018 %	2017 %	2016 %	Type of operation
Asset Invest Trust, LLC	Uzbekistan	100	100	100	Consulting
PSB Capital, LLC	Uzbekistan	100	-	-	Asset management
PSB Industrial Investments, LLC	Uzbekistan	100	100	100	Asset management
Ferghana Ceramics Industry, LLC	Uzbekistan	-	100	100	Manufacturing
Xorazm Nasli Parranda, LLC	Uzbekistan	57	57	-	Poultry farming

During 2018, the Group sold its subsidiary Ferghana Ceramics Industry LLC on a seven year deferred payment terms. In accordance with the Decree of Cabinet of Ministers of Republic of Uzbekistan #171 dated 3 April 2017, the Group invested UZS 3,500 million for acquisition of shares of newly established subsidiary Xorazm Nasli Parranda LLC.

The table below represents the interest of the shareholders in the Bank's share capital as follows:

Shareholders	31 December 2018	31 December 2017	31 December 2016
The Fund for Reconstruction and Development of the Republic of Uzbekistan	55.78%	63.50%	48.11%
The Ministry of Finance of the Republic of Uzbekistan	30.44%	18.67%	16.22%
Joint Stock Company "Uztransgaz"	2.98%	3.86%	7.72%
Tashmuxamedov Ravshan Irkinovich	1.19%	1.54%	3.08%
Unitary Enterprise "Bukhara oil refinery plant"	1.11%	1.44%	2.88%
Joint Stock Company "Uzbekenergo"	1.09%	1.42%	2.83%
Joint Stock Company "Uzneftmahsulot"	0.99%	1.28%	2.50%
Private limited company "Shurtan gas chemical complex"	0.91%	1.18%	2.36%
Other legal entities and individuals (individually hold less than 1%)	5.51%	7.11%	14.30%
Total	**100%**	**100%**	**100%**

2. SIGNIFICANT ACCOUNTING POLICIES

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

The Group's activities continue to be affected by the uncertainty and instability of the current economic environment, including the reforms of the new government, directed at increasing living standards, incomes, and job opportunities in the Republic of Uzbekistan.

As at 31 December 2018, the Group had a cumulative liquidity shortfall of UZS 324,804 million up to six months (Note 32), which reflects the effects of the decision to classify UZS 151,492 million due to the Republic of Uzbekistan as "demand and less than 1 month" as a result of a breach of certain financial covenants stipulated in the tripartite subsidiary loan agreements between the Republic of Uzbekistan, the Rural Restructuring Agency and the Bank #3471-UZB from April 2017 and #3673-UZB from November 2018 as discussed in detail in Note 18. Subsequent to 31 December 2018, the Republic of Uzbekistan confirmed to the Bank in writing that it will not take any action to demand prepayment of the loans as a consequence of past and/or ongoing breaches of the financial covenants stipulated in these subsidiary loan agreements. In addition, as a result of implementation of the Presidential Decree #4487 (Note 34), on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group.

Management of the Group believes that the Group will be able to continue as a going concern due to:

- Continued ongoing support by the Government of the Republic of Uzbekistan ("the State"). The Group is a state owned bank with the Agency and Fund for Reconstruction and Development of Uzbekistan ("UFRD") as key shareholders, jointly holding 89 % interest in the share capital of the Bank. The Group is a strategic financial institution of the Republic of Uzbekistan, responsible for the development of strategic industries. This continued support is evidenced by a capital injection of UZS 292,467 million by the UFRD according to the share emission #27 dated 25 December 2018. The funds were received on 18 January 2019.

  Moreover, as a result of the successful placement of Inaugural International Sovereign Bond on the London Stock Exchange in February 2019 and in accordance with the Presidential Decree # PD-4258 dated 2 April 2019 the Bank has received long-term deposits from the Ministry of Finance of the Republic of Uzbekistan for the total amount of USD 122,100,000. The funds were received for long-term lending to strategically important projects of the economy of Uzbekistan. In addition, in accordance with the Presidential Decree #PD-4258 dated 2 April 2019 the Group's borrowings from the Ministry of Finance of the Republic of Uzbekistan have been reclassified from other borrowed funds to subordinated debt in the total amount of UZS 523,098 million.

- Subsequent to the reporting date, in accordance with the Presidential Decrees dated 2019, the Group received additional funding in the total amount of UZS 195,142 million and USD 17,146,230 from the Ministry of Finance, UZS 273,713 million from UFRD and UZS 33,859 million from CBU for the development of strategic industries in the Republic of Uzbekistan (total UZS 502,714 million and USD 17,146,230).

- Subsequent to the reporting date, during July-August 2019, the Group received additional funding in the total amount of UZS 206,000 million from the Ministry of Finance, UZS 57,400 million from UFRD under the program of stimulating families to open small businesses in accordance with the Presidential Decrees #4231 and #4172, as described in Note 34;

- As at 31 December 2018, deposits of state entities callable within one year amounted to UZS 1,645,352 million and borrowings from the State and state entities with the same maturity amounted to UZS 754,270 million (total UZS 2,399,622 million). In addition, the State and state entities represent most of the long-term borrowings of the Group (31 December 2018: UZS 13,252,816 million).Given that deposits and borrowings are obtained from the State and state entities, terms of these financial instruments can be renegotiated and restructured, if there is a such necessity;

- Management regularly assesses the stability of its customer accounts funding base, in particular with respect to that of non-state entities, based on past performance and analysis of the events subsequent to the reporting date. Management believes that the customers intend to hold their term deposits with the Group, and that this source of funding will remain at a similar level for the foreseeable future.

The Management is not aware of any circumstances that would question the continuation of the Group and considers that all operations will proceed in the normal course of business, with the Government ("the State") retaining the strategic control for the foreseeable future.

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except for certain financial instruments. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented except for the accounting policies and impact of the adoption of new Standard and Interpretations IFRS 9 Financial Instruments.

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

These consolidated financial statements are presented in millions of Uzbek Soums ("UZS"), unless otherwise indicated.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest, except for:

a) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
b) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date
c) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and its subsidiaries use uniform accounting policies.

Non-controlling interest. Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interest are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Accounting for the effects of hyperinflation. The Republic of Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the statement of financial position date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2007. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, which are effectively share capital and premises and equipment, the amounts expressed in the measuring unit current as at 31 December 2006 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

Associates or joint ventures. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates or joint ventures are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates or joint ventures includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates or joint ventures reduce the carrying value of the investment in associates or joint ventures. Other post-acquisition changes in Group's share of net assets of an associate or a joint venture are recognised as follows: (i) the Group's share of profits or losses of associates or joint ventures is recorded in the consolidated profit or loss for the year as share of result of associates or joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates or joint ventures are recognised in profit or loss within the share of result of associates or joint ventures. However, when the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is 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. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and

(iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 30.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. All investments in equity instruments and contracts on those instruments are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

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

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Accounting for financial assets prior to 1 January 2018.

Financial assets in the scope of IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") are classified as either financial assets at fair value through profit or loss, loans and receivables, investments held to maturity or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets depending on the nature and purpose of the financial assets, which is determined at the time of initial recognition.

Investment securities available for sale. This classification includes investment securities which the Group intends to hold for an indefinite period and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value unless fair value cannot be reliably determined, in which case the investment securities available for sale are carried at cost. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year.

Dividends on available for sale equity instruments are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group has both the intention and ability to hold to maturity. The Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. Investment securities held to maturity are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Group obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of The Management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.
Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Accounting for financial assets from 1 January 2018.

Financial assets in the scope of IFRS 9 "Financial Instruments" ("IFRS 9") are classified as either financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 Financial Instruments ("IFRS 9") are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Retention of an asset to obtain the cash flows stipulated by the contract. This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.

- Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets. This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.

- Retention of an asset for other purposes. Within the framework of this business model, financial assets can be managed with the following purposes:
  - management with a view to selling cash flows through the sale of financial assets;
  - liquidity management to meet daily funding needs;
  - a portfolio, which management and performance is measured on a fair value basis;
  - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- loans and advances to customers classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through other comprehensive income;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss or other comprehensive income.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:
- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading, may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

Equity instruments at fair value through other comprehensive income

The fair value of the equity instruments at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities, given they are not traded.

Debt instruments at amortised cost or at fair value through other comprehensive income ("FVTOCI")

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset. For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

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

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on The Management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

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

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

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Impairment of financial assets
Expected credit loss (ECL) measurement - definitions

ECL is a probability-weighted measurement of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and should be determined by evaluating a range of possible outcomes.

An ECL measurement is based on four components used by the Group:
- Exposure at Default (EAD) - an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- Probability of Default (PD) - an estimate of the likelihood of default to occur over a given time period.

- Loss Given Default (LGD) - an estimate of a loss arising on default. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from any collateral. It usually expressed as a percentage of EAD.
- Discount Rate - a tool to discount an expected loss from the present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Calculation of financial assets impairment was made taking into account the following factors:
- In order to calculate the expected credit losses, the Group performs loan assessment on an individual basis and on a group basis depending on general credit risk features.
- Expected credit losses represent estimates of expected credit losses weighted at probability of a default and calculated as present value of all expected losses in amounts due. Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and the Management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- Assets classified at fair value through profit or loss are not subject to impairment under IFRS 9.

The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

For collective assessment of credit losses, loans and advances to customers are segmented by criteria for determining the transition between Stages 1, 2 and 3. The presence of at least one criterion is sufficient to lead to the change of transaction classifications, reflecting the increase in credit risk.

Stage 1: Loans without significant increase in credit risk (SICR)

- All loans at initial recognition are classified into Stage 1 and remain in Stage 1 until the identification of factors that indicate a significant increase in credit risk, except for acquired or created loan-impaired loans.

Stage 2: Loans with significant increase in credit risk (SICR)

- Loans in which the maximum number of days overdue on principal or interest ranges from 31 days to 90 days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Loans that were credit-impaired (Stage 3) as at the end of the previous quarter due to one or more transition criteria of Stage 3, and which as at the end of the current quarter have signs of Stage 1 or 2;
- Loans that were restructured and repaid 25% of principal from the date of restructuring.
- In the absence of historical information about the number of overdue days for accrued interest, loans for which there is an amount of overdue interest at the end of the current quarter.

Stage 3: Financial asset is in default

- Loans for which the maximum number of overdue days on principal or interest is more than 90 days;
- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU;
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Group and when restructuring occurs at the decision of higher authorities);
- Loans for which there is a court decision or a trial is in progress (loans for which there are court decision dates in the loan portfolio);
- Presence of debt on off-balance sheet accounts for the principal debt and accrued interest in accordance with the Regulation on the Classification Procedure of the CBU and the Regulation on Non-Accrual of Interest of the CBU;
- Loans for which the contract has expired, but the borrower has not fully repaid the debt according to the payment schedule;
- Purchased or created credit impaired financial asset (POCI);

An asset is assessed for impairment on an individual basis if the total debt of the borrower at the reporting date exceeds the materiality level. The level of materiality is determined as 1% of arithmetic average of the Bank's total regulatory capital per National accounting standards for the last two years. If the materiality of the Bank for determining an individually significant asset increases by more than 2 times in the calculation for the next period (fiscal year), then the materiality level for this next period (fiscal year) shall not exceed the Bank's materiality level for the previous period (fiscal year) more than 2 times, and it will be equal to the level of materiality multiplied by 2 (in the case of facts or circumstances that may significantly affect the Bank's estimated materiality level, which, due to these facts or circumstances, may be at an unexpected or atypical level for the corresponding period, for example , large profits or losses of the Bank may occur due to one-time general economic conditions / changes or other external conditions or non-typical operations for the Bank, in this case it is possible to normalize the calculated amount of capital for the relevant period by excluding from the calculation the amount of such gains / losses).
Based on the results of the assessment at each reporting date, questionnaire for each individually significant borrower with the necessary explanations and comments is filled out to identify signs of a significant increase in credit risk and credit impairment. The questionnaire is completed on the basis of the loan portfolio and the information contained in the monitoring reports, and other information in the credit folder.

After determining whether there is evidence of a significant increase in credit risk, as well as impairment, depending on the results of such analysis, the Group classifies the asset in question in one of the following stages:

Stage 1: "Loans with low credit risk"
- All loans at initial recognition are classified in Stage 1 and remain in Stage 1 if no significant increase in the level of credit risk has been identified or until the factors indicating an increase in credit risk have been identified, except for loans acquired or created credit impaired;

Stage 2: "Loans with increased credit risk"
- Breach of contract terms, such as a delay of payment from 31 to 90 calendar days;
- The Bank has information about overdue debts in other credit institutions (if information is available for the Bank) on the principal debt and / or the borrower's remuneration from 31 to 90 calendar days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Actual or expected significant change in the operating results of the borrower. Examples include actual or expected decrease in revenues or margins, increased operational risks, working capital inefficiencies, management problems, or changes in the scale of business or organizational structure (for example, termination of a business segment), which lead to a significant change in the borrower's ability to repay debt liabilities. The criteria is reduction of the financial condition of the borrower by one class. Class of the financial condition of the borrower score based on the calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales profitability
- Actual or expected (based on reasonable and corroborated information) reduction of the borrower's external credit rating by 2 or more notches;
- Reduction of financial support from the state, the parent organization or another affiliated organization;
- Significant deterioration in the quality or condition of the collateral according to the data of the last monitoring report, which is expected to reduce the economic incentive for the borrower to make the scheduled payments stipulated by the contract or otherwise affect the probability of a default. When the security is a guarantee of third parties, significant financial difficulties of the guarantor or surety;
- Existing or projected adverse changes in commercial, financial or economic conditions (actual or expected increase in interest rates or actual or expected increase in unemployment) or actual or expected adverse change in regulatory, economic or technological conditions of the borrower's activity (for example, decrease in demand for the borrower of the product due to changes in technology);
- Borrower who has no evidence of impairment or evidence of a significant increase in credit risk at the reporting date, but who has been classified as credit impaired (in Stage 3) based on the calculation of expected credit loss at the previous reporting date.
- Expected breach of contract that could lead to the provision of exemptions for covenants or amendments to covenants, provision of temporary exemption from interest payments, increase in interest rates, introduction of requirements for additional security or guarantees or other changes to the contractual base of the instrument;
- Reasonable and corroborated information about one or more of the following factors:
  - the presence of uncertainty in respect of continuous operations in the auditor's report of the financial statements of the borrower;
  - involvement in legal proceedings of the borrower (co-borrower), which may worsen its financial condition;
  - violation of covenants 1 or more times within three months before the reporting date;

Stage 3: "Credit-impaired loans"
- Breach of contract terms, such as default or delay of payments for 90 days and more;
- Cross-default, the Bank has information about overdue debts in other credit institutions (if the Bank has information) on the principal debt and / or interest for 90 calendar days or more;

- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU.
- Presence of significant financial difficulties of the borrower. The criteria is reduction of financial condition of the borrower by two or more classes. The class of the financial condition of the borrower is based on calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales margin);
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Bank and when restructuring occurs at the decision of higher authorities);
- Lack of communication with the borrower (co-borrower), as well as the lack of information to determine the financial condition of the borrower (co-borrower) for the last 12 months;
- Decrease in the external credit rating of the borrower to the "CC" rating and below, assigned by the rating agencies Standard & Poor's, Moody's Investors Service and Fitch;
- Write-off of part and / or the entire amount of debt on the principal debt and / or remuneration of the borrower during the previous 2 years;
- Suspension of the accrual of interest on the loan due to the deteriorating financial condition of the borrower (non-accrual status);
- Availability of information about the death of the borrower (co-borrower) of an individual;
- Purchase or creation of a financial instrument with a large discount, which reflects the incurred credit losses;
- The borrower's appeal to the court with a statement of recognition of its bankruptcy or the filing of a claim by a third party to declare the borrower bankrupt in accordance with the legislation of the Republic of Uzbekistan and loans that have a court decision or are in court proceedings (loans that have court decision dates in the loan portfolio);
- Revocation of a license or other title document for the implementation of activities;
- Disappearance of an active market for a given financial asset.

The amount of expected credit losses for loans that are classified in Stage 1 and in Stage 2 is determined on a collective basis.

For each individually significant borrower in Stage 3, one of the following repayment strategies is determined:

- "Restructuring" strategy: restructuring the loan, revising credit conditions and developing an action plan that can allow the borrower to repay the loan;
- Strategy "Realization of collateral": liquidation of a loan by selling collateral.

The choice of the most appropriate strategy is determined based on the individual situation of the borrower, its availability and consent to cooperation, the availability of opportunities to restore activity, production or the possibility of eliminating the causes that caused losses and the inability to service the debt, the availability of funds from other business lines of the borrower, value, condition of pledges regarding debt and other factors.
In the event that the borrower incurs losses and the Bank has no evidence of other sources of income and funds to service the debt, the strategy for selling collateral for the borrower is chosen.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include deposits with the CBU except mandatory reserve deposits held with CBU and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Uzbekistan Soum at 31 December 2006 for assets acquired prior to 1 January 2007, less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period the Management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount and are recognised in profit and loss.

Depreciation. Land and construction in progress are not depreciated. Depreciation of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Building and leasehold improvements	20
Office and computer equipment	5-10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

Intangible assets. The Group's intangible assets have finite useful lives and primarily comprise capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of five years.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Non-current assets classified as held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's Management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell
will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition.

Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at amortised cost.

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

Debt securities in issue. Debt securities in issue include bonds and certificates of deposit issued by the Group. Debt securities are stated at amortised cost.

Other borrowed funds. Other borrowed funds include borrowings from government and non-government funds and financial institutions. Other borrowed funds are carried at amortised cost.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Uncertain tax positions. The Group's uncertain tax positions are reassessed by the Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on the Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Large-scale tax system transformations are taking place in the Republic of Uzbekistan associated with the adoption of the Concept for Improving the Tax Policy of the Republic of Uzbekistan. Its main reforms are implemented in the Tax Code, other regulatory acts, including the annual "budgetary" resolution and entered into force on 1 January 2019.

There were significant changes introduced in tax law of the Republic of Uzbekistan in accordance with the Presidential decree #PD-4086 on "Forecasting the main macroeconomic budget indicators and parameters for 2019 and budget guidelines for 2020-2021" dated 26 December 2018. Corporate income tax for credit organisations has been set at of 20%.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Credit related commitments. The Group issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Trade payable and other liabilities. Trade payables and other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Preference shares which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised as interest expense on an amortised cost basis, using the effective interest method.

Treasury shares. Where the Group or its subsidiaries purchase the Group's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Group until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Group are the basis for profit distribution and other appropriations. Uzbek legislation identifies retained earnings as the basis for profit distribution.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When collection of loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion.

For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

Foreign currency translation. The functional currency of the Group, which is the currency of the primary economic environment in which the Group operates and the presentation currency is the national currency of the Republic of Uzbekistan, Uzbek Soum ("UZS").

Monetary assets and liabilities are translated into Group's functional currency at the official exchange rate of the Central bank of Uzbekistan at the end of respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Group's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

As at 31 December 2018, the rate of exchange used for translating foreign currency balances was USD 1 = UZS 8,339.55 (31 December 2017: USD 1 = UZS 8,120.07 and 31 December 2016: USD 1 = UZS 3,231.48) and EUR 1 = UZS 9479.57 (31 December 2017: EUR 1 = UZS 9,624.72 and 31 December 2016: EUR 1 = UZS 3,419.23).

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

Earnings per share. Preference shares are not redeemable, and are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of participating shares outstanding during the reporting year.

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

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires the Management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting year. The Management evaluates its estimates and judgements on an ongoing basis. The Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk. As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default ("PD").

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

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

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

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

Loss Given Default. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch, Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated, sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

Exposure at Default. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

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

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

Fair value measurement and valuation process. In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to notes 9 and 30 for more details on fair value measurement.

Other borrowed funds. The Group obtains long term financing from government, state and international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets and which may be lower than rates at which the Group could source the funds from local lenders. As a result of this financing, the Group is able to advance funds to specific customers at advantageous rates. The Management has considered whether gains or losses should arise on initial recognition of these instruments and its judgment is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise. In making this judgment the Management also considered that these instruments are a separate market sector.

Recoverability of deferred tax assets. The Management of the Group is confident that no adjustment against deferred tax assets at the reporting date is considered necessary, because it is more than likely that the deferred tax asset will be fully realized.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these consolidated financial statements:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers (and the related Clarifications);
- Amendments to IFRSs Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 40 Transfers of Investment Property;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRS 9 Financial Instruments

In these consolidated financial statements, the Group has applied IFRS 9 for the first time, effective for annual periods beginning on or after 1 January 2018. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective. IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

As such, fiscal 2018 results reflect the adoption of IFRS 9, while prior period reflect results under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in the consolidated statement of changes in equity.

This standard suggests changes in classification principles of financial instruments and replacement of "incurred losses" model applied by IAS 39 with "expected losses" model.

In preparing these consolidated financial statements, the significant judgments made by the Management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017 prepared in accordance with IFRS, except for changes relating to IFRS 9 discussed in Note 3 of the consolidated financial statements.

	IAS 39 Measurement category	As at 31 December 2017, IAS 39 Carrying Amount	Reclassification	Remeasurement	As at 1 January 2018, IFRS 9 Carrying Amount	IFRS 9 Measurement category
Cash and cash equivalents	Loans and receivables	3,059,367	-	(107)	3,059,260	Amortised cost
Due from other banks	Loans and receivables	669,375	-	(403)	668,972	Amortised cost
Loans and advances to customers	Loans and receivables	20,360,591	-	169,909	20,530,500	Amortised cost
Investment securities available for sale	AFS	19,864	(19,864)	-	-	n/a
Financial assets at fair value through other comprehensive income	n/a	-	19,864	(4,299)	15,565	FVOCI
Other financial assets	Loans and receivables	3,126	-	(432)	2,694	Amortised cost
Provisions on commitments and contingencies	n/a	-	-	(5,927)	(5,927)	n/a
Tax effect through retained earnings	n/a	-	-	(35,869)	(35,869)	n/a
Tax effect through OCI	n/a	-	-	946	946	n/a

IFRS 15 Revenue from Contracts with Customers

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortised over the period when the benefits of the contract are consumed. Its adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

When there will be an impact, the Group will apply IFRS 15 using modified retrospective approach with the cumulative effect of initial applying IFRS 15 recognised at 1 January 2018 as an adjustment to the opening balance of retained earnings.

Amendments to IFRSs Annual Improvements to IFRS Standards 2015-2017 Cycle

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration.

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 16 Leases;
- Amendments to IFRS 9 Prepayment Features with Negative Compensation;
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures;
- Amendments to IAS 1 and IAS 8 Definition to Material;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or joint Venture;
- IFRIC 23 Uncertainty over Income Tax Treatments.

The Management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019, (whether it is a lessor or a lessee in the lease contract).

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments discounted using the incremental borrowing rate at the date of initial application - 1 January 2019. The right-of-use assets will initially be recognised at the value of the corresponding lease liability, as the Group will use the simplified approach for contracts previously classified as operating lease. The Group will use weighted average cost of capital as the incremental borrowing rate;
b) Recognise depreciation of right-of-use assets as depreciation expense within "Operating expenses" and interest on lease liabilities within "Interest expense" in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they will result in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be checked for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has started the process of IFRS 16 implementation, but not yet completed. A preliminary assessment indicates that these amendments, will not have a material impact on the amounts recognised in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the financial effect until the management completes the review.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Management of the Group do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements. However, it will carefully consider amendments to IFRS 9 in regards to prepayment features with negative compensation during the SPPI test.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount reauired by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The Management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition to Material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards.

IAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The Management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors'interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Management of the Group anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

The Management of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prespectively.

The Management of the Group do not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

5. SEGMENT REPORTING

The Group's operations are a single reportable segment.

The Group provides mainly banking services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8 "*Operating Segments*" and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker ("CODM") has been determined as the Group's Chairman of the Management Board. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The Management has determined a single operating segment being banking services based on these internal reports.

6. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017	31 December 2016
Cash on hand	456,067	527,258	368,779
Cash balances with the CBU (other than mandatory reserve deposits)	813,180	582,231	244,537
Correspondent accounts and placements with other banks with original maturities of less than three months	627,940	1,949,878	346,270
Less: Allowance for expected credit losses (2017 and 2016: Provision for loan impairment)	(54)	-	-
Total cash and cash equivalents	**1,897,133**	**3,059,367**	**959,586**

The credit quality of cash and cash equivalents at 31 December 2018 is as follows:

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired			
- Central bank of Uzbekistan	813,180	-	**813,180**
- Rated AA to A-	-	613,083	**613,083**
- Rated below A-	-	14,857	**14,857**
Less: Allowance for expected credit losses	(28)	(26)	**(54)**
Total cash and cash equivalents, excluding cash on hand	**813,152**	**627,914**	**1,441,066**

The credit quality of cash and cash equivalents balances is as follows at 31 December 2017:

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired			
- Central bank of Uzbekistan	582,231	-	**582,231**
- Rated A- to A+	-	1,291,509	**1,291,509**
- Rated below A-	-	658,369	**658,369**
Total cash and cash equivalents, excluding cash on hand	**582,231**	**1,949,878**	**2,532,109**

The credit quality of cash and cash equivalents balances is as follows at 31 December 2016:

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired			
- Central bank of Uzbekistan	244,537	-	**244,537**
- Rated A- to A+	-	283,084	**283,084**
- Rated below A-	-	63,186	**63,186**
Total cash and cash equivalents, excluding cash on hand	**244,537**	**346,270**	**590,807**

7. DUE FROM OTHER BANKS

	31 December 2018	31 December 2017	31 December 2016
Mandatory cash balances with CBU	240,488	378,551	227,165
Mandatory reserve with CBU against credit losses	-	-	74,319
Placements with other banks with original maturities of more than three months	334,145	89,448	10,314
Restricted cash	242,270	201,376	223,971
Less: Allowance for expected credit losses (2017 and 2016:Provision for loan impairment)	(4,811)	-	-
Total due from other banks	**812,092**	**669,375**	**535,769**

Restricted cash represents balances on correspondent accounts with foreign banks placed by the Group on behalf of its customers. The Group does not have the right to use these funds for the purpose of funding its own activities.

In accordance with the Presidential decree #PP-3270 dated 12 September 2018, the requirement for mandatory reserves with CBU against credit losses was terminated.

Analysis by credit quality of due from other banks outstanding at 31 December 2018 is as follows:

	Mandatory cash balances with CBU	Placements with other banks with original maturities of more than three months	Restricted cash	Total
Neither past due nor impaired				
- Central bank of Uzbekistan	240,488	-	-	**240,488**
- Rated AA to A-	-	-	237,820	**237,820**
- Rated below A-	-	334,145	4,450	**338,595**
Less: Allowance for expected credit losses	(8)	(4,709)	(94)	**(4,811)**
Total due from other banks	**240,480**	**329,436**	**242,176**	**812,092**

Analysis by credit quality of due from other banks outstanding at 31 December 2017 is as follows:

	Mandatory cash balances with CBU	Placements with other banks with original maturities of more than three months	Restricted	Total
Neither past due nor impaired				
- Central bank of Uzbekistan	378,551	-	-	**378,551**
- Rated A- to A+	-	-	39,253	**39,253**
- Rated below A-	-	89,448	162,123	**251,571**
Total due from other banks	**378,551**	**89,448**	**201,376**	**669,375**

Analysis by credit quality of due from other banks outstanding as at 31 December 2016 is as follows:

	Mandatory cash balances with CBU	Mandatory reserve with CBU against credit losses	Placements with other banks with original maturities of more than three months	Restricted cash	Total
Neither past due nor impaired					
- Central bank of Uzbekistan	227,165	74,319	-	-	**301,484**
- Rated A- to A+	-	-	-	35,292	**35,292**
- Rated below A-	-	-	10,314	188,679	**198,993**
Total due from other banks	**227,165**	**74,319**	**10,314**	**223,971**	**535,769**

Mandatory deposits with the CBU include non-interest bearing reserves against client deposits. The Group does not have the right to use these deposits for the purposes of funding its own activities.

8. LOANS AND ADVANCES TO CUSTOMERS

The Bank uses the following classification of loans:

- Loans to state and municipal organisations - loans issued to clients wholly owned by the Government of the Republic of Uzbekistan and budget organisations;
- Corporate loans - loans issued to clients other than government entities and private entrepreneurs;
- Loans to individuals - loans issued to individuals for consumption purposes, for the purchase of residential houses and flats and loans issued to private entrepreneurs without forming legal entity.

Loans and advances to customers comprise:

	31 December 2018	31 December 2017	31 December 2016
State and municipal organisations	20,614,186	18,092,489	7,553,316
Corporate loans	6,193,791	2,084,143	1,031,319
Loans to individuals	1,673,984	722,239	269,528
Total loans and advances to customers, gross	**28,481,961**	**20,898,871**	**8,854,163**
Less: Allowance for expected credit losses (2017 and 2016: Provision for loan impairment)	(461,332)	(538,280)	(285,638)
Total loans and advances to customers	**28,020,629**	**20,360,591**	**8,568,525**

As at 31 December 2018, loans and advances include finance lease receivables of UZS 198,327 million (31 December 2017 and 2016: UZS 3,338 million and UZS 10,192 million) before allowance for expected credit losses (2017 and 2016: Provision for loan impairment).

Loans and advances to customer's classification by stages:

	31 December 2018	31 December 2017	31 December 2016
Originated loans to customers	28,468,512	20,898,869	8,854,163
Overdrafts	13,449	2	-
Total loans and advances to customers, gross	**28,481,961**	**20,898,871**	**8,854,163**
Stage 1	24,580,970	n/a	n/a
Stage 2	3,341,788	n/a	n/a
Stage 3	559,203	n/a	n/a
Total loans and advances to customers, gross	**28,481,961**	**20,898,871**	**8,854,163**
Less: Allowance for expected credit losses (2017 and 2016: Provision for loan impairment)	(461,332)	(538,280)	(285,638)
Total loans and advances to customers	**28,020,629**	**20,360,591**	**8,568,525**

The tables below analyze information about significant changes in the gross carrying amount of loans and advances to customers during the year:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amount as at 1 January 2018	**18,989,527**	**1,669,228**	**240,116**	**20,898,871**
Changes in the gross carrying amount				
- Transfer from stage 1	(2,653,541)	2,122,886	530,655	-
- Transfer from stage 2	109,082	(164,294)	55,212	-
- Transfer from stage 3	12,204	23,722	(35,926)	-
- Changes due to modifications that did not result in derecognition	(3,672,300)	(255,641)	(154,027)	**(4,081,968)**
New assets issued or acquired	12,567,821	-	-	**12,567,821**
Matured or derecognized assets (except for write off)	(1,224,354)	(124,927)	(68,874)	**(1,418,155)**
Written off assets	-	-	(22,778)	**(22,778)**
Foreign exchange differences	452,531	70,814	14,825	**538,170**
Gross carrying amount as at 31 December 2018	**24,580,970**	**3,341,788**	**559,203**	**28,481,961**
Loss allowance for ECL as at 31 December 2018	(175,253)	(70,747)	(215,332)	**(461,332)**
Total loans and advances to customers	**24,405,717**	**3,271,041**	**343,871**	**28,020,629**

The tables below analyze information about significant changes in the expected credit loss of loans and advances to customers during the year:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance for ECL as at 1 January 2018	**229,911**	**29,450**	**109,010**	**368,371**
Changes in the gross carrying amount				
- Transfer from stage 1	(156,459)	32,441	124,018	-
- Transfer from stage 2	12,678	(17,574)	4,896	-
- Transfer from stage 3	8,801	7,740	(16,541)	-
- Changes due to modifications that did not result in derecognition	(22,108)	21,205	43,057	**42,154**
New assets issued or acquired	107,882	-	-	**107,882**
Matured or derecognized assets (except for write off)	(8,719)	(3,830)	(37,961)	**(50,510)**
Recovery of assets previously written off	-	-	7,977	**7,977**
Written off assets	-	-	(22,778)	**(22,778)**
Foreign exchange differences	3,267	1,315	3,654	**8,236**
Loss allowance for ECL as at 31 December 2018	**175,253**	**70,747**	**215,332**	**461,332**

The movement in the provision for impairment of loans and advances to customers for 2017 and 2016 is presented in the below table:

	State and municipal organisations	Corporate loans	Loans to individuals	Total
31 December 2015	**142,259**	**42,105**	**6,713**	**191,077**
Provision for/(recovery of) impairment during the year	21,276	45,736	(374)	**66,638**
Amounts written off during the year as uncollectible	-	(20,981)	(45)	**(21,026)**
Recovery of assets previously written off	-	25,982	-	**25,982**
Effect of foreign exchange translation difference	17,100	5,061	806	**22,967**
31 December 2016	**180,635**	**97,903**	**7,100**	**285,638**
Recovery of impairment during the year	(43,643)	(7,064)	(25)	**(50,732)**
Amounts written off during the year as uncollectible	-	(4,910)	-	**(4,910)**
Recovery of assets previously written off	7,891	-	-	**7,891**
Effect of foreign exchange translation difference	204,866	80,193	15,334	**300,393**
31 December 2017	**349,749**	**166,122**	**22,409**	**538,280**

Economic sector risk concentrations within the loans and advances to customer are as follows:

	31 December 2018		31 December 2017		31 December 2016	
	Amount	%	Amount	%	Amount	%
Oil and gas & chemicals	14,152,593	50%	13,641,447	65%	3,833,019	43%
Energy	4,633,970	16%	2,955,984	14%	1,190,833	13%
Manufacturing	3,429,674	12%	1,114,429	5%	2,024,878	23%
Transport and communication	1,677,406	6%	1,307,339	6%	775,850	9%
Individuals	1,673,984	6%	722,239	4%	269,528	3%
Agriculture	1,010,762	4%	281,133	1%	146,496	2%
Trade and Services	1,370,942	5%	544,825	3%	357,439	4%
Construction	532,630	1%	331,475	2%	256,120	3%
Total loans and advances to customers, gross	**28,481,961**	**100%**	**20,898,871**	**100%**	**8,854,163**	**100%**
Less: Allowance for expected credit losses (2017 and 2016: Provision for loan impairment)	(461,332)		(538,280)		(285,638)	
Total loans and advances to customers	**28,020,629**		**20,360,591**		**8,568,525**	

As at 31 December 2018, the Group granted loans to 7 (31 December 2017: 7 and 31 December 2016: 9) borrowers in the amount of UZS 18,563,205 million (31 December 2017: UZS 16,223,656 million and 31 December 2016: UZS 6,813,491 million), which individually exceeded 10% of the Group's equity.

Information about collateral as at 31 December 2018, 2017 and 2016 are as follows:

31 December 2018	State and municipal organisations	Corporate loans	Loans to individuals	Total
Loans collateralised by:				
State guarantee	13,455,000	-	-	**13,455,000**
Letter of surety	3,714,688	2,468,354	641,093	**6,824,135**
Real estate	1,509,079	2,182,677	761,336	**4,453,092**
Equipment	1,097,279	886,819	-	**1,984,098**
Equity securities	615,667	-	-	**615,667**
Vehicles	103	311,120	122,072	**433,295**
Insurance policy	6,651	186,643	148,724	**342,018**
Inventory and receivables	134,722	104,900	-	**239,622**
Cash deposits	11	53,278	704	**53,993**
Not collateralized	80,986	-	55	**81,041**
Total loans and advances to customers, gross	**20,614,186**	**6,193,791**	**1,673,984**	**28,481,961**
Less: Allowance for expected credit losses	(144,489)	(314,521)	(2,322)	**(461,332)**
Total loans and advances to customers	**20,469,697**	**5,879,270**	**1,671,662**	**28,020,629**

31 December 2017	State and municipal organisations	Corporate loans	Loans to individuals	Total
Loans collateralised by:				
State guarantee	12,092,104	-	-	**12,092,104**
Letter of surety	2,886,266	571,604	227,990	**3,685,860**
Real estate	1,447,604	1,028,992	482,619	**2,959,215**
Equipment	1,016,312	247,340	-	**1,263,652**
Equity securities	604,198	-	-	**604,198**
Vehicles	6,341	115,395	4,416	**126,152**
Insurance policy	2,242	109,734	6,741	**118,717**
Inventory and receivables	33,555	9,412	-	**42,967**
Cash deposits	3,867	1,666	473	**6,006**
Total loans and advances to customers, gross	**18,092,489**	**2,084,143**	**722,239**	**20,898,871**
Less: Provision for loan impairment	(349,749)	(166,122)	(22,409)	**(538,280)**
Total loans and advances to customers	**17,742,740**	**1,918,021**	**699,830**	**20,360,591**

31 December 2016	State and municipal organisations	Corporate loans	Loans to individuals	Total
Loans collateralised by:				
State guarantee	4,814,775	5,027	-	**4,819,802**
Letter of surety	1,075,330	273,853	111,712	**1,460,895**
Real estate	576,449	458,792	147,444	**1,182,685**
Equipment	701,709	158,311	-	**860,020**
Equity securities	236,382	-	-	**236,382**
Inventory and receivables	136,424	1,768	-	**138,192**
Vehicles	9,061	65,571	4,677	**79,309**
Insurance policy	-	63,059	1,619	**64,678**
Cash deposits	3,186	4,938	4,076	**12,200**
Total loans and advances to customers, gross	**7,553,316**	**1,031,319**	**269,528**	**8,854,163**
Less: Provision for loan impairment	(180,635)	(97,903)	(7,100)	(285,638)
Total loans and advances to customers	**7,372,681**	**933,416**	**262,428**	**8,568,525**

Analysis by credit quality of loans and advances to customers that are collectively and individually assessed for impairment as at 31 December 2018, 2017 and 2016 are as follows:

31 December 2018	State and municipal organisations	Corporate loans	Loans to individuals	Total
Loans assessed for impairment on a collective basis (gross):				
Not past due loans	20,563,999	5,703,413	1,656,456	**27,923,868**
Past due loans				
- less than 30 days overdue	1,044	153,237	6,141	**160,422**
- 31 to 90 days overdue	18,549	109,076	7,788	**135,413**
- 91 to 180 days overdue	997	29,399	1,920	**32,316**
- 181 to 360 days overdue	1,135	10,850	1,287	**13,272**
- over 360 days overdue	1,559	5,153	392	**7,104**
Total loans assessed for impairment on a collective basis, gross	**20,587,283**	**6,011,128**	**1,673,984**	**28,272,395**
Loans individually determined to be impaired (gross):				
Not past due loans	26,903	68,688	-	**95,591**
Restructured loans	-	87,486	-	**87,486**
Past due loans				
- 31 to 90 days overdue	-	26,489	-	**26,489**
Total loans individually determined to be impaired, gross	**26,903**	**182,663**	**-**	**209,566**
- Impairment provisions for individually impaired loans	(781)	(104,689)	-	**(105,470)**
- Impairment provisions assessed on a collective basis	(143,708)	(209,832)	(2,322)	**(355,862)**
Less: Allowance for expected credit losses	**(144,489)**	**(314,521)**	**(2,322)**	**(461,332)**
Total loans and advances to customers	**20,469,697**	**5,879,270**	**1,671,662**	**28,020,629**

31 December 2017	State and municipal organisations	Corporate loans	Loans to individuals	Total
Loans assessed for impairment on a collective basis (gross):				
Not past due loans	**17,509,693**	**1,710,615**	**721,312**	**19,941,620**
Past due loans				
- less than 30 days overdue	-	5,786	759	**6,545**
- 31 to 90 days overdue	11,198	3,380	-	**14,578**
- 91 to 180 days overdue	811	15,306	90	**16,207**
- 181 to 360 days overdue	-	100	78	**178**
- over 360 days overdue	-	8,493	-	**8,493**
Total loans assessed for impairment on a collective basis, gross	**17,521,702**	**1,743,680**	**722,239**	**19,987,621**
Loans individually determined to be impaired (gross):				
Past due loans				
- less than 30 days overdue	505,251	146,380	-	**651,631**
- 31 to 90 days overdue	65,536	169,305	-	**234,841**
- 91 to 180 days overdue	-	11,509	-	**11,509**
Restructured loans				
- 181 to 360 days overdue	-	13,269	-	**13,269**
Total loans individually determined to be impaired, gross	**570,787**	**340,463**	**-**	**911,250**
- Impairment provisions for individually impaired loans	(148,434)	(106,004)	-	**(254,438)**
- Impairment provisions assessed on a collective basis	(201,315)	(60,118)	(22,409)	**(283,842)**
Less: Provision for loan impairment	**(349,749)**	**(166,122)**	**(22,409)**	**(538,280)**
Total loans and advances to customers	**17,742,740**	**1,918,021**	**699,830**	**20,360,591**

31 December 2016	State and municipal organisations	Corporate loans	Loans to individuals	Total
Loans assessed for impairment on a collective basis (gross):				
Not past due loans	**7,519,087**	**952,423**	**269,131**	**8,740,641**
Past due but not impaired:				
- less than 30 days overdue	1,227	13,439	332	**14,998**
- 31 to 90 days overdue	896	3,496	65	**4,457**
- 91 to 180 days overdue	14,566	933	-	**15,499**
- 181 to 360 days overdue	-	267	-	**267**
- over 360 days overdue	-	26	-	**26**
Total loans assessed for impairment on a collective basis, gross	**7,535,776**	**970,584**	**269,528**	**8,775,888**
Loans individually determined to be impaired (gross):				
- less than 30 days overdue	17,540	33,384	-	**50,924**
- 31 to 90 days overdue	-	27,351	-	**27,351**
Total loans individually determined to be impaired, gross	**17,540**	**60,735**	**-**	**78,275**
- Impairment provisions for individually impaired loans	(3,736)	(54,184)	-	**(57,920)**
- Impairment provisions assessed on a collective basis	(176,899)	(43,719)	(7,100)	**(227,718)**
Less: Provision for loan impairment	**(180,635)**	**(97,903)**	**(7,100)**	**(285,638)**
Total loans and advances to customers	**7,372,681**	**933,416**	**262,428**	**8,568,525**

The components of net investment in finance lease as at 31 December 2018, 2017 and 2016 are as follows:

	31 December 2018	31 December 2017	31 December 2016
Not later than one year	37,973	2,371	10,282
From one year to five years	267,030	1,911	2,807
More than five years	-	-	654
Minimum lease payments	**305,003**	**4,282**	**13,743**
Less: unearned finance income	(106,676)	(944)	(3,551)
	198,327	**3,338**	**10,192**
Less: Allowance for expected credit losses (2017 and 2016: Provision for loan impairment)	(1,742)	(606)	(2,288)
Net investment in finance lease	**196,585**	**2,732**	**7,904**
Current portion	4,670	1,335	6,942
Long-term portion	191,915	1,397	962
Net investment in finance lease	**196,585**	**2,732**	**7,904**

As at 31 December 2018, finance lease receivables include three lease agreements for the total amount of UZS 185,000 million (31 December 2017 and 2016: nil) with one-year grace period for repayment of principal amounts.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (IAS 39 - INVESTMENT SECURITIES AVAILABLE FOR SALE)

	Ownership	31 December 2018	31 December 2017	31 December 2016
LLC "Steel Property Construction"	12.4%	24,938	-	-
Visa Inc.	0.0%	6,331	5,397	1,470
JSC "Republican Currency Exchange"	11.1%	5,739	496	496
JSC "Republican Commodity Exchange"	2.4%	1,473	393	393
JSC "Qurilishmashlizing"	8.8%	1,243	1,500	1,500
JSCB "Agrobank"	0.1%	1,194	1,354	-
JSC "UzMed-Leasing"	16.7%	421	275	338
LLC "Xojayli Agrosanoat markazi"	25.0%	125	116	-
JSCB "Microcreditbank"	0.5%	-	3,206	3,206
JSC "Tashkent" Stock Exchange	6.3%	-	3,043	3,043
LLC "Ishonch"	14.1%	-	1,681	1,598
JSC "Chilonzor buyum bozori"	5.4%	-	1,523	1,523
JSC "Qizilqumsement"	0.0%	-	707	707
Other	3.2-7.7%	340	173	210
Total financial assets at FVTOCI (2017 and 2016: Investment securities AFS)		**41,804**	**19,864**	**14,484**

As at 31 December 2018, the financial assets at FVTOCI (as at 31 December 2017 and 2016 Investment securities available for sale) other than Visa Inc., include equity securities and equity investments, registered in Uzbekistan and not actively traded. Due to the nature of the local financial markets, it is not possible to obtain current market value for these investments. Some of the investees have not published recent financial information about their operations; recent trade prices of shares are not publicly accessible.

As at 31 December 2018, Visa Inc. is measured using level 1 hierarchy and investment securities other that Visa Inc. are measured using level 3 hierarchy of fair value measurement.

Starting from 1 January 2018 the fair value of the financial assets at fair value through other comprehensive income (carried at cost as at 31 December 2017 and 2016) were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities. A significant unobservable input used in determining the fair value of financial assets at FVTOCI is WACC. The higher the WACC the lower the fair value of the financial assets at FVTOCI.

As at 1 January 2018 and 31 December 2018, the revaluation reserve of financial assets at fair value through other comprehensive income amounted to UZS 1,111 million less tax effect of UZS 244 million and UZS 2,826 million less tax effect of UZS 565 million, respectively.

The Group considers the fair value of equity securities in JSCB "Microcreditbank", JSC "Tashkent" Stock Exchange, LLC "Ishonch" and JSC "Chilonzor buyum bozori" as at 1 January 2018 at nil as it received dividends less than 1% or did not receive any during the last 3 years.

LLC "Steel Property Construction" was acquired by LLC "PSB Capital" as at 31 December 2018.
As at 31 December 2018, none of the financial assets at FVTOCI (2017 and 2016: Investment securities AFS) were pledged.

During 2017, the Group acquired shares of the Guarantee Fund for Development of Small Business for the amount of UZS 5,000 million with full subsequent impairment during the year.

The table below represents the movement of Financial assets at FVTOCI for the year ended 31 December 2018:

	31 December 2017	Effect of IFRS 9 adoption	as at 1 January 2018 (restated)	Additions	Disposal	FV Adjust-ments 2018	31 December 2018
Financial assets at FVTOCI (2017: Investment securities AFS)	**19,864**	(4,299)	**15,565**	25,301	(805)	1,743	**41,804**

10. INVESTMENT HELD TO MATURITY

	Credit rating	Maturity	Nominal interest rate	31 December 2018	31 December 2017	31 December 2016
JSC "Asaka bank"	- B+(S&P)	4 Feb 2017	8%	-	-	10,000
JSC "Trast bank"	- B+(Fitch)	8 Dec 2017	9%	-	-	2,000
JSC "Ipoteka bank"	- B+(S&P)	21 Dec 2017	11-12%	-	-	1,209
Total investment securities held to maturity				**-**	**-**	**13,209**

The debt securities are not collateralised. The primary factor the Group considers in determining whether a debt security is impaired is the overdue status of coupon payments.

11. INVESTMENTS IN ASSOCIATES

Name	Principal activity	Country	Ownership interest and carrying amount of investment 31 December 2018		31 December 2017		31 December 2016	
"Qurilish Lizing" LLC	Leasing	Uzbekistan	46.77%	587	46.77%	840	46.77%	3,471
Total investment in associates				**587**		**840**		**3,471**

Summarized financial information in respect of the Group's associate is set out below.

"Qurilish Lizing" LLC	31 December 2018	31 December 2017	31 December 2016
Current assets	2,186	1,626	3,763
Non-current assets	4,083	4,381	7,034
Current liabilities	(1,194)	(266)	(1,492)
Non-current liabilities	(3,820)	(3,945)	(1,883)

	2018	2017	2016
Revenue	456	2,348	2,493
Net loss for the year	(540)	(5,626)	146
Total comprehensive loss for the year	(540)	(5,626)	146

Reconciliation of the above summarised financial information to the carrying amount of the interest in "Qurilish Lizing" LLC recognised in the consolidated financial statements:

	31 December 2018	31 December 2017	31 December 2016
Net assets of the associate	1,255	1,796	7,422
Proportion of the Group's ownership interest	46.77%	46.77%	46.77%
Carrying amount of the Group's Interest in "Qurilish Lizing" LLC	**587**	**840**	**3,471**

12. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and Premises	Office and computer equipment	Construction in progress	Total premises and equipment	Intangible assets	Total
Carrying amount as at 1 January 2016	**47,306**	**24,753**	**16,476**	**88,535**	**2,589**	**91,124**
Additions	2,440	20,736	12,283	35,459	34	**35,493**
Disposals (net of depreciation)	(7)	(55)	(8)	(70)	-	**(70)**
Reclassification	3,520	(29)	(3,319)	172	(172)	**-**
Depreciation/ amortization charge	(3,885)	(9,194)	-	(13,079)	(852)	**(13,931)**
Carrying amount as at 31 December 2016	**49,374**	**36,211**	**25,432**	**111,017**	**1,599**	**112,616**
Cost as at 31 December 2016	71,482	91,418	25,432	188,332	9,338	**197,670**
Accumulated depreciation/amortisation	(22,108)	(55,207)	-	(77,315)	(7,739)	**(85,054)**
Carrying amount as at 31 December 2016	**49,374**	**36,211**	**25,432**	**111,017**	**1,599**	**112,616**
Additions	25,531	21,144	7,323	53,998	123	**54,121**
Disposals (net of depreciation)	(1,275)	(378)	(25)	(1,678)	(8)	**(1,686)**
Transfers	22,908	-	(22,908)	-	-	**-**
Depreciation/ amortization charge	(4,512)	(12,891)	-	(17,403)	(715)	**(18,118)**
Carrying amount as at 31 December 2017	**92,026**	**44,086**	**9,822**	**145,934**	**999**	**146,933**
Cost as at 31 December 2017	118,327	109,748	9,822	237,897	9,430	**247,327**
Accumulated depreciation/amortization	(26,301)	(65,662)	-	(91,963)	(8,431)	**(100,394)**
Carrying amount as at 31 December 2017	**92,026**	**44,086**	**9,822**	**145,934**	**999**	**146,933**
Additions	-	36,119	39,312	75,431	665	**76,096**
Disposals (net of depreciation)	(152)	(648)	(101)	(901)	(13)	**(914)**
Transfers	14,086	-	(14,086)	-	-	**-**
Depreciation/ amortization charge	(6,516)	(14,688)	-	(21,204)	(504)	**(21,708)**
Carrying amount as at 31 December 2018	**99,444**	**64,869**	**34,947**	**199,260**	**1,147**	**200,407**
Cost as at 31 December 2018	132,205	142,389	34,947	309,541	10,024	**319,565**
Accumulated depreciation/amortization	(32,761)	(77,520)	-	(110,281)	(8,877)	**(119,158)**
Carrying amount as at 31 December 2018	**99,444**	**64,869**	**34,947**	**199,260**	**1,147**	**200,407**

As at 31 December 2018, 2017 and 2016, included in premises and equipment were fully depreciated assets totaling UZS 37,129 million, UZS 29,454 and UZS 20,984 million, respectively.

As at 31 December 2018, 2017 and 2016, fixed assets in the warehouse are included in office and computer equipment category in the amount of UZS 12,202 million, UZS 1,896 million and 1,562 million, respectively.

As at 31 December 2018, 2017 and 2016, premises and equipment of the Group were not pledged.

13. OTHER ASSETS

	31 December 2018	31 December 2017	31 December 2016
Other financial assets			
Commission income receivable	4,153	2,959	8,639
Other receivables	3,306	167	-
Less: Allowance for expected credit losses	(485)	-	-
Total other financial assets	**6,974**	**3,126**	**8,639**
Other non-financial assets			
Prepayment for construction of building	29,142	351	692
Prepaid expenses and advances	7,845	4,126	1,343
Prepaid income tax	5,762	21,939	5,276
Prepayments for equipment and property	813	204	2,656
Repossessed collateral	574	2,723	7,725
Inventory	139	256	1,560
Other	1,673	72	1,539
Less: Provision for impairment	(309)	(1,102)	(3,022)
Total other non-financial assets	**45,639**	**28,569**	**17,769**
Total other assets	**52,613**	**31,695**	**26,408**

Repossessed collateral represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale, and those assets were initially recognised at fair value when acquired.

As at 31 December 2018, the main part of "Prepayment for construction of building" comprises prepayments in the amount of UZS 8,212 million for the construction of the Head office of the Group in Tashkent city, UZS 4,238 million for the construction of the new branch in Karakalpakistan region and UZS 3,121 million for the construction of Mirabad branch.

14. NON-CURRENT ASSETS HELD FOR SALE

	31 December 2018	31 December 2017	31 December 2016
Assets related to subsidiary companies	-	14,342	12,109
Repossessed assets:			
- Buildings held for sale	336	2,420	30,651
- Equipment held for sale	-	-	174
- Others assets held for sale	477	1,133	3,063
Total non-current assets (or disposal groups) held for sale	**813**	**17,895**	**45,997**
Liabilities directly associated with non-current assets held for sale	**-**	**1,991**	**586**

As at 31 December 2017 and 2016, assets related to subsidiary company comprise assets of "Fergana Ceramics Industry" LLC. The Group acquired the company based on an agreement signed on 13 September 2010 between the State Competition Committee and the Bank in accordance with the Decree of the President of the Republic of Uzbekistan #UP-4053 "On measures to further enhance the financial stability of the real sector of the economy" dated 18 November 2008.

As at 31 December 2017, assets related to subsidiary company include plant, property and equipment for UZS 13,850 million (31 December 2016: UZS 8,535 million). Further, the Management of the Group approved a plan to dispose the subsidiary and the repossessed assets in the near future.

As at 31 December 2017 and 2016, Buildings held for sale-included mini-shops. During 2018, all of these mini-shops were sold on deferred terms.

Major classes of assets and liabilities of subsidiary disposed in 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Non-current assets	14,255	-	71,160
Current assets	-	-	8,622
Total assets of subsidiary disposed of	**14,255**	**-**	**79,782**
Current liabilities	2,552	-	24,712
Total liabilities directly associated with disposed subsidiary	**2,552**	**-**	**24,712**
Net assets of subsidiary disposed of	**11,703**	**-**	**55,070**

On 16 August 2018, the Group sold Ferghana Ceramics on deferred terms:

	2018	2017	2016
Consideration received in cash and cash equivalents during the year	3,476	-	8,926
Less: cash and cash equivalent of disposed subsidiary	(4)	-	(1,878)
Total cash received	**3,472**	**-**	**7,048**

Disposal of "Horazm shisha idishlari" LLC. On 2 November 2016, the Group entered into a sale agreement to dispose of "Horazm shisha idishlari" LLC on deferred terms with the last payment date on 2 November 2023. The agreement stipulates that the control is transferred after a 15% prepayment of the total contract amount is paid. On 2 December 2016, the Group has received 15% prepayment of the total contract amount and has transferred the control to the acquirer.

Disposal of "Elite Star Textile" LLC. On 18 April 2016, the Group entered into a sale agreement to dispose of "Elite Star Textile" LLC on deferred terms with the last payment date on 18 April 2022. The agreement stipulates that the control is transferred after a 15% prepayment of the total contract amount is paid. On 18 May 2016, the Group has received 15% prepayment of the total contract amount and has transferred the control to the acquirer.

The combined results of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income are set out below.

The results of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, 2017 and 2016 are set out below:

	2018	2017	2016
Net assets of subsidiary disposed of	(11,703)	-	(55,070)
Consideration received in cash and cash equivalents	3,476	-	8,926
Present value of deferred cash proceeds	10,079	-	35,025
Gain from/(loss on) disposal of subsidiary	**1,852**	**-**	**(11,119)**
Total revenue	-	834	19,323
Total expenses	(647)	(5)	(10,785)
Profit/(loss) for the period of disposed subsidiary	**(647)**	**829**	**8,538**
Profit/(loss) for the period from discontinued operations	**1,205**	**829**	**(2,581)**

15. DUE TO OTHER BANKS

	31 December 2018	31 December 2017	31 December 2016
Long term placements of other banks	434,827	168,527	65,922
Short term placements of other banks	187,535	107,645	55,499
Correspondent accounts and overnight placements of other banks	54,338	100,388	72,548
Total due to other banks	**676,700**	**376,560**	**193,969**

As at 31 December 2018, 2017 and 2016 "Long term placements of other banks" consists of borrowings from National Bank of Uzbekistan and Halk Bank obtained to finance strategic government infrastructural projects.

16. CUSTOMER ACCOUNTS

	31 December 2018	31 December 2017	31 December 2016
State and public organisations			
- Current/settlement accounts	1,313,514	820,227	155,575
- Term deposits	560,420	41,804	46,073
Other legal entities			
- Current/settlement accounts	2,078,622	2,027,023	1,513,025
- Term deposits	76,529	72,402	252,627
Individuals			
- Current/demand accounts	405,623	329,735	371,790
- Term deposits	694,468	609,143	229,882
Total customer accounts	**5,129,176**	**3,900,334**	**2,568,972**

Economic sector concentrations within customer accounts are as follows:

	31 December 2018		31 December 2017		31 December 2016	
	Amount	%	Amount	%	Amount	%
Manufacturing	1,472,136	29%	1,573,122	40%	1,100,706	44%
Individuals	1,100,091	21%	938,878	24%	601,434	23%
Oil and gas	602,301	12%	435,183	11%	9,725	0%
Public administration	549,218	11%	160,972	4%	205,352	8%
Mining	363,430	7%	146,175	4%	43,936	2%
Finance	190,245	4%	46,587	1%	33,456	1%
Trade	183,992	4%	107,559	3%	131,002	5%
Construction	150,062	3%	164,780	4%	76,171	3%
Agriculture	120,156	2%	79,308	2%	40,486	2%
Services	108,121	2%	56,938	1%	23,116	1%
Communication	87,489	2%	58,209	1%	179,484	7%
Energy	59,299	1%	14,402	1%	9,209	0%
Engineering	55,663	1%	18,398	1%	14,935	1%
Transportation	20,607	0%	6,869	1%	11,365	0%
Medicine	709	0%	5,315	0%	25,773	1%
Other	65,657	1%	87,639	2%	62,822	2%
Total customer accounts	**5,129,176**	**100%**	**3,900,334**	**100%**	**2,568,972**	**100%**

As at 31 December 2018, the Group had nil (31 December 2017: 1 and 31 December 2016: 6) customer with a total balance (31 December 2017: UZS 237,801 million and 31 December 2016: UZS 895,499 million), which individually exceeded 10% (31 December 2017 and 2016: 10%) of the Group's equity.

17. DEBT SECURITIES IN ISSUE

	31 December 2018			31 December 2017			31 December 2016		
	Interest, %	Maturity, year	Amount	Interest, %	Maturity, year	Amount	Interest, %	Maturity, year	Amount
Bonds	14-16	2019-2022	42,201	13-14	2019-2022	42,374	8-9	2010-2022	44,442
Certificates of deposit	7-16	2019-2021	25,540	6.5-8	2018-2020	26,511	7-8	2015-2018	34,443
Total debt securities issued			**67,741**			**68,885**			**78,885**

As at 31 December 2018, 2017 and 2016, debt securities in issue are denominated in UZS and do not have any covenants.

18. OTHER BORROWED FUNDS

	31 December 2018	31 December 2017	31 December 2016
International financial institutions:			
The Export-Import Bank of China	4,468,352	4,272,246	1,618,315
China Development Bank	586,801	347,850	143,418
International Bank of Reconstruction and Development	570,042	40,828	16,157
International Development Association of the World Bank	485,878	365,090	113,235
Landesbank Baden-Wurttemberg	219,093	30,641	-
The Export-Import Bank of Russia	175,372	-	-
Commerzbank AG	161,308	142,667	33,604
Asian Development Bank	151,492	123,505	-
Raiffeisen Bank International AG	113,023	80,742	31,007
The Export-Import Bank of Korea	47,600	35,039	10,172
International Fund for Agricultural Development	2,737	2,609	2,677
KfW	1,749	11,394	5,587
Financial institutions of Uzbekistan:			
Fund for Reconstruction and Development of Uzbekistan	13,072,873	11,639,214	4,592,500
Long term borrowings from Ministry of finance	1,418,359	30,512	-
Long term borrowings from CBU	269,238	250,180	248
Preference shares	8,647	5,238	3,555
Other	3,591	2,405	1,820
Total other borrowed funds	**21,756,155**	**17,380,160**	**6,572,295**

Since 2008, the Group signed several memorandums with the Export-Import Bank of China on loan facility to finance oil & gas and energy sectors of the Republic of Uzbekistan. All loans are guaranteed by the State.

The Group was granted a loan facility by the China Development Bank to finance SME and industrial sectors. There are geographical limits requiring that funds can only be provided to purchase technological equipment from China.

The Group was granted a loan facility by the International Bank of Reconstruction and Development to finance the agricultural sector in the Republic of Uzbekistan.

The International Development Association of the World Bank has signed credit facility agreements with the Group to finance agriculture, energy efficiency of manufacturing entities and projects supporting the Aral Sea.

In accordance with basic loan agreement signed between Landesbank Baden-Wurttemberg and the Group, the Group was granted funds to support the import of technological equipment from European countries.

On 17 August 2018, the Group was granted a loan facility by Export-Import Bank of Russia to finance export of high technological equipment.

In accordance with the Loan Agreement #081/008 between Commerzbank AG and the Group signed on 21 July 2010, the Group was granted funds to support trade relations between the Republic of Uzbekistan and the Federal Republic of Germany.

In accordance with the refinancing agreements between the Ministry of Finance of the Republic of Uzbekistan, Asian Development Bank and the Group, the Group was granted funds to finance the project "Development of value chain in the fruit and vegetable sector".

In accordance with the Loan agreement dated 31 March 2016 signed between Raiffeisen Bank International AG and the Group, the funds were granted to finance projects involving the export of goods and services from European countries.

In accordance with the Loan Agreement #2 dates 21 November 2017 between the Export-Import Bank of Korea and the Group, the funds were granted to finance the development of Small business in the Republic of Uzbekistan.

The borrowings from the Fund for Reconstruction and Development of Uzbekistan are provided on the basis of General agreement dated 19 April 2013 for financing of investment projects related to large strategic companies of the Republic of Uzbekistan.

The Group was granted a loan facility by the Ministry of Finance of the Republic of Uzbekistan based on loan agreement #03-05-17/24 signed on 29 December 2017 to finance the construction of social housing.

The loan facility provided by the CBU was to finance NHC Uzbekneftegaz companies as well as to finance low-income households.

Interest rates and maturities of amounts due to credit institutions are as follows:

	31 December 2018		31 December 2017		31 December 2016	
	Interest rate %	Maturity, year	Interest rate %	Maturity, year	Interest rate %	Maturity, year
International financial institutions:						
The Export-Import Bank of China	2%	2020-2033	2%	2020-2033	2%	2020-2033
China Development Bank	Libor (6м) +1,5% - Libor (6м)+4,3%	2021-2024	Libor (6м) +1,5% - Libor (6м)+4,3%	2019-2024	Libor (6m)+1,5% - Libor (6m)+4,3%	2019-2024
International Bank of Reconstruction and Development	Libor(6m)+ Variable MBRR +0.2% - 3%	2034-2042	3%	2034	3%-4,5%	2034-2038
International Development Association of World Bank	Libor (6м)+0.75% - 13%	2026-2038	Libor (6м)+0.75% - 11%	2026-2038	1,2%-6%	2026-2038
Landesbank Baden-Wurttemberg	1,65%+Euribor (6m)	2021	1,65%+Euribor (6m)	2021	1,65%+Euribor (6m)	2021
The Export-Import Bank of Russia	Libor+3%	2021	Libor+3%	2021	-	-
Commerzbank AG	1,95%+Euribor - Libor+2%	2021	1,95%+Euribor - Libor+2%	2021	1,95%+Euribor	2020
Asian Development Bank	3%	2037	3%	2037	-	-
Raiffeisen Bank International AG	Euribor+1,6%	2021	Euribor+1,6%	2021	Euribor+1,6%	2022
The Export-Import Bank of Korea	Euribor+variable	2028	-	-	Libor (6M) + 4%	2025
International Fund for Agricultural Development	4.50%	2020-2022	4.50%	2020-2022	-	-
KfW	5%	2020	5%	2019-2020	3%	2020
Financial institutions of Uzbekistan:						
Fund for Reconstruction and Development of Uzbekistan	0.5%-6%	2021-2033	0.5%-6%	2021-2028	0.75%-6%	2018-2028
Long term borrowings from Ministry of finance	0-12%	2019-2038	0-12%	2022	-	-
Long term borrowings from CBU	2%-5%	2019-2021	2%	2019	9%	2019
Preference shares	20%	-	20%	-	20%	-
Other	2%	2020	2%	2020	2%	2020

The borrowing agreements do not stipulate financial covenants except for the agreement with China Development Bank (CDB), The Export-Import Bank of Russia (Rosexim), Gazprombank and Asian Development Bank (ADB), which is provided through subsidiary loans from the Ministry of Finance. The Group is required to comply with certain financial covenants, non-compliance of which may give the lender a right to demand repayment.

In 2017 and 2018, the ADB advanced two loans to the Republic of Uzbekistan (the "**Republic**") in connection with the financing of horticulture projects in Uzbekistan (the "**Project**"). The Republic on-lent a portion of these loans to the Bank under tripartite subsidiary loan agreements No. 3471-UZB dated April 2017 and No. 3673-UZB dated November 2018 between the Republic, the Rural Restructuring Agency and the Bank (the "**Subsidiary Loan Agreements**"). The loan agreements between ADB and the Republic require the Republic to cause the Bank to ensure the maintenance of certain financial covenants throughout the implementation period of the Project. The same financial covenants are included in the Subsidiary Loan Agreements.

As at 31 December 2018, the Bank was not in compliance with the following covenants in the Subsidiary Loan Agreements:

(i) a cost to income ratio;
(ii) a return on average assets ratio; and
(iii) a maximum limit on individual related party exposure.

Under the terms of the Subsidiary Loan Agreements, any non-compliance with such covenants gives the Republic the right to demand prepayment of the loans advanced to the Bank. As at 31 December 2018, in accordance with IFRS, the Bank classified the long-term borrowings from the Republic under the Subsidiary Loan Agreements as "demand and less than 1 month".

The Bank proactively communicated with both ADB and the Republic and established a strategic action plan in relation to financial years 2019-2024 with a view of ensuring compliance with the covenants in the future. On 5 November 2019, ADB issued a letter to the Bank confirming ADB's agreement with the action plan and the fact that ADB remains committed to the Project and to continuing relationships with the Republic under the Project. In addition, on 5 November 2019, the Republic confirmed to the Bank that it would not take any action to demand a prepayment of the loans advanced to the Bank under the Subsidiary Loan Agreements as a consequence of past and/or on-going non-compliance with these covenants.

The Bank believes that non-compliance with these covenants is not expected to adversely affect the financial condition and results of operation of the Group, and in particular its liquidity position. As at 31 December 2018, UZS 151,492 million was outstanding by the Bank under the Subsidiary Loan Agreements.

As a result of implementation of the Presidential Decree #4487 (Note 29), on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group. In addition, the loans and advances to customers in the amount of USD 1,217 million (equivalent to UZS 11,475,320 million as at 1 October 2019) will be transferred back to UFRD within two months from the date of the Decree.

The interest rate analysis is disclosed in Note 32. The information on related party balances is disclosed in Note 33.

19. OTHER LIABILITIES

	31 December 2018	31 December 2017	31 December 2016
Other financial liabilities			
Trade payables	3,364	2,639	7,288
Dividends payable	1,572	1,024	725
Payable to other creditors	817	-	589
Total other financial liabilities	**5,753**	**3,663**	**8,602**
Other non-financial liabilities			
Payable to employees	39,370	23,567	14,719
Taxes payable other than income tax	20,944	13,062	8,680
Prepayments received	15,463	11,016	7,213
Income tax payable	14,657	-	-
Provision for Bank's guarantees and letters of credit	6,530	-	-
Other	3,255	1,092	1,425
Total other non-financial liabilities	**100,219**	**48,737**	**32,037**
Total other liabilities	**105,972**	**52,400**	**40,639**

20. SHARE CAPITAL

	Number of outstanding ordinary and preference shares	Ordinary and preference shares	Share premium	Treasury shares	Total
31 December 2015	**36,733**	**706,287**	**696**	**(5,027)**	**701,956**
Effect of change in present value of preference shares	-	(598)	-	-	**(598)**
Disposal of treasury shares	-	-	-	695	**695**
31 December 2016	**36,733**	**705,689**	**696**	**(4,332)**	**702,053**
Issue of new shares	39,680	753,917	-	-	**753,917**
Effect of change in present value of preference shares	-	(266)	-	-	**(266)**
Disposal of treasury shares	-	-	-	1,855	**1,855**
31 December 2017	**76,413**	**1,459,340**	**696**	**(2,477)**	**1,457,559**
Issue of new shares	22,360	424,846	-	-	**424,846**
Disposal of treasury shares	-	-	-	1,147	**1,147**
31 December 2018	**98,773**	**1,884,186**	**696**	**(1,330)**	**1,883,552**

As at 31 December 2018, 2017 and 2016, the nominal registered amount of the Bank's issued share capital was UZS 1,876,690 million, UZS 1,451,843 million and UZS 697,927 million, respectively, prior to restatement of capital contributions to the purchasing power of the UZS in the amount of UZS 12,527 million (effects of hyperinflation in accordance with IAS29) and adjustment for liability component of preference shares.

In accordance with shareholders' resolution #35 dated 28 April 2017, in relation to share split (1/178), ordinary and preference shares have been issued to existing shareholders for no additional consideration. The number of ordinary and preference share outstanding before the share split is adjusted as if the share split has occurred at the beginning of the earliest period presented.

The share capital was increased in 2018 by total amount of UZS 424,846 million through two emissions executed:

- The first emission was executed in accordance with the Shareholders' resolution #26 dated 26 September 2018 on the issuance of 15,789,473,684 pieces of ordinary shares (19 UZS each) for the total amount of UZS 300,000 million which is fully paid as at 31 December 2018.

- The second emission was executed in accordance with the Shareholders' resolution #27 dated 25 December 2018 and the Order #15-09/009 of the Capital Development Agency of the Republic of Uzbekistan dated 25 March 2019 on the issuance of 21,963,818,421 pieces of ordinary shares (19 UZS each) in the total amount of UZS 417,313 million of which UZS 124,846 million was paid as at 31 December 2018.

In accordance with the Presidential Decree #PP4015 dated 13 November 2018 on "Further improvements in development of aviculture" shares should be placed through a closed subscription to the Fund for Reconstruction and Development of the Republic of Uzbekistan. As at 31 December 2018, not all shares were allocated, as all the shares issued have to be placed within 50 days after registration date of issue.

As at 31 December 2018, the total authorised number of ordinary shares is 98,403 million (31 December 2017 and 2016: 76,043 million and 36,377 million shares) with a par value of UZS 19 per share (31 December 2017 and 2016: UZS 19 and split adjusted value UZS 19, respectively). Each share carries one vote. Dividends on preference shares will not be less than dividends on ordinary shares.

As at 31 December 2018, share premium represents the excess of contributions receipt over the nominal value of shares issued. The number of ordinary shares issued but not fully paid in was Nil (31 December 2017 and 2016: Nil).

As at 31 December 2018, the total authorised number of preference shares is 370 million shares (31 December 2017 and 2016: 370 million and 356 million shares, respectively), with a par value of UZS 19 per share (31 December 2017 and 2016: UZS 19 and split adjusted value UZS 19, respectively) in the amount of UZS 7,030 million (31 December 2017 and 2016: UZS 7,030 million and UZS 6,764 million, respectively).

The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. The preference shares give the holders the right to participate in general shareholders' meetings without voting rights, except in instances where decisions are made in relation to reorganisation and liquidation of the Group, and where changes and amendments to the Group's charter which restrict the rights of preference shareholders are proposed. Preference share rank above ordinary shares and if preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time that the dividend is paid.

In 2016, the Group increased its preference share par value from UZS 3,252 to UZS 3,282 with the minimum rate unchanged of 20%. In 2017, as a result of share split, the Group decreased its preference share par value to UZS 19 with the minimum rate unchanged of 20%. In 2018, the minimum rate 20% remains unchanged.

As at 31 December 2018, treasury shares include ordinary shares in the amount of UZS 1,330 million (31 December 2017 and 2016: UZS 2,477 million and UZS 4,332 million, respectively) owned by a wholly owned subsidiary of the Group, Asset Invest Trust LLC. These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Group held by the entities within the Group are effectively controlled by the Management of the Group.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's equity and liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes					
	31 December 2017	Financing cash inflows/ (outflow)	Effect of exchange rate changes	Dividends declared	Interest accrued	Effect of change in present value of preference shares	Capitalization	31 December 2018
Debt securities in issue	**68,885**	(960)	-	-	(184)	-	-	**67,741**
Other borrowed funds	**17,380,160**	3,498,318	537,755	-	339,922	-	-	**21,756,155**
Due to other banks (long term placements of other banks)	**168,527**	266,297	-	-	3	-	-	**434,827**
Dividends payable	**1,024**	(29,965)	-	30,513	-	-	-	**1,572**

			Non-cash changes					
	31 December 2016	Financing cash inflows/ (outflow)	Effect of exchange rate changes	Dividends declared	Interest accrued	Effect of change in present value of preference shares	Capitalization	31 December 2017
Debt securities in issue	**78,885**	(10,080)	-	-	80	-	-	**68,885**
Other borrowed funds	**6,572,295**	343,508	10,091,226	-	372,865	266	-	**17,380,160**
Due to other banks (long term placements of other banks)	**65,922**	102,605	-	-	-	-	-	**168,527**
Dividends payable	**725**	(22,913)	-	50,659	-	-	(27,447)	**1,024**

			Non-cash changes					
	31 December 2015	Financing cash inflows/ (outflow)	Effect of exchange rate changes	Dividends declared	Interest accrued	Effect of change in present value of preference shares	Capitalization	31 December 2016
Debt securities in issue	**62,578**	15,810	-	-	497	-	-	**78,885**
Other borrowed funds	**5,373,880**	359,213	782,583	-	56,021	598	-	**6,572,295**
Dividends payable	**529**	(19,814)	-	20,010	-	-	-	**725**

21. INTEREST INCOME AND EXPENSE

	2018	2017	2016
Interest income			
Interest income on assets recorded at amortized cost comprises:			
Interest on loans and advances to customers	1,323,370	731,292	471,182
Interest on balances due from other banks	36,020	14,384	3,730
Interest on investment securities held to maturity	-	296	1,134
Total interest income	**1,359,390**	**745,972**	**476,046**
Interest expense			
Interest expense on liabilities recorded at amortized cost comprises:			
Interest on other borrowed funds	(519,267)	(293,999)	(156,400)
Interest on customer accounts	(102,583)	(64,423)	(55,868)
Interest on balances due to other banks	(58,950)	(15,737)	(10,847)
Interest on debt securities in issue	(6,988)	(7,123)	(5,243)
Total interest expense	**(687,788)**	**(381,282)**	**(228,358)**
Net interest income before provision on loans and advances to customers	**671,602**	**364,690**	**247,688**

During 2018 and 2017, the Group earned interest income from loans individually determined to be impaired in the amount of UZS 9,383 million and UZS 9,218 million, respectively.

22. FEE AND COMMISSION INCOME AND EXPENSE

	2018	2017	2016
Fee and commission income			
Settlement transactions	184,740	130,466	115,934
Foreign currency exchange	31,885	37,237	11,141
International money transfers	21,933	14,816	8,506
Services of engineers for conducting control measurements	7,430	6,139	3,509
Letters of credit	6,155	2,602	2,102
Guarantees issued	2,289	6,432	4,482
Other	709	3,966	1,237
Total fee and commission income	**255,141**	**201,658**	**146,911**
Fee and commission expense			
Cash collection	(21,843)	(18,833)	(14,958)
Settlement transactions	(21,220)	(11,394)	(9,746)
Foreign currency exchange	(3,335)	(4,271)	(1,530)
Loan commission expenses	(420)	(772)	(1,920)
Other	(4,933)	(3,375)	(4,323)
Total fee and commission expense	**(51,751)**	**(38,645)**	**(32,477)**
Net fee and commission income	**203,390**	**163,013**	**114,434**

23. OTHER OPERATING INCOME

	2018	2017	2016
Rental income from renting POS terminals	651	534	304
Gain on disposal of property and equipment	439	3,102	1,057
Gain from disposal of repossessed assets	-	-	1,051
Other	2,124	650	1,005
Total other operating income	**3,214**	**4,286**	**3,417**

24. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Note	2018	2017	2016
Staff costs		315,463	202,931	152,792
Taxes other than income tax		65,099	43,270	31,900
Depreciation and amortisation	12	21,708	18,118	13,931
Security services		20,075	16,631	14,896
Membership fees		12,465	11,118	7,905
Charity expenses		11,950	6,310	6,085
Stationery and other low value items		10,454	10,272	5,241
Repair and maintenance of buildings		5,030	5,024	1,725
Travel expenses		4,941	2,106	1,783
Advertising expenses		4,613	540	-
Representation and entertainment		3,624	1,909	738
Communication expenses		3,322	2,953	2,225
Rent expenses		3,030	2,277	1,914
Legal and audit fees		2,557	2,755	148
Utilities expenses		2,219	2,000	1,599
Fuel		2,086	1,419	1,089
Consultancy fee		1,960	1,126	1,121
Other operating expenses		6,943	7,459	1,816
Total administrative and other operating expenses		**497,539**	**338,218**	**246,908**

25. INCOME TAXES

	2018	2017	2016
Current income tax expense	59,950	8,425	19,328
Deferred tax expense/(benefit):			
-Deferred tax (benefit)/expense	(11,255)	91,021	(6,907)
-Deferred tax expense relating to the components of other comprehensive income	349	771	43
Total income tax expense through profit or loss and other comprehensive income	**49,044**	**100,217**	**12,464**

In accordance with the Presidential Decree #UP-5468 dated 29 June 2018 "On the concept of improvements of tax policy of the Republic of Uzbekistan", the corporate income tax for banks was substantially enacted at 20% with effective date from 1 January 2019.

In accordance with the Presidential Decree #PP-3454 dated 29 December 2017, the corporate income tax and infrastructure development tax were combined. As at 31 December 2017, the corporate income tax rate for 2018 was enacted at 22%. Previously, the income tax rate was comprised of corporate income tax (15%) and infrastructure development tax (8%) with tax base for infrastructure development tax being accounting profit after corporate income tax charge. Effectively, statutory income tax rate was 21.8%.

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

	2018	2017	2016
IFRS profit before tax	**266,886**	**997,953**	**101,557**
Theoretical tax charge at the applicable statutory rate - 22% (2017 and 2016: 21.8%)	58,715	217,554	22,139
- Foreign exchange gain not subject to deferred tax	-	(107,549)	(9,189)
- Non deductible expenses (employee compensation, representation and other non-deductible expenses)	7,010	3,604	3,297
- Tax rate difference	(10,517)	(755)	(2,328)
- Tax incentives	(1,682)	(10,930)	(997)
- Tax exempt income	(652)	(428)	(471)
- Change of tax rate	(2,228)	571	-
- Other	(1,951)	(2,621)	(30)
Income tax expense for the year through profit or loss	**48,695**	**99,446**	**12,421**
Net income tax expense relating to the components of other comprehensive income	349	771	43
Income tax expense through profit or loss and other comprehensive income	**49,044**	**100,217**	**12,464**

"Foreign exchange gain not subject to deferred tax" comprise of tax effect of permanent differences associated with foreign exchange losses from USD denominated share capital revalued in accordance with statutory rules. In 2018, the Bank has translated its USD denominated share capital into UZS.

"Tax rate differences" comprises of tax effects from reduction of standard income tax rate to encourage the banks to increase the share of long-term loans to customers in the total loan portfolio.

On September 2017, the official rate of UZS was devalued from 4,210.35 per dollar to 8,100 representing 92% decrease, which resulted in significant unrealised foreign exchange gains. Tax incentives mostly comprise of foreign exchange gains that were tax exempt from 5 September 2017 to 1 July 2018 on the basis of the Presidential Decree No. 5177 on "On priority measures for liberalization of monetary policy" dated 2 September 2017.

Differences between IFRS and Uzbekistan statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for their tax bases. The tax effect of the movements on these temporary differences is detailed below, and is recorded at the rate of 20 % (2017 and 2016: 22% and 21.8%, respectively).

	31 December 2018	(Debited)/ credited to profit or loss	(Debited)/ charged to other comprehensive income	1 January 2018	IFRS 9	31 December 2017	(Debited)/ credited to profit or loss	(Debited)/ charged to other comprehensive income	31 December 2016	(Debited)/ credited to profit or loss	(Debited)/ charged to other comprehensive income	31 December 2015
Tax effect of deductible/(taxable) temporary differences												
Cash and cash equivalents	11	(13)	-	24	24	-	-	-	-	-	-	-
Due from other banks	780	691	-	89	89	-	-	-	-	-	-	-
Loans and advances to customers	(81,332)	15,935	-	(97,267)	(37,380)	(59,887)	(88,866)	-	28,979	6,718	-	22,261
Property, equipment and intangible assets	235	563	-	(328)	-	(328)	(238)	-	(90)	(271)	-	181
Financial assets at fair value through other comprehensive income (2017 and 2016: Investment securities available for sale)	816	1,221	(349)	(56)	946	(1,002)	(25)	(771)	(206)	(79)	(43)	(84)
Investments in associates and subsidiaries	(9,350)	(6,909)	-	(2,441)	-	(2,441)	(2,480)	-	39	294	-	(255)
Other assets	814	(90)	-	904	95	809	588	-	221	245	-	(24)
Other liabilities	1,161	(143)	-	1,304	1,304	-	-	-	-	-	-	-
Net deferred tax liability	**(86,865)**	**11,255**	**(349)**	**(97,771)**	**(34,922)**	**(62,849)**	**(91,021)**	**(771)**	**28,943**	**6,907**	**(43)**	**22,079**
Recognised deferred tax asset	3,817	18,410	-	2,321	2,458	809	588	(771)	29,240	7,257	-	22,442
Recognised deferred tax liability	(90,682)	(7,155)	(349)	(100,092)	(37,380)	(63,658)	(91,609)	-	(297)	(350)	(43)	(363)
Net deferred tax (liability)/asset	**(86,865)**	**11,255**	**(349)**	**(97,771)**	**(34,922)**	**(62,849)**	**(91,021)**	**(771)**	**28,943**	**6,907**	**(43)**	**22,079**

26. ALLOWANCES FOR IMPAIRMENT LOSSES

The tables below analyze information about the changes in the ECL of financial assets and commitments, and impairment losses on non-financial assets during the year:

	Other financial assets (Note 13)		Cash and cash equivalents (Note 7)	Due from other Banks (Note 8)	Letters of Credit and Guarantees (Note 28)			TOTAL	Other non-financial assets
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
Loss allowance for ECL and impairment losses as at 1 January 2018	**53**	**379**	**107**	**403**	**5,927**	-	-	**6,869**	**1,102**
- Transfer from stage 2	(1)	1	-	-	-	-	-	**-**	-
- Transfer from stage 3	2	(2)	-	-	-	-	-	**-**	-
- Changes due to modifications that did not result in derecognition	11	76	(20)	68	413	-	-	**548**	(793)
New assets issued or acquired	151	106	-	4,523	295	354	242	**5,671**	-
Matured or derecognized assets (except for write off)	(42)	(251)	(34)	(190)	(831)	-	-	**(1,348)**	-
Foreign exchange differences	1	1	1	7	118	7	5	**140**	-
Loss allowance for ECL and impairment losses as at 31 December 2018	**175**	**310**	**54**	**4,811**	**5,922**	**361**	**247**	**11,880**	**309**

27. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shares by the weighted average number of ordinary shares. The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share. According to the charter of the Group, and as described in Note 20, dividend payments per ordinary share cannot exceed the dividends per share on preferred shares for the same period and the minimum dividends payable to the owners of preference shares comprise not less than 20%. Therefore, net profit for the period is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

	2018	2017	2016
Profit for the year attributable to ordinary shareholders	217,990	892,584	85,241
Profit for the year attributable to preference shareholders	1,406	6,752	1,313
Profit/(loss) for the year from discontinued operations attributable to ordinary shareholders	1,205	829	(2,581)
Profit for the year from discontinued operations attributable to preference shareholders	-	-	-
Earnings used in calculation of earnings per ordinary share from continued operations	**216,785**	**891,755**	**87,822**
Earnings used in calculation of earnings per preference share from continued operations	**1,406**	**6,752**	**1,313**
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	79,900,068,175	47,832,020,370	36,376,994,030
Weighted average number of preference shares for the purpose of basic and diluted earnings per share	370,000,000	361,852,438	356,000,000
From continuing operations			
Basic and diluted EPS per ordinary share in UZS	2.71	18.64	2.41
Basic and diluted EPS per equity component of preference share in UZS	3.80	18.66	3.69
From discontinued operations			
Basic and diluted EPS per ordinary share in UZS	0.02	0.02	(0.07)
Basic and diluted EPS per equity component of preference share in UZS	-	-	-
Total basic and diluted EPS per ordinary share in UZS	**3**	**19**	**2**
Total basic and diluted EPS per equity component of preference share in UZS	**4**	**19**	**4**

28. COMMITMENTS AND CONTINGENCIES

Operating lease commitments. As at 31 December 2018, 2017 and 2016, the Group had no material operating lease commitments outstanding.

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

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

The Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, as at 31 December 2018, no provision for potential tax liabilities had been recorded (2017 and 2016: Nil). The Group estimates that it has no potential obligations from exposure to other than remote tax risks.

Capital expenditure commitments. As at 31 December 2018, the Group had contractual capital expenditure commitments for the total amount of UZS 16,790 million in respect of premises and equipment (2017: UZS 3,061 million 2016: Nil).

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	31 December 2018	31 December 2017	31 December 2016
Guarantees issued	932,286	1,009,579	300,014
Letters of credit, non post-financing	682,212	708,528	326,235
Letters of credits, post-financing with commencement after reporting period end	1,542,353	961,176	4,700
Undrawn credit lines	77,561	176,035	118,569
Total gross credit related commitments	**3,234,412**	**2,855,318**	**749,518**
Less - Cash held as security against letters of credit and guarantees	(895,798)	(708,662)	(326,234)
Less – Provision for expected credit losses	(6,530)	-	-
Total credit related commitments	**2,332,084**	**2,146,656**	**423,284**

The total outstanding contractual amount of letters of credit, guarantees issued and undrawn credit lines does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded.

Operating Environment. Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. During 2018, the government of Uzbekistan remained committed to carry out social-economic reforms started in 2016 and liberalization of the market with an emphasis predominantly on broadening the export potential and improvement of business climate of Uzbekistan to attract foreign direct investment. As a result, laws and regulations, including tax and regulatory frameworks, affecting businesses in Uzbekistan started to change rapidly. The future economic direction of the Republic of Uzbekistan heavily depends on the new fiscal and monetary policies the government plans to adopt during the on-going reforms, together with developments in the legal, regulatory, and political environment.

The Management of the Company is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Company's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Company is at this stage difficult to determine.

29. NON-CONTROLLING INTEREST

The following table provides information about subsidiary LLC "Xorazm Nasli Parranda" that has a non-controlling interest that is material to the Group:

	31 December 2018	31 December 2017
Information about subsidiary:		
Place of business (and country of incorporation if different)	Uzbekistan	Uzbekistan
Proportion of non-controlling interest	42.8%	42.8%
Proportion of non-controlling interest's voting rights held	42.8%	42.8%
Profit or loss attributable to non-controlling interest	(427)	2,673
Accumulated non-controlling interest in the subsidiary	5,049	5,476
Dividends paid to non-controlling interest during the year	-	-
Summarised financial information:		
Current assets	4,860	4,179
Non-current assets	13,953	14,909
Current liabilities	23	75
Non-current liabilities	6,994	6,218
Revenue	5,013	-
Profit/ (Loss)	(998)	6,246

As at 31 December 2016, the Group had no non-controlling interest as described in Note 1.

30. FAIR VALUE

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

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). The Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety. Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires the Management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related profit or loss reported on the consolidated statement of profit or loss, could be material.

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values as at 31 December 2018:

Financial Assets/ Liabilities	Carrying value	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans and advances to customers	28,020,629	23,130,481	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Due from other banks	812,092	802,125	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Due to other banks	676,700	895,900	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Customer accounts	5,129,176	5,063,919	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Other borrowed funds	21,756,155	21,680,150	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value

The Group determines the fair value of financial assets and financial liabilities using the discounted cash flows model based on the rates of the deals concluded towards the end of the reporting period other than the financial assets at fair value through other comprehensive income as described in Note 9. Due to the absence of an active market or observable inputs for assets with characteristics similar to the Bank's financial assets and financial liabilities, the Management considered the latest rates as the most appropriate input from all available data for calculation of the fair value of financial assets and financial liabilities. Therefore, these long term financial assets and financial liabilities that are not measured at fair value on a recurring basis but where fair value disclosures are required, are categorised within Level 3.

31. CAPITAL RISK MANAGEMENT

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

Under the current capital requirements set by the CBU, banks have to maintain ratios of (actual ratios given below are unaudited):

Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 12.5% (31 December 2017: 12.5% and 31 December 2016: 11.5%). Actual ratio as at 31 December 2018: 13.4% (31 December 2017: 16.3% and 31 December 2016: 15.4%);
Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 9.5% (31 December 2017: 9.5% and 31 December 2016: 8.5%). Actual ratio as at 31 December 2018: 12.6% (31 December 2017: 15.6% and 31 December 2016: 14%); and
Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2017: 6% and 31 December 2016: 6%). Actual ratio as at 31 December 2018: 7% (31 December 2017: 8.4% and 31 December 2016: 8.2%).

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

	31 December 2018 (unaudited)	31 December 2017 (unaudited)	31 December 2016 (unaudited)
Tier 1 capital	2,570,953	2,127,372	888,887
Tier 2 capital	166,324	101,751	86,348
Less: Deductions from capital	(5,705)	(7,609)	(31,837)
Total regulatory Capital	**2,731,572**	**2,221,514**	**943,398**

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, preference shares, retained earnings excluding current year profit and less intangible assets. The other component of regulatory capital is Tier 2 capital, which includes current year profit.

32. RISK MANAGEMENT POLICIES

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

Credit risk. The Group takes on exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

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

Group's internal ratings scale:

Standard	1	Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Sub-standard	2	"Sub-standard" loans are loans, secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are in the present, which raise doubts on the ability of the borrower to repay on time. "Standard" loans with insufficient information in the credit file or missed information on collateral could be also classified as "sub-standard" loans.
Unsatisfactory	3	Unsatisfactory loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "unsatisfactory" loans, the primary source of repayment is not sufficient and the Group has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful	4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as "unsatisfactory" with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable.
Loss	5	Loans classified as "loss" are considered uncollectible and have such little value that their continuance as bankable assets of the Group is not warranted. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that it is not practical or desirable to defer writing off these essentially worthless assets even though partial recovery may be effected in the future and the Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

Risk limits control and mitigation policies. The Group manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and groups, and to industries.

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

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

Some other specific control and mitigation measures are outlined below.

(a) Limits. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

(b) Collateral. The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

Collateral before being accepted by the Group is thoroughly analysed and physically verified, where applicable. Debt securities, treasury and other eligible bills are generally unsecured.

The principal collateral types for loans and advances as well as finance lease receivables are:

- State guarantees
- Cash deposits;
- Motor vehicle;
- Inventory;
- Letter of surety;
- Residential house;
- Equipment;
- Building; and
- Other assets

(c) Concentration of risks of financial assets with credit risk exposure. The Group's Management focuses on concentration risk:

- The maximum risk to single borrower or group of affiliated borrowers shall not exceed 25 percent of the Group's tier 1 capital;
- Total amount of unsecured credits shall not exceed 5 percent of Group's tier 1 capital;
- Total amount of all large credits shall not exceed Group's tier 1 capital by more than 8 times; and
- Total loan amount to related party shall not exceed Group's tier 1 capital.

In order to monitor credit risk exposures, weekly reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance, which includes overdue balances, disbursements and repayments, outstanding balances and maturity of loan and as well as grade of loan and collateral. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the Management daily. The Management monitors and follows up past due balances.

Impairment and provisioning policies. The internal rating tool assists the Management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings and etc.

The Group's policy requires the review of individual financial assets that are above certain materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available empirical data, experienced judgment and statistical techniques.

Maximum exposure of credit risk. The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

31 December 2018	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	1,897,133	(456,067)	1,441,066	-	**1,441,066**
Due from other banks	812,092	-	812,092	-	**812,092**
Loans and advances to customers	28,020,629	(53,993)	27,966,636	(27,885,595)	**81,041**
Financial assets at fair value through other comprehensive income	41,804	-	41,804	-	**41,804**
Other financial assets	6,974	-	6,974	-	**6,974**
Off-balance sheet items:					
Letters of credit and guarantees issued	3,150,321	(895,798)	2,254,523	(305,341)	**1,949,182**

31 December 2017	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	3,059,367	(527,258)	2,532,109	-	**2,532,109**
Due from other banks	669,375	-	669,375	-	**669,375**
Loans and advances to customers	20,360,591	(6,006)	20,354,585	(20,354,585)	**-**
Investment securities available for sale	19,864	-	19,864	-	**19,864**
Other financial assets	3,126	-	3,126	-	**3,126**
Off-balance sheet items:					
Letters of credit and guarantees issued	2,679,283	(708,662)	1,970,621	(1,009,445)	**961,176**

31 December 2016	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	959,586	(368,779)	590,807	-	**590,807**
Due from other banks	535,769	-	535,769	-	**535,769**
Loans and advances to customers	8,568,525	(12,200)	8,556,325	(8,556,325)	**-**
Investment securities available for sale	14,484	-	14,484	-	**14,484**
Investment securities held to maturity	13,209	-	13,209	-	**13,209**
Other financial assets	8,639	-	8,639	-	**8,639**
Off-balance sheet items:					
Letters of credit and guarantees issued	630,949	(326,234)	304,715	(300,015)	**4,700**

Off-balance sheet risk. The Group applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages its market risk through risk-based limits established by the Bank Supervisory Board on the value of risk that may be accepted. The risk-based limits are subject to review by the Bank Council on a quarterly basis. The exposure of the Bank to market risk is managed through the system of limits monitored by the Treasury Department on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Council sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's Treasury Department measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses effect of actual annual appreciation/depreciation of that currency against Uzbekistan Soum to the profit and loss of the Group.

The Group measures its currency risk by:

- Net position on each currency should not exceed 5 % of Group's total equity;
- Total net position on all currencies should not exceed 10 % of Group's total equity.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of reporting period:

Non-derivative monetary assets and liabilities:

	Monetary assets	Monetary liabilities	Net balance sheet position
2018			
US Dollars	21,524,614	(21,430,222)	94,392
Euros	1,168,836	(1,031,369)	137,467
Other	81,420	(26,988)	54,432
Total	**22,774,870**	**(22,488,579)**	**286,291**
2017			
US Dollars	19,741,262	(18,417,038)	1,324,224
Euros	690,716	(639,427)	51,289
Other	162,349	(5,368)	156,981
Total	**20,594,327**	**(19,061,833)**	**1,532,494**
2016			
US Dollars	7,718,526	(7,306,580)	411,946
Euros	309,264	(227,941)	81,323
Other	12,369	(9,611)	2,758
Total	**8,040,159**	**(7,544,132)**	**496,027**

The CBU sets a number of requirements for foreign currency position. As at 31 December 2017, the Bank has a long position in respect of one currency above statutory requirements. The Management believes this does not bear significant risk. The CBU may take measures to regulate the foreign currency position in accordance with the established order on the foreign currency position.

Changes of the possible movement of the currency rates from 2017 to 2018 were associated with the decrease in the volatility of the exchange rate. The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of reporting period, with all other variables held constant:

	At 31 December 2018 Impact on profit or loss	At 31 December 2017 Impact on profit or loss	At 31 December 2016 Impact on profit or loss
US Dollars strengthening by 10% (2017 and 2016: 15%)	9,439	198,634	61,792
US Dollars weakening by 10% (2017 and 2016: 15%)	(9,439)	(198,634)	(61,792)
EUR strengthening by 10% (2017 and 2016: 11.2%)	13,747	5,744	9,108
EUR weakening by 10% (2017 and 2016: 11.2%)	(13,747)	(5,744)	(9,108)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group. Impact on equity would be the same as impact on statement of profit or loss and other comprehensive income.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

31 December 2018	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	542,071	-	-	-	-	-	**542,071**
Due from other banks	-	108,149	3,336	219,781	48,097	-	**379,363**
Loans and advances to customers	666,568	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	**26,966,364**
Total % bearing financial assets	**1,208,639**	**2,112,976**	**1,795,148**	**11,526,683**	**5,018,840**	**6,225,512**	**27,887,798**
Liabilities							
Due to other banks	100,000	72,460	-	36,525	-	-	**208,985**
Customer accounts	156,076	491,452	357,461	319,514	1,167	287	**1,325,957**
Debt securities in issue	3	22,250	11,200	25,010	8,000	-	**66,463**
Other borrowed funds	401,989	789,964	395,556	2,519,808	7,329,128	9,001,520	**20,437,965**
Total financial % bearing liabilities	**658,068**	**1,376,126**	**764,217**	**2,900,857**	**7,338,295**	**9,001,807**	**22,039,370**
Net interest sensitivity gap	**550,571**	**736,850**	**1,030,931**	**8,625,826**	**(2,319,455)**	**(2,776,295)**	**5,848,428**

31 December 2017	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	984,408	-	-	-	-	-	**984,408**
Due from other banks	-	81,200	22,851	-	-	7,563	**111,614**
Loans and advances to customers	224,070	624,092	749,715	7,072,792	3,642,411	7,416,276	**19,729,356**
Total % bearing financial assets	**1,208,478**	**705,292**	**772,566**	**7,072,792**	**3,642,411**	**7,423,839**	**20,825,378**
Liabilities							
Due to other banks	-	120	107,426	-	72,659	95,869	**276,074**
Customer accounts	57,041	385,579	279,265	1,465	-	-	**723,350**
Debt securities in issue	53	3,610	1,000	37,700	25,060	-	**67,423**
Other borrowed funds	5,238	1,191,139	1,191,139	3,638,710	3,322,545	8,030,922	**17,379,693**
Total financial % bearing liabilities	**62,332**	**1,580,448**	**1,578,830**	**3,677,875**	**3,420,264**	**8,126,791**	**18,446,540**
Net interest sensitivity gap	**1,146,146**	**(875,156)**	**(806,264)**	**3,394,917**	**222,147**	**(702,952)**	**2,378,838**

31 December 2016	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	226,957	-	-	-	-	-	**226,957**
Due from other banks	-	-	1,616	1,000	-	8,938	**11,554**
Loans and advances to customers	346,078	748,203	548,369	2,783,434	2,073,044	2,069,384	**8,568,512**
Investment securities held to maturity	-	10,000	3,209	-	-	-	**13,209**
Total % bearing financial assets	**573,035**	**758,203**	**553,194**	**2,784,434**	**2,073,044**	**2,078,322**	**8,820,232**
Liabilities							
Due to other banks	1,500	30,000	10,000	500	-	47,733	**89,733**
Customer accounts	37,545	359,166	85,506	48,379	142	143	**530,881**
Debt securities in issue	1,403	2,040	30,320	10,680	23,060	10,000	**77,503**
Other borrowed funds	137,382	326,968	441,730	1,759,184	1,403,055	2,399,289	**6,467,608**
Total financial % bearing liabilities	**177,830**	**718,174**	**567,556**	**1,818,743**	**1,426,257**	**2,457,165**	**7,165,725**

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	2018			
In % p.a.	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	-	2.05	-	-
Due from other banks	3.1-5	0-5	-	-
Loans and advances to customers	0-48	0.25-15	0.75-10	-
Liabilities				
Due to other banks	0-16	-	-	-
Customer accounts:				
-term deposits	0-35	4-17	5-6	5
Debt securities in issue	7-16	-	-	-
Other borrowed funds:				
-International Financial Institutions	-	0-6	Euribor+1.6-5	-
-Local Financial Institutions	0-12	0-6	0.5-1	-

	2017			
In % p.a.	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	0-14.5	0-1.3	-	-
Due from other banks	5	-	-	-
Loans and advances to customers	0-28	0.75-13.59	0.75-10	-
Liabilities				
Due to other banks	0-13.5	-	-	-
Customer accounts:				
-term deposits	0-22	0-17	0.05	5
Debt securities in issue	6.5	-	-	-
Other borrowed funds:				
-International Financial Institutions	-	2-Libor+4.7	Euribor+1.6-5	-
-Local Financial Institutions	2-4.3	0.5-6	0.5-1	-

	2016			
In % p.a.	**UZS**	**USD**	**EUR**	**Other**
Assets				
Cash and cash equivalents	0-0.22	-	-	-
Due from other banks	5-7	0-0.24	-	-
Loans and advances to customers	0-24	1-16	1-10	-
Investment securities held to maturity	8-12	-	-	-
Liabilities				
Due to other banks	0-10	-	-	-
Customer accounts:				
-term deposits	0-22	5-17	5	5
Other borrowed funds:				
-International Financial Institutions	-	Libor+1.5 - Libor+4.7	Euribor+1.95	-
-Local Financial Institutions	0-9	0.5-6	0.5-2	-

Other price risk. The Group is exposed to prepayment risk through providing loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers. The Group has no significant exposure to equity price risk.

Geographical risk concentration. The geographical concentration of the Group's financial assets and liabilities at 31 December 2018 is set out below:

	Uzbekistan	**OECD**	**Non-OECD**	**Total**
Assets				
Cash and cash equivalents	1,275,203	614,243	7,687	**1,897,133**
Due from other banks	574,008	237,805	279	**812,092**
Loans and advances to customers	28,020,629	-	-	**28,020,629**
Financial assets at fair value through other comprehensive income	35,473	6,331	-	**41,804**
Other financial assets	3,673	3,210	91	**6,974**
Total financial assets	**29,908,986**	**861,589**	**8,057**	**30,778,632**
Liabilities				
Due to other banks	674,396	-	2,304	**676,700**
Customer accounts	5,129,176	-	-	**5,129,176**
Debt securities in issue	67,741	-	-	**67,741**
Other borrowed funds	14,772,708	1,601,430	5,382,017	**21,756,155**
Other financial liabilities	5,753	-	-	**5,753**
Total financial liabilities	**20,649,774**	**1,601,430**	**5,384,321**	**27,635,525**
Net balance sheet position as at 31 December 2018	**9,259,212**	**(739,841)**	**(5,376,264)**	**3,143,107**
Credit related commitments (Note 28)	**2,332,084**	**-**	**-**	**2,332,084**

The geographical concentration of the Group's financial assets and liabilities at 31 December 2017 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,133,211	1,922,129	4,027	**3,059,367**
Due from other banks	472,059	197,314	2	**669,375**
Loans and advances to customers	20,360,591	-	-	**20,360,591**
Investment securities available for sale	14,467	5,397	-	**19,864**
Other financial assets	3,126	-	-	**3,126**
Total financial assets	**21,983,454**	**2,124,840**	**4,029**	**24,112,323**
Liabilities				
Due to other banks	376,053	-	507	**376,560**
Customer accounts	3,900,334	-	-	**3,900,334**
Debt securities in issue	68,885	-	-	**68,885**
Other borrowed funds	11,927,548	709,011	4,743,601	**17,380,160**
Other financial liabilities	3,663	-	-	**3,663**
Total financial liabilities	**16,276,483**	**709,011**	**4,744,108**	**21,729,602**
Net balance sheet position as at 31 December 2017	**5,706,971**	**1,415,829**	**(4,740,079)**	**2,382,721**
Credit related commitments (Note 28)	**2,146,656**	**-**	**-**	**2,146,656**

The geographical concentration of the Group's financial assets and liabilities at 31 December 2016 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	631,220	321,537	6,829	**959,586**
Due from other banks	312,660	222,455	654	**535,769**
Loans and advances to customers	8,568,525	-	-	**8,568,525**
Investment securities	13,014	1,470	-	**14,484**
Investment securities held to maturity	13,209	-	-	**13,209**
Other financial assets	8,639	-	-	**8,639**
Total financial assets	**9,547,267**	**545,462**	**7,483**	**10,100,212**
Liabilities				
Due to other banks	185,160	8,516	293	**193,969**
Customer accounts	2,568,972	-	-	**2,568,972**
Debt securities in issue	78,885	-	-	**78,885**
Other borrowed funds	4,598,123	212,439	1,761,733	**6,572,295**
Other financial liabilities	8,602	-	-	**8,602**
Total financial liabilities	**7,439,742**	**220,955**	**1,762,026**	**9,422,723**
Net balance sheet position as at 31 December 2016	**2,107,525**	**324,507**	**(1,754,543)**	**677,489**
Credit related commitments (Note 28)	**268,777**	**-**	**-**	**268,777**

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

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

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

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

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

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

The undiscounted maturity analysis of financial instruments at 31 December 2018 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	176,122	100,052	33,031	161,934	159,923	429,359	**1,060,421**
Customer accounts	3,969,697	536,292	386,091	332,108	4,512	418	**5,229,118**
Debt securities in issue	1,992	25,371	14,287	29,272	9,999	-	**80,921**
Other borrowed funds	621,862	1,172,713	707,188	4,346,182	8,059,701	9,860,788	**24,768,434**
Other financial liabilities	5,753	-	-	-	-	-	**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,504	**718,701**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total potential future payments for financial obligations	**4,819,071**	**2,041,356**	**1,204,587**	**6,181,604**	**8,263,238**	**10,973,406**	**33,483,262**

The undiscounted maturity analysis of financial instruments at 31 December 2017 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	101,528	128	120,962	-	90,969	156,267	**469,854**
Customer accounts	3,214,980	424,792	311,918	1,562	26	210	**3,953,488**
Debt securities in issue	1,278	7,375	4,612	47,103	26,792	-	**87,160**
Other borrowed funds	44,890	1,377,535	1,405,719	4,352,260	3,830,747	8,774,414	**19,785,565**
Other financial liabilities	3,663	-	-	-	-	-	**3,663**
Undrawn credit lines	68,553	22,115	11,688	32,074	8,224	33,381	**176,035**
Guarantees issued	110	13,237	34,630	92,731	-	868,737	**1,009,445**
Letters of credit	-	21,420	92,427	847,329	-	-	**961,176**
Total potential future payments for financial obligations	**3,435,002**	**1,866,602**	**1,981,956**	**5,373,059**	**3,956,758**	**9,833,009**	**26,446,386**

The undiscounted maturity analysis of financial instruments at 31 December 2016 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	96,719	33,366	22,220	9,816	9,282	50,777	**222,180**
Customer accounts	2,079,894	371,177	88,905	50,831	6,185	210	**2,597,202**
Debt securities in issue	3,296	4,442	32,770	14,366	29,859	10,502	**95,235**
Other borrowed funds	208,577	394,158	565,884	1,991,013	1,535,737	2,538,394	**7,233,763**
Other financial liabilities	8,602	-	-	-	-	-	**8,602**
Undrawn credit lines	35,478	2,214	25,382	19,438	33,397	2,660	**118,569**
Guarantees issued	155,774	11,501	25,401	73,484	1,540	32,314	**300,014**
Letters of credit	4,701	-	-	-	-	-	**4,701**
Total potential future payments for financial obligations	**2,397,088**	**803,143**	**709,779**	**2,066,026**	**1,581,063**	**2,599,883**	**10,156,982**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Group does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at 31 December 2018:

31 December 2018	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	1,897,133	-	-	-	-	-	**1,897,133**
Due from other banks	331,538	212,563	48,210	171,684	48,097	-	**812,092**
Loans and advances to customers	1,720,833	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	**28,020,629**
Financial assets at fair value through other comprehensive income	-	-	-	41,804	-	-	**41,804**
Other financial assets	6,974	-	-	-	-	-	**6,974**
Total financial assets	**3,956,478**	**2,217,390**	**1,840,022**	**11,520,390**	**5,018,840**	**6,225,512**	**30,778,632**
Liabilities							
Due to other banks	169,416	72,460	-	36,525	44,223	354,076	**676,700**
Customer accounts	3,959,295	491,452	357,461	319,514	1,168	286	**5,129,176**
Debt securities in issue	1,281	22,250	11,200	25,010	8,000	-	**67,741**
Other borrowed funds	574,831	951,361	440,822	3,343,437	7,349,138	9,096,566	**21,756,155**
Other financial liabilities	5,753	-	-	-	-	-	**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,503	**718,700**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total financial liabilities	**4,754,221**	**1,744,451**	**873,473**	**5,036,594**	**7,431,632**	**10,133,768**	**29,974,139**
Net liquidity gap	**(797,743)**	**472,939**	**966,549**	**6,483,796**	**(2,412,792)**	**(3,908,256)**	**804,493**
Cumulative liquidity gap	**(797,743)**	**(324,804)**	**641,745**	**7,125,541**	**4,712,749**	**804,493**	

The analysis by remaining contractual maturities may be summarised as follows at 31 December 2017:

31 December 2017	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	3,059,367	-	-	-	-	-	**3,059,367**
Due from other banks	5,945	177,860	99,456	-	-	386,114	**669,375**
Loans and advances to customers	855,305	624,092	749,715	7,072,792	3,642,411	7,416,276	**20,360,591**
Investment securities available for sale	-	-	-	19,864	-	-	**19,864**
Other financial assets	3,126	-	-	-	-	-	**3,126**
Total financial assets	**3,923,743**	**801,952**	**849,171**	**7,092,656**	**3,642,411**	**7,802,390**	**24,112,323**
Liabilities							
Due to other banks	100,486	120	107,426	-	72,659	95,869	**376,560**
Customer accounts	3,214,135	395,070	289,665	1,464	-	-	**3,900,334**
Debt securities in issue	650	4,446	1,029	37,700	25,060	-	**68,885**
Other borrowed funds	5,238	1,191,372	1,191,372	3,638,710	3,322,546	8,030,922	**17,380,160**
Other financial liabilities	3,663	-	-	-	-	-	**3,663**
Undrawn credit lines	68,553	22,115	11,688	32,074	8,224	33,381	**176,035**
Guarantees issued	110	13,237	34,630	92,731	-	868,737	**1,009,445**
Letters of credit	-	21,420	92,427	847,329	-	-	**961,176**
Total financial liabilities	**3,392,835**	**1,647,780**	**1,728,237**	**4,650,008**	**3,428,489**	**9,028,909**	**23,876,258**
Net liquidity gap	**530,908**	**(845,828)**	**(879,066)**	**2,442,648**	**213,922**	**(1,226,519)**	**236,065**
Cumulative liquidity gap	**530,908**	**(314,920)**	**(1,193,986)**	**1,248,662**	**1,462,584**	**236,065**	

The analysis by remaining contractual maturities may be summarised as follows at 31 December 2016:

31 December 2016	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	959,586	-	-	-	-	-	**959,586**
Due from other banks	323,626	30,952	171,254	1,000	-	8,937	**535,769**
Loans and advances to customers	346,078	748,203	548,370	2,783,445	2,073,044	2,069,385	**8,568,525**
Investment securities available for sale	-	-	-	14,484	-	-	**14,484**
Investment securities held to maturity	-	10,000	3,209	-	-	-	**13,209**
Other financial assets	8,639	-	-	-	-	-	**8,639**
Total financial assets	**1,637,929**	**789,155**	**722,833**	**2,798,929**	**2,073,044**	**2,078,322**	**10,100,212**
Liabilities							
Due to other banks	95,975	30,066	19,694	500	-	47,734	**193,969**
Customer accounts	2,075,637	359,166	85,506	48,379	142	142	**2,568,972**
Debt securities in issue	2,785	2,040	30,320	10,680	23,060	10,000	**78,885**
Other borrowed funds	194,090	326,968	489,670	1,759,184	1,403,055	2,399,328	**6,572,295**
Other financial liabilities	8,602	-	-	-	-	-	**8,602**
Undrawn credit lines	35,478	2,214	25,382	19,438	33,397	2,660	**118,569**
Guarantees issued	155,774	11,501	25,401	73,484	1,540	32,314	**300,014**
Letters of credit	4,701	-	-	-	-	-	**4,701**
Total financial liabilities	**2,573,042**	**731,955**	**675,973**	**1,911,665**	**1,461,194**	**2,492,178**	**9,846,007**
Net liquidity gap	**(935,113)**	**57,200**	**46,860**	**887,264**	**611,850**	**(413,856)**	**254,205**
Cumulative liquidity gap	**(935,113)**	**(877,913)**	**(831,053)**	**56,211**	**668,061**	**254,205**	

The above analysis is based on remaining contractual maturities.

As at 31 December 2018, the Group had a cumulative liquidity shortfall of UZS 324,804 million up to six months, which partially reflects the effects of the decision to classify UZS 151,492 million due to the Republic of Uzbekistan as "demand and less than 1 month" as a result of a breach of certain financial covenants stipulated in the Subsidiary Loan Agreements as discussed in detail in Note 18. Subsequent to 31 December 2018, the Republic of Uzbekistan confirmed to the Bank in writing that it will not take any action to demand prepayment of the loans as a consequence of past and/or ongoing breaches of these Subsidiary Loan Agreements. In addition, as a result of implementation of the Presidential Decree #4487 (Note 34), on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group.

Although the Group does not have the right to use the mandatory deposits held in Central bank of Uzbekistan for the purposes of funding its operating activities, the Management classifies them as demand deposits in the liquidity gap analysis on the basis that their nature is inherently to fund sudden withdrawal of customer accounts.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

The Management believes that in spite of a substantial portion of customer accounts being on demand, the fact that significant portion of these customer accounts are of large state controlled entities which are either the Group's shareholders or its entities under common control and the past experience of the Group, indicate that these customer accounts provide a long-term and stable source of funding for the Group.

As part of liquidity risk management, the Group maintains a contingency plan, periodically reviewed and adjusted, to be able to withstand any unexpected outflow of customers and to respond to financial stress. The contingency plan is developed primarily on the basis of the Group's ability to access the State resources due to its state ownership and strategic importance to the national banking system of the Republic of Uzbekistan.

As at 31 December 2018, the contingency plan of the Group consisted of the following:

- Attraction of long-term deposits of State funds under the Ministry of Finance – Pension Fund, State Deposit Insurance Fund and others;
- Attraction of budgetary funds up to one year through weekly electronic bidding platform run by the State Treasury under the Ministry of Finance;
- Utilization of the CBU's short-term liquidity loans;
- Attraction of deposits from inter-bank money markets within the limits set by the local commercial banks.

The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap as at 31 December 2018, 2017 and 2016.

33. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

- "Significant shareholders" - legal entities-shareholders which have a significant influence to the Group through Government;
- "Senior management" – members of the Management Board and the Council of the Bank.

Details of transactions between the Group and related parties are disclosed below:

31 December 2018	Significant shareholders	Senior management	Total
Loans and advances to customers	14,870,027	219	**14,870,246**
Customer accounts	912,552	2,715	**915,267**
Other borrowed funds	14,491,232	-	**14,491,232**
Other liabilities	9,712	543	**10,255**

2018	Significant shareholders	Senior management	Total
Interest income	520,642	18	**520,660**
Interest expense	370,414	17	**370,431**
Recovery of provision credit losses on loans and advances to customers	192,155	-	**192,155**
Commission income	39,043	-	**39,043**
Gain from trading in foreign currencies	1,251	-	**1,251**
Other operating income	116	-	**116**
Administrative and other operating expenses	-	1,946	**1,946**

31 December 2017	Significant shareholders	Senior management	Total
Loans and advances to customers	12,721,019	34	**12,721,053**
Customer accounts	1,106,534	142	**1,106,676**
Other borrowed funds	11,669,726	-	**11,669,726**
Other liabilities	80	243	**323**

2017	Significant shareholders	Senior management	Total
Interest income	336,885	6	**336,891**
Interest expense	221,917	-	**221,917**
Recovery of provision credit losses on loans and advances to customers	110,325	-	**110,325**
Commission income	38,199	-	**38,199**
Gain from trading in foreign currencies	367	-	**367**
Other operating income	347	-	**347**
Administrative and other operating expenses	-	1,066	**1,066**

31 December 2016	Significant shareholders	Senior management	Total
Loans and advances to customers	5,200,945	29	5,200,975
Customer accounts	444,404	70	444,474
Other borrowed funds	4,602,397	-	4,602,397
Other liabilities	80	616	695

2016	Significant shareholders	Senior management	Total
Interest income	203,488	4	203,492
Interest expense	113,415	-	113,415
Commission income	21,210	-	21,210
Other income	68	-	68
Administrative expenses	-	1,177	1,177

The Group enters into transaction with other government related entities in the normal course of business.

Key management compensation is presented below:

	2018	2017	2016
Salaries and other benefits	1,491	938	725
Bonuses	162	129	124
Social security contributions	293	315	82
Total	**1,946**	**1,382**	**931**

34. EVENTS AFTER THE END OF THE REPORTING PERIOD

According to the share emission #27 dated 25 December 2018 there was a capital injection of UZS 292,467 million by the UFRD. The funds were received on 18 January 2019.

On 10 January 2019, the Group has made additional contribution to the Charter Capital of LLC "Steel Property Construction" and increased its shareholding to 23.02%. The Group, however, did not obtain significant influence (directly or indirectly) over LLC "Steel Property Construction", therefore, continued classifying them as financial assets at FVTOCI.

In accordance with the Presidential Decree #PD-4112 dated 14 January 2019, the shareholding of the Ministry of Finance of the Republic of Uzbekistan transferred to the newly established State Asset Management Agency.

Subsequent to the reporting date, in accordance with the Presidential Decrees dated 2019, the Group received additional funding in the total amount of UZS 195,142 million and USD 17,146,230 from the Ministry of Finance, UZS 273,713 million from UFRD and UZS 33,859 million from CBU for the development of strategic industries in the Republic of Uzbekistan (total UZS 502,714 million and USD 17,146,230).

As a result of the successful placement of Inaugural International Sovereign Bond on the London Stock Exchange in February 2019 and in accordance with the Presidential Decree # PD-4258 dated 2 April 2019 the Bank has received long-term deposits from the Ministry of Finance of the Republic of Uzbekistan for the total amount of USD 122,100,000. These funds were received for long-term lending to strategic projects of the economy of Uzbekistan.

Subsequent to the reporting date, during July-August 2019, the Group received additional funding in the total amount of UZS 206,000 million from the Ministry of Finance, UZS 57,400 million from UFRD under the program of stimulating families to open small businesses in accordance with the Presidential Decrees #4231 and #4172.

A reduction of the Government control in the banking sector of Uzbekistan was determined to be one of the core pillars of the government reforms. As part of these reforms, the Presidential Decree #4487 was issued on 9 October 2019, which, among other initiatives, stipulated a withdrawal of government directed low-margin and subsidized assets out from the State owned banks, including the Group, to improve their return on assets. As part of this Decree, the Group plans to reduce its Other borrowed funds from the Government (UFRD) in the amount of USD 1,217 million (equivalent to UZS 11,475,320 million as at 1 October 2019) by transferring low margin and subsidized loans and advances to customers. In addition, on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group.

On 5 November 2019, a new Law on "Banks and banking activity" has been signed which the management of the Group has started assessing to understand its impact on its activities.

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