

IMPORTANT NOTICE

THE ATTACHED BASE OFFERING CIRCULAR IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (I) QIBS (AS DEFINED BELOW) OR (II) LOCATED OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the Base Offering Circular following this page (the “**Base Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Offering Circular. In accessing the Base Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING BASE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED BY THE RECIPIENT TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

Confirmation of your Representation: In order to be eligible to view the Base Offering Circular or make an investment decision with respect to the securities, investors must be (i) “qualified institutional buyers” (“**QIBs**”) (as defined in Rule 144A under the Securities Act), or (ii) located outside the United States who are transacting in an “offshore transaction” (in accordance with Regulation S) who are not acting for the account or benefit of U.S. persons. By accepting the email and accessing the Base Offering Circular, you shall be deemed to have represented to us that: (i) you are a QIB acquiring the securities referred to herein for your own account and/or for another QIB or (ii) you are outside the United States and not a U.S. person and/or not acting for the account or benefit of a U.S. person.

You are reminded that the Base Offering Circular has been delivered to you on the basis that you are a person into whose possession the Base Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Offering Circular to any other person.

Under no circumstances shall the Base Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor any sale of these securities in any jurisdiction in which such offer, solicitation or sale, would be unlawful. The Base Offering Circular may be communicated solely to (A) persons outside the United Kingdom or (B) persons inside the United Kingdom who are (i) 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**”), (ii) 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 or (iii) 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) in connection with the issue or sale of any securities of the Republic of Uzbekistan (the “**Issuer**”) may otherwise lawfully be communicated or caused to be communicated (all such persons in (A) and (B) 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.

The Base Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Dealers (as defined in the Base Offering Circular) nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any such Dealer.



THE REPUBLIC OF UZBEKISTAN

represented by the Ministry of Economy and Finance of the Republic of Uzbekistan

Global Medium Term Note Programme

Under the Global Medium Term Note Programme described in this Base Offering Circular (the “**Programme**”), the Republic of Uzbekistan (the “**Issuer**” or “**Uzbekistan**”), represented by the Ministry of Economy and Finance of the Republic of Uzbekistan, may from time to time issue notes (the “**Notes**”).

This Base Offering Circular comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the “**FSMA**”), a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) (the “**UK Prospectus Regulation**”), nor listing particulars given in compliance with the listing rules made under Part VI of the FSMA by the United Kingdom Financial Conduct Authority in its capacity as competent authority under the FSMA (the “**FCA**”). Application may be made to the FCA for Notes to be admitted to the Official List of the FCA (the “**Official List**”) and to be admitted to trading on the Main Market (the “**Market**”) of the London Stock Exchange plc (the “**London Stock Exchange**”) on an issue by issue basis from the date hereof. For the purposes of this application, the Issuer is an exempt issuer pursuant to Article 1(2) of the UK Prospectus Regulation. Accordingly, this Base Offering Circular has not been reviewed or approved by the FCA and has not been approved as a base prospectus by any other competent authority under the UK Prospectus Regulation. Any Notes issued under the Programme are not subject to the prospectus requirements of the UK Prospectus Regulation but will be issued in accordance with the listing rules of the London Stock Exchange. The Programme also permits Notes to be issued on an unlisted basis or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges, regulated markets and/or quotation systems as may be agreed with the Issuer. References in this Base Offering Circular 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. Notice of the aggregate nominal amount of interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein that are applicable to, each Tranche (as defined in “*Overview of the Programme*”) of Notes will be set forth in a final terms document (the “**Final Terms**”) or in a separate offering circular specific to such Tranche (the “**Drawdown Offering Circular**”) as described below in “*Final Terms and Drawdown Offering Circulars*”, which, with respect to Notes to be admitted to the Official List and to be admitted to trading on the Market, will be delivered to the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Notes of each Series (as defined in “*Overview of the Programme*”) will be issued in registered form and may be offered and sold (a) outside the United States in reliance on Regulation S (“**Regulation S**”) under the Securities Act of 1933, as amended (the “**Securities Act**”) (the “**Unrestricted Notes**”) and represented by a registered global note certificate (each an “**Unrestricted Global Note**”) without interest coupons which may be deposited on the relevant issue date (i) in the case of a Series intended to be cleared through Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) with a common depositary (the “**Common Depositary**”) and (ii) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg, or delivered outside of a clearing system, as agreed between the Issuer and the relevant Dealers, and/or (b) within the United States only to “qualified institutional buyers” (“**QIBs**”) (as defined in Rule 144A under the Securities Act (“**Rule 144A**”)) in reliance on Rule 144A (the “**Restricted Notes**”) and will be represented by one or more registered global note certificates (each a “**Restricted Global Note**”) and together with the Unrestricted Global Notes, the “**Global Notes**”), without interest coupons, which, as specified in the Final Terms may be cleared through Euroclear and/or Clearstream, Luxembourg or through The Depository Trust Company (“**DTC**”) and which may be deposited on the relevant issue date with either a Common Depositary or a custodian (the “**Custodian**”) for DTC and registered in the name of Cede & Co. as nominee for DTC. Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Interests in Restricted Global Notes will be subject to certain restrictions on transfer. See “*Transfer Restrictions*”. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in a Global Note.

The Issuer’s current long term debt rating by S&P Global Ratings (“**S&P**”) is BB- and Fitch Ratings Limited (“**Fitch**”) is BB-. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. Where a Tranche is rated, the applicable rating(s) will be specified in the relevant Final Terms. 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 agency.

The Notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any State or other jurisdiction of the United States, 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. For a summary of certain restrictions on resale, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

This Base Offering Circular should be read and construed together with any amendment or supplement hereto. Further, in relation to any Series, this Base Offering Circular should be read and construed together with the relevant Final Terms.

Investing in the Notes involves certain risks. See “*Risk Factors*” beginning on page 5.

Arrangers and Permanent Dealers

Citigroup

J.P. Morgan

**Société Générale
Corporate & Investment Banking**

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Base Offering Circular and declares that, to the best of its knowledge, the information contained in this Base Offering Circular (including the information incorporated herein by reference) is in accordance with the facts and the Base Offering Circular as completed by Final Terms makes no omission likely to affect the import of such information.

To the best of the knowledge and belief of the Issuer, this Base Offering Circular contains all information regarding the Issuer and the Notes which (in the context of the issue of the Notes) is material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Base Offering Circular on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Base Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

No person has been authorised to give any information or to make any representation other than those contained in this Base Offering Circular in connection with the offering, issue and sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Arranger or Dealer (each as defined in “*Overview of the Programme*”).

Neither the Arrangers nor the Dealers have separately verified the information contained herein. None of the Arrangers or the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Offering Circular. Neither this Base Offering Circular nor any Final Terms are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Offering Circular or any Final Terms should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Offering Circular and any Final Terms and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Offering Circular and any Final Terms nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers.

Generally, investment in emerging markets such as Uzbekistan is only suitable for investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors are urged to consult their own legal and financial advisers before making an investment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Investors should also note that emerging markets such as Uzbekistan are subject to rapid change and that the information set out in this Base Offering Circular may become outdated relatively quickly.

SUPPLEMENTS TO THIS BASE OFFERING CIRCULAR

The Issuer has undertaken, in connection with the listing of the Notes on the Official List, that in the event of a change in the condition of the Issuer, which is material in the context of the Programme or the issue of Notes, and if there is a significant new factor, material mistake or material inaccuracy relating to the information contained in this Base Offering Circular which is capable of affecting the assessment of any Notes, which inclusion would be required by investors for the purpose of making an informed assessment of the economic, fiscal and political condition of the Issuer and the rights attaching to the relevant Notes, the Issuer will prepare or procure the preparation of a supplement to this Base Offering Circular or, as the case may be, publish a new offering circular, for use in connection with that or any subsequent issue by the Issuer of Notes listed on the Official List.

IMPORTANT NOTICES

Neither the delivery of this Base Offering Circular or any Final Terms nor the offering, sale or delivery of any Note shall, under any circumstances, create any implication that the information contained in this Base Offering Circular is accurate subsequent to the date hereof or that there has been no change in the affairs of the Issuer since the date hereof or the date upon which the Base Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the economic, fiscal and political condition of the Issuer since the date hereof or the date upon which the Base Offering Circular has been most recently amended or supplemented or any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. This Base Offering Circular may only be used for the purpose for which it has been prepared.

The distribution of this Base Offering Circular and any Final Terms and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Offering Circular or any Final Terms comes are required by the Issuer, the Arrangers and the Dealers to inform themselves and to observe any such restriction. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Offering Circular and any Final Terms and the offering material relating to the Notes, see “*Subscription and Sale*”. In particular, the Notes have not been and will not be registered under the Securities Act and will be offered and sold outside the United States in reliance on Regulation S and sold in the United States only to QIBs in reliance on Rule 144A. Prospective purchasers of Notes are hereby notified that sellers of Notes may be relying on the exemption from registration requirements of Section 5 of the Securities Act provided by Rule 144A.

This Base Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers or the Dealers to subscribe for, or purchase, any Notes. In particular, this Base Offering Circular does not constitute an offer of securities to the public in the United Kingdom. Consequently, this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the FSMA (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order and other persons to whom it may be lawfully communicated falling within article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Base Offering Circular may come are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe such restrictions.

FORWARD LOOKING STATEMENTS

Certain statements included herein may constitute “forward looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”); however, this Base Offering Circular is not entitled to the benefit of the safe harbour created thereby. Such statements, certain of which can be identified by the use of forward looking terminology such as “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “could”, “would be”, “seeks”, “approximately”, “estimates”, “predicts”, “projects”, “aims” or “anticipates”, or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. Therefore, undue reliance should not be placed on them. The Issuer has based these forward looking statements on its current view with respect to future events and financial results.

Forward looking statements speak only as at the date on which they are made and the Issuer undertakes no obligation to update publicly any of them in light of new information or future events. Forward looking statements involve inherent risks and uncertainties. Forward looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policy; (ii) expectations about the behaviour of the economy if certain economic policies are implemented; (iii) the outlook for gross domestic product, inflation, exchange rates, interest rates, commodity prices, foreign investment, balance of payments, trade and fiscal balances; and (iv) estimates of external debt repayment and debt service.

The Issuer cautions that a number of important factors could cause actual results to differ materially from those contained in any forward looking statement. The information contained in this Base Offering Circular identifies important factors that could cause such differences, including, but not limited, to the following adverse external factors, such as:

- adverse events in other emerging market countries, which could dampen foreign investment or adversely affect the trading price of the Notes; and
- adverse domestic factors, such as:
 - changes in economic or other policies, including monetary policy applicable in Uzbekistan, which could affect inflation, growth rates and/or other aspects of the Uzbekistan economy;
 - a decline in foreign direct investment (“**FDI**”), increases in domestic inflation, high domestic interest rates, exchange rate volatility or an increase in the level of domestic and external debt, which could lead to lower economic growth, a decrease in Uzbekistan’s fiscal revenues or an increase in debt service requirements; and
 - any deterioration in political or economic stability or in investor perceptions thereof; and
- changes in international commodities prices, foreign exchange rates or prevailing interest rates, which could adversely affect Uzbekistan’s balance of payments and external reserves.

The sections of this Base Offering Circular entitled “*Risk Factors*”, “*Overview of the Republic of Uzbekistan*” and “*The Economy of the Republic of Uzbekistan*” contain a more complete discussion of the factors that could adversely affect the Issuer. In light of these risks, uncertainties and assumptions, the forward looking events described in this Base Offering Circular may not occur. The Issuer does not undertake any obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise, except as may be required by law or applicable regulations. All subsequent written and oral forward looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Offering Circular.

As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward looking statements.

STABILISATION

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the “**Stabilisation Manager(s)**”) (or persons acting on behalf of the Stabilisation Manager(s)) in the relevant Final Terms 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease 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 relevant Tranche. Any stabilisation action or over allotment must be conducted by the Stabilisation Manager(s) (or persons acting on behalf of the Stabilisation Manager(s)) in accordance with all applicable laws, regulations and rules.

NOTICE TO PROSPECTIVE UNITED STATES INVESTORS

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Base Offering Circular is being furnished only to a limited number of investors in the United States who are persons reasonably believed to be QIBs and to investors outside the United States. Any reproduction or distribution of this Base Offering Circular, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the Notes, is prohibited. Each potential investor in the Notes, by accepting delivery of this Base Offering Circular agrees to the foregoing and each purchaser or holder of interests in Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain acknowledgements, representations and agreements as set out in “*Subscription and Sale*” and “*Transfer Restrictions*”.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend titled “MiFID II Product Governance” that will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes are appropriate. Any person subsequently offering, selling or recommending such Notes (a “**distributor**”) should take into consideration the target market assessment; *however*, a distributor subject to Directive 2014/65/EU (as amended, “**MiFID II**”) is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a “manufacturer” in respect of such Notes, but otherwise none of the Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” that will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a “manufacturer” in respect of such Notes, but otherwise none of the Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

SINGAPORE SFA PRODUCT CLASSIFICATION

In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise stated in the Final Terms in respect of any Notes and notified to the Dealers prior to an offer of Notes, 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 MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA 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 (the “**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; (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article

4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. 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.

FINAL TERMS AND DRAWDOWN OFFERING CIRCULARS

In this section the expression “necessary information” means, in relation to any Tranche, the information necessary to enable investors to make an informed assessment of the prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has endeavoured to include in this Base Offering Circular all of the necessary information except for information relating to the Notes which is not known at the date of this Base Offering Circular and which can only be determined at the time of an individual issue of a Tranche.

Any information relating to the Notes which is not included in this Base Offering Circular and which is required in order to complete the necessary information in relation to a Tranche will be contained either in the relevant Final Terms or in a Drawdown Offering Circular.

For a Tranche which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Offering Circular and must be read in conjunction with this Base Offering Circular. The terms and conditions applicable to any particular Tranche which is the subject of Final Terms are the Terms and Conditions of the Notes described in the relevant Final Terms as supplemented to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche which is the subject of a Drawdown Offering Circular will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Offering Circular. In the case of a Tranche which is the subject of a Drawdown Offering Circular, each reference in this Base Offering Circular to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Offering Circular unless the context requires otherwise.

PRESENTATION OF INFORMATION

Statistical data appearing in this Base Offering Circular has, unless otherwise stated, been obtained from the Statistics Agency under the President of the Republic of Uzbekistan, Ministry of Economy and Finance of the Republic of Uzbekistan, Ministry of Employment and Poverty Reduction of the Republic of Uzbekistan, Ministry of Pre-School and School Education of the Republic of Uzbekistan, Ministry of Mining Industry and Geology of the Republic of Uzbekistan, and the Central Bank of the Republic of Uzbekistan (“**CBU**”). Some statistical information has also been derived from information publicly made available by third parties such as the International Monetary Fund (the “**IMF**”), the International Bank for Reconstruction and Development (the “**IBRD**”) and other third parties. Where such third party information has been so sourced the source is stated where it appears in this Base Offering Circular. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced inaccurate or misleading. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source.

References to gross domestic product (“**GDP**”) are to nominal GDP unless indicated otherwise.

In this Base Offering Circular, unless otherwise specified, references to “**Uzbekistan**” or the “**State**” are to the Republic of Uzbekistan; references to “**Government**” or “**Parliament**” are to the Government or Parliament of Uzbekistan, respectively; references to the “**CIS**” are to the Commonwealth of Independent States; references to “**UZS**” and “**soums**” are to the currency of Uzbekistan; and references to “**U.S. dollars**” and “**U.S.\$**” are to the currency of the United States of America. References to “billions” are to thousands of millions.

Conversions of amounts from soums to U.S. dollars are solely for the convenience of the reader and, unless otherwise stated, are made at various exchange rates. No representation is made that Uzbekistan soum or U.S. dollar amounts referred to herein could have been or could be converted to U.S. dollars or soums, as the case may be, at any particular rate or at all.

Websites referred to in this Base Offering Circular and the information therein do not form part of this Base Offering Circular.

Certain figures included in this Base Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary to reflect such rounding, and figures shown as totals may not be the arithmetical aggregate of their components.

Please note that certain existing data included in this Base Offering Circular may be subject to revision in future. See “*Risk Factors – Risks Relating to Uzbekistan – Statistics published by Uzbekistan and appearing in this Base Offering Circular may be more limited in scope and published less frequently and differ from those produced by other sources*”.

Public Official Information

Information included in this Base Offering Circular and identified as being derived from information published by Uzbekistan or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of Uzbekistan. All other information herein with respect to Uzbekistan is included herein as a public official statement made on the authority of the Ministry of Economy and Finance.

EXCHANGE RATES

Solely for convenience, this Base Offering Circular includes conversions of certain soum amounts into U.S. dollars at specified rates.

The following table sets forth the period-end, average and high and low rates for soum, each expressed in soum and based on the soum/U.S. dollar exchange rates as reported by the CBU for the periods indicated:

<i>Year/period</i>	High	Low	Average⁽¹⁾ <i>(soum/U.S. dollar)</i>	Period end
2023 (up to and including 31 August 2023).....	12,100.02	11,246.81	11,487.21	12,089.97
2022.....	11,571.99	10,800.55	11,045.70	11,225.46
2021.....	10,848.58	10,449.44	10,623.44	10,837.66
2020.....	10,476.92	9,500.54	10,064.73	10,476.92
2019.....	9,537.55	8,336.25	8,837.00	9,507.56
2018.....	8,339.55	7,783.05	8,070.00	8,339.55
2017.....	8,120.07	3,239.62	5,114.00	8,120.07

Source: Central Bank of the Republic of Uzbekistan

Note:

(1) The average rate is calculated based on annualised weekly exchange rates to determine the annual or monthly average rate (as the case may be).

As at 27 September 2023, the official exchange rate of CBU was U.S.\$1.0 to UZS 12,195.10.

The exchange rates set out in the table above may differ from the actual rates used in the preparation of the information appearing in this Base Offering Circular. The inclusion of these exchange rates is not meant to suggest that any amount of the currencies specified above has been, or could be, converted into the applicable currency at the exchange rates indicated or at any other exchange rate.

THE METHODOLOGY OF THE STATISTICS AGENCY UNDER THE PRESIDENT OF THE REPUBLIC OF UZBEKISTAN

According to the methodology of the Statistics Agency under the President of the Republic of Uzbekistan, goods and services produced by enterprises with a state share of less than 100% are considered to be goods and services produced by the private sector.

ENFORCEMENT OF FOREIGN JUDGMENTS AND AWARDS

The Issuer is a sovereign state and substantially all of its assets are located in the Republic of Uzbekistan. As a result, it may not be possible (a) to effect service of process upon the Issuer outside of the Republic of Uzbekistan, (b) to enforce against it in courts of jurisdictions other than the Republic of Uzbekistan, judgments obtained in such courts unless the Issuer has effectively waived its state immunity or (c) to enforce against it in the Republic of Uzbekistan's courts, judgments obtained in other jurisdictions unless that other jurisdiction and the Republic of Uzbekistan are party to a treaty on mutual recognition and enforcement of judgments.

Neither the United Kingdom nor the United States is party to any such treaty 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.

Nevertheless, the Issuer will irrevocably appoint the Ambassador of the Republic of Uzbekistan to the Court of St. James's as its authorised agent on whom process may be served in any action arising out of or based on the Notes in an English court.

The Issuer will also agree that any claims or disputes arising in respect of the Notes shall be referred to and finally settled by arbitration in accordance with the rules of the LCIA. The Republic of Uzbekistan is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") and, accordingly, an arbitral award should generally be recognised and enforceable in Uzbekistan under the New York Convention provided the conditions to enforcement set out in the New York Convention are met.

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:

- (i) 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 or in the absence of such governing law, according to the law of the country where a foreign arbitral award has been rendered;
- (ii) a party against which a foreign arbitral award is rendered has not been timely and duly notified about the proceedings, or the time and place of the proceedings, or could not provide its explanations due to other reasons;
- (iii) 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 or by reservation can be separated from those not covered by such agreement or reservation;
- (iv) 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 proceedings were held;
- (v) 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;
- (vi) 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:

(vii)

- (i) enforcement of a foreign arbitral award will contradict the “public order” of the Republic of Uzbekistan;
- (ii) the subject matter of the dispute may not be subject to arbitration under the laws of the Republic of Uzbekistan;
- (iii) 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 Uzbek 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 that cannot be derogated from by the agreement of the parties. According to Uzbek law, regardless of the choice of law agreed to by the parties, certain mandatory rules of Uzbek law still apply.

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.

Taking into account that Uzbekistan is a sovereign state, there is a risk that notwithstanding the waiver of sovereign immunity by Uzbekistan in connection with the Notes, a claimant will not be able to enforce a foreign judgment or arbitral award in Uzbekistan against certain assets of Uzbekistan, e.g. property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations, including their heads and other employees, property of military character and under the control of the military authorities or defence agencies, property of the CBU, including gold and foreign currency reserves and property located in Uzbekistan and used for public or governmental purposes (as distinct from property used for commercial purposes) without Uzbekistan having specifically consented to such enforcement at the time when the enforcement is sought. In addition, certain state-owned assets are statutorily exempt from court enforcement procedures in Uzbekistan. The enforcement in Uzbekistan of any court judgment or arbitral award against any assets of the Issuer which are subject to a mortgage, pledge, lien or other security interest or encumbrance granted by the Issuer to a third party will also be subject to the provisions of applicable laws governing such mortgages, pledges, liens, security interests or encumbrances (including, without limitation, the order of priority for the satisfaction of claims of secured and unsecured creditors from such assets). See “*Risk Factors — Risks related to the Notes generally — Enforcement of judgments or arbitral awards against Uzbekistan can be difficult in certain jurisdictions*”. In addition, Uzbekistan has not consented to service

or waived sovereign immunity with respect to actions brought against it under US federal securities laws or any state securities laws. In the absence of a waiver of immunity by Uzbekistan with respect to such actions, it may not be possible to obtain a judgment in such an action brought in a US court against Uzbekistan unless such court were to determine that Uzbekistan is not entitled under the U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such actions.

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OVERVIEW OF THE PROGRAMME

This overview does not purport to be complete and must be read as an introduction to this Base Offering Circular and any decision to invest in the Notes should be based on a consideration of this Base Offering Circular as a whole.

Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meanings in this overview.

Issuer	The Republic of Uzbekistan represented by the Ministry of Economy and Finance of the Republic of Uzbekistan
Description and Size	Global Medium Term Note Programme The Programme is unlimited in amount.
Arrangers	Citigroup Global Markets Limited J.P. Morgan Securities plc Société Générale
Permanent Dealers	Citigroup Global Markets Limited J.P. Morgan Securities plc Société Générale

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Offering Circular to “**Permanent Dealers**” are to those persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “**Dealers**” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Fiscal Agent, Exchange Agent and Calculation Agent	Citibank, N.A., London Branch
Principal Paying and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Europe AG
Method of Issue	The Notes will be issued in series (each, a “ Series ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. However, further notes having the same terms and conditions as the Notes of a particular Series so as to form a single series with the Notes of the particular Series will be issued with a separate CUSIP and ISIN unless such further notes are fungible with the original Notes for U.S. federal income tax purposes. Each Series may comprise one or more tranches of notes (each, a “ Tranche ”) issued on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the denominations, issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in

the Final Terms or the Drawdown Offering Circular (as the case may be) which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Notes and this Base Offering Circular and must be read in conjunction with this Base Offering Circular. The terms and conditions applicable to any particular Tranche are the Terms and Conditions of the Notes as supplemented, amended or replaced by the relevant Final Terms or the relevant Drawdown Offering Circular (as the case may be).

- Issue Price** Notes may be issued at any price on a fully paid basis, as specified in the Final Terms. The price and amount of the Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
- Form of Notes** Each Series will be issued in registered form only.
- Restricted Notes will initially be represented by a Restricted Global Note and Unrestricted Notes will initially be represented by an Unrestricted Global Note. The Global Notes will be exchangeable for Definitive Note Certificates (as defined herein) in the limited circumstances specified in the Global Notes.
- Clearing Systems** Euroclear, Clearstream, Luxembourg and DTC, unless otherwise agreed, and such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer(s).
- Currencies** Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal, regulatory and central bank requirements.
- Maturities** Subject to compliance with all relevant laws, regulations, directives and/or central bank requirements, any maturity.
- Denominations** Notes will be issued in such denominations as may be specified in the relevant Final Terms (the “**Specified Denomination**”), provided that, subject to the below, the Specified Denomination(s) shall not be less than €100,000 or its equivalent in another currency. For so long as the Notes are represented by a Global Note, and the relevant clearing system(s) so permit, subject to the below, the Notes shall be tradeable only in the minimum authorised denomination of €100,000 or its equivalent in another currency and higher integral multiples of any smaller amount specified in the relevant Final Terms. Interests in the Restricted Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in other currencies.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must (a) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19

of the FSMA.

Interest Notes may be interest-bearing or non interest-bearing (as set out in the relevant Final Terms). Interest (if any) may accrue at a fixed rate or a floating rate.

Redemption..... The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity or that such Notes will be redeemable at the option of the Issuer upon giving notice to the Noteholders on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whole issue otherwise would constitute a contravention of section 19 of the FSMA will have a minimum redemption amount of £100,000 (or its equivalent in the relevant currency).

Status of the Notes..... The Notes constitute direct, general, unconditional and (subject to Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer and will at all times rank *pari passu* without preference among themselves and at least *pari passu* in right of payment with all other unsecured External Indebtedness of the Issuer from time to time outstanding, provided further that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to the Notes or any other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*.

Negative Pledge The Notes will have the benefit of a negative pledge as described in Condition 6 (*Negative Pledge*).

Credit Ratings Where a Tranche is rated, the applicable rating(s) will be specified in the relevant Final Terms.

A credit 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.

Taxation All payments of principal and interest in respect of the Notes will be made free and clear of 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 amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction has been required, subject to certain exceptions set out in Condition 12 (*Taxation*).

Governing Law..... English law.

Transfer Restrictions	<p>The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States, the United Kingdom, Singapore, Hong Kong, Switzerland and the Republic of Uzbekistan. See “<i>Subscription and Sale</i>”.</p> <p>The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or any State securities law. Consequently, the Notes 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 and any applicable state securities laws. See “<i>Transfer Restrictions</i>”.</p>
Listing and Trading	<p>Application may be made for the Notes to be admitted to listing on the Official List and to trading on the Market and references to “listing” shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market.</p> <p>Notes may also be unlisted or may be listed or admitted to trading, as the case may be, on any market (including any unregulated or regulated market for the purposes of MiFID II) as may be agreed among the Issuer and the relevant Dealer(s) or (in the case of a direct purchase of Notes by an investor) the relevant Noteholders(s) in relation to each relevant Series.</p>
Enforcement of Notes in Global Form	<p>In the case of Global Notes, individual investors’ rights against the Issuer will be governed by a deed of covenant dated 4 February 2019 (the “Deed of Covenant”), a copy of which is available for inspection at the specified office of the Fiscal Agent.</p>
Risk Factors	<p>Investing in the Notes involves a high degree of risk, which investors should ensure they fully understand. These include: risks associated with emerging markets, risks relating to Uzbekistan and risks relating to the Notes. See “<i>Risk Factors</i>”.</p>
Use of Proceeds	<p>The net proceeds of the issue of the Notes will be used by the Issuer for general budgetary purposes, including infrastructure projects.</p>

RISK FACTORS

Investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the other information set out in this Base Offering Circular, before making a decision to invest in the Notes and should understand that the risks set forth below could, individually or in the aggregate, have a material adverse effect on the Issuer's ability to repay principal and make payments of interest on the Notes or otherwise fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Additional risks and uncertainties not currently known to the Issuer or that the Issuer currently deems to be immaterial may also materially affect the Issuer's economy and its ability to fulfil its obligations under the Notes. In any such case, investors may lose all or part of their investment in the Notes.

Risks Relating to Emerging Markets

Investing in securities involving emerging markets generally involves a higher degree of risk than investing in securities in more developed markets

Investors in emerging markets should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant economic, political, social and legal risks. Investors should also note that emerging economies, such as the Republic of Uzbekistan, are subject to rapid change and that the information set forth herein may become outdated relatively quickly.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, making an investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Disruptions in the international capital markets and changing regulatory environments can lead to reduced liquidity and increased credit risk premiums for certain market participants and result in a reduction of available financing. Countries located in emerging markets may be particularly susceptible to these disruptions and changes as well as to reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

In general, the level of investor confidence in emerging markets as a whole significantly influence the availability of credit to entities operating in such markets. Accordingly, any factors that impact market confidence, such as a decrease in credit ratings or state or central bank intervention in a particular market, could affect the price or availability of funding for entities within any of these markets, which could, in turn, have an impact on the wider economies of such markets.

Fluctuations in the global economy or an increase in the perceived risks associated with investing in emerging markets could reduce foreign investment in Uzbekistan and, as a result, have an adverse effect on Uzbekistan's economy. If foreign investment in Uzbekistan's economy declines, it may experience liquidity constraints. Uzbekistan's economy is also not immune from developments in the economies of other countries located in emerging markets. Even if Uzbekistan's economy remains relatively stable, financial unrest or instability experienced in one or more emerging market countries, especially countries in the CIS, the Caspian Sea or Central Asian regions (which have recently experienced significant political instability, including terrorism and internal unrest), could have a negative impact on Uzbekistan's economy.

Any of the aforementioned risks could have a negative effect on Uzbekistan's economy, and thus could have a material adverse effect on the trading price of the Notes.

Risks Relating to Uzbekistan

Uzbekistan's economy is vulnerable to external shocks and fluctuations in the global economy

Uzbekistan's economy and finances have been affected adversely by global financial developments and political changes in certain emerging markets. Changes in both the global and domestic environment have resulted in, among other things, lower liquidity levels across the banking sector, tighter credit conditions for Uzbek companies generally and fluctuating global demand for and instability in the price of gold, natural gas, cotton and other commodities and downward pressure on the soum.

Global and regional economic conditions remain volatile and there is significant economic uncertainty. Real GDP growth in Uzbekistan was 5.7% in 2022, 7.4% in 2021 and 2.0% in 2020, according to the Statistics Agency under the President of the Republic of Uzbekistan. According to the IMF's World Economic Outlook Update published in July 2023, the near-term outlook for the Central Asia and Middle East will slow, with GDP growth in the regions projected to decline to 2.5% in 2023, from an estimated 5.4% in 2022, mainly attributable to a steeper-than-expected growth slowdown in Saudi Arabia. In April 2023, the IMF projected 5.3% and 5.5% real GDP growth in Uzbekistan in 2023 and 2024, respectively.

Whilst Uzbekistan's economy was one of the three economies in the Europe and Central Asia region to maintain positive economic growth in 2020 despite the impact of COVID-19, Uzbekistan's economy is nonetheless vulnerable to external shocks and the economic performance of its trading partners. A significant decline in economic growth in any of Uzbekistan's other major trading partners, particularly Russia (whether or not due to the ongoing war in Ukraine or resulting from sanctions imposed by, among others, the United States, the United Kingdom and the EU), China and Kazakhstan, could have a material adverse effect on Uzbekistan's balance of trade and economic growth. Uzbekistan also depends on neighbouring states to access world markets for a number of its major exports. Should access to these export routes be materially impaired, this could adversely impact Uzbekistan's economy. Events occurring in one geographic or financial market sometimes have so-called "contagion effects", whereby they result in an entire region or class of investments being disfavoured by international investors. It is possible that the market for investments in Uzbekistan, including the Notes, will be affected in the future by negative economic or financial developments in neighbouring countries or countries whose economies or credit ratings are similar to those of Uzbekistan. See "*The ongoing conflict between Russia and Ukraine and sanctions imposed on certain Russian and Ukrainian persons and entities could have an adverse impact on Uzbekistan's economy*" below.

The most significant contagion effecting Uzbekistan's economy is the global change in prices for certain commodities. Several global economies, including China, are experiencing a slowdown in economic growth and stock market volatility. China is one of the main trade partners of Uzbekistan, which means that any disruption to economic stability or growth in China, or any rupture in economic or political relations between Uzbekistan and China, could have an adverse effect on the economy of Uzbekistan which, in turn, may materially and adversely affect Uzbekistan's financial condition and its ability to repay the Notes. In addition, Uzbekistan is in the process of implementing structural economic reforms aimed at, *inter alia*, price and trade liberalisation and tax control. See "*Implementation of market-based reforms may not be effective which may slow the growth of Uzbekistan's economy*". Should the Government succeed in the implementation of market reforms, Uzbekistan's economy would be more integrated into the world trading system and inter-linked with the global economy and economies of the main trade partners and neighbouring states of Uzbekistan, which may make Uzbekistan's economy more vulnerable to external shocks, such as global economic crises and currency and commodity price volatility.

Certain state-owned enterprises are key contributors to Uzbekistan's GDP and state budget. For example, JSC "Uzbekneftegaz" (the Uzbek state oil and gas company) and its subsidiaries are major

taxpayers for the state budget, contributing 3.7% to the state's revenues and accounting for approximately 0.8% of Uzbekistan's total GDP in 2022. Another state-owned enterprise, Navoi Mining and Metallurgical Combinat ("NMMC"), involved in the mining industry (mainly producing gold) contributed 13.5% to the state's revenues, accounting for approximately 3.0% of Uzbekistan's total GDP, for the six months ended 30 June 2023. JSC "Almalyk MMC", a company involved in the mining industry, contributed 5.2% to state budget revenues and accounted for 1.2% of GDP during the six months ended 30 June 2023. Any decline in the financial performance of these businesses, regardless of the underlying reasons for such decline, could have a direct and indirect material adverse impact on the revenues in Uzbekistan's State Budget.

Furthermore, Uzbekistan faces economic risks of volatility in workforce remittances (in particular, from Russia) and unemployment. The rate of unemployment in Uzbekistan decreased from 9.6% as at 31 December 2021 to 8.9% as at 31 December 2022, mainly due to the implementation of economic reforms in the country, the creation of a foundation for the establishment of businesses through training the unemployed population in professions and entrepreneurship, and the formation of sources of family income by providing permanent jobs to the citizens applying for work, before declining to 8.8% as at 1 April 2023. Decreases in remittance inflows or increases in the unemployment rate could have an adverse effect on the economy of Uzbekistan.

There can be no assurance that weaknesses in the global economy, or a future external economic crisis, will not have a negative effect on Uzbekistan's economy or on investors' confidence in Uzbekistan's markets. This could affect Uzbekistan's ability to raise capital in the international debt markets and may have a material adverse effect on the trading price of the Notes.

The ongoing conflict between Russia and Ukraine and sanctions imposed on certain Russian and Ukrainian persons and entities could have an adverse impact on Uzbekistan's economy

On 24 February 2022, Russian forces commenced an armed conflict against Ukraine, which, in conjunction with sanctions imposed by governments in response, has led to significant volatility and disruption in the global credit markets and the global economy. The United States, the United Kingdom and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) have imposed several rounds of sanctions on certain Russian and Ukrainian persons and entities since 2014, which have intensified since the outbreak of the current conflict between Russia and Ukraine in 2022. The sanctions, combined with a substantial decline in global oil prices, had an adverse effect on the Russian economy, prompting downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, caused extensive capital outflow from Russia since 2014 and severely impaired the ability of Russian issuers to access the international capital markets.

Whilst Uzbekistan maintains independent diplomatic relationships with both Russia and Ukraine and has confirmed its neutral position with respect to the tensions between Russia and Ukraine, Uzbekistan has significant economic and political relations with Russia.

Russia is the main trade and economic partner of Uzbekistan. Sanctions imposed on certain Russian persons and entities by the United States, the United Kingdom, the EU and other countries in connection with the conflict in Ukraine and any other action by Russia which may result in further sanctions, could prevent Uzbekistan from trading with certain Russian counterparties, which could have a material adverse impact on Uzbekistan's trade and consequently the country's economy. In addition, given Uzbekistan's close economic relationship with Russia, there can be no assurances that individuals or businesses located in Uzbekistan will not themselves become subject to sanctions imposed by the United States, the United Kingdom and the EU, among other countries.

Uzbekistan's close economic links with Russia, the existing sanctions imposed on certain Russian and Ukrainian persons and entities or any future sanctions could have a material adverse effect on

Uzbekistan's economy, which in turn could have a material adverse effect on the trading price of the Notes.

Uzbekistan's economy is significantly affected by volatility in international oil prices

Crude oil and oil product prices are subject to international supply and demand and margins can be volatile. Political developments, increased use of renewable energy sources that alter fuel or power choices (such as the development of solar and wind power in the Republic of Uzbekistan), technological change and global economic conditions have an indirect impact on oil demand and prices. The strategy "On transition of the Republic of Uzbekistan to a "green" economy in the period of 2019-2030" was approved by a Presidential Resolution of the Republic of Uzbekistan dated 4 October 2019 and entitled "On the programme measures for further development of renewable power generation, enhancement of energy efficiency in sectors of the economy and social sphere for 2017-2021" in order to ensure fulfilment of obligations under the Paris Agreement on climate change signed by Uzbekistan on 19 April 2017. See "*Overview of the Republic of Uzbekistan – Environment*". The adoption of such policies related to renewable energy and climate change could lead to constraints on production and supply, access to new reserves and a decline in demand for certain products. In addition, exchange rate fluctuations can create currency exposures and impact underlying costs and revenues. Crude oil prices are generally set in U.S. dollars, while oil products vary in currency. Many of the project development costs in the Republic of Uzbekistan that are denominated in soums may be subject to fluctuations against the U.S. dollar. There can be no assurances that these factors, in combination with others, will not result in a prolonged or further decline in oil prices, which may continue to have an adverse effect on, among other things, Uzbekistan's GDP growth, Government revenues, balance of payments and foreign trade.

Any material reduction in the price of commodities, particularly gold, natural gas, copper and uranium, may materially adversely affect the revenues and financial condition of Uzbekistan

Uzbekistan is a country with abundant mineral resources and a major exporter of commodities, including gold, natural gas, copper and uranium. Within the CIS region, Uzbekistan is the second largest producer of gold and uranium and the third largest producer of natural gas and copper as of 31 December 2022, according to the Ministry of Mining Industry and Geology of the Republic of Uzbekistan. In the year ended 31 December 2022, gold, energy and oil products together comprised 27.6% of total exports of goods, amounting to U.S.\$4.1 billion and U.S.\$1.2 billion, respectively. The state-owned enterprise, NMMC, which predominantly produces uranium and gold, accounted for nearly 16.3% of the State's budget revenues in the same period. Uzbekistan's economy and the State Budget relies on the fiscal revenues of these exports.

Because of the country's reliance on commodity exports, Uzbekistan is at risk of shocks stemming from declines in the prices of its major exports, such as gold. Any global downturn could lead to lower commodity export prices. The significant share of commodities in Uzbekistan's exports and the country's major trading partners' vulnerability to commodity price shocks could significantly worsen the impact of adverse external shocks for Uzbekistan by lowering exports earnings, commodity prices and the value of remittances at the same time. As a result, fluctuations in international export prices of these and other commodities, such as copper or gas, may have a material impact on Uzbekistan's GDP, fiscal revenues, balance of payments, external revenues, foreign reserve levels and future financial condition, including its ability to make payments on the Notes.

Uzbekistan has had complex relations with the EU and the United States and any such points of tension could have a material adverse effect on Uzbekistan's economy or political environment or the market value of the Notes

Uzbekistan has had complex relations with the EU and the United States in the past, each of which has raised human rights concerns.

Historically, Uzbekistan's treatment of protestors and alleged violation of human rights has significantly affected Uzbekistan's relationship with the EU and the United States. After the Cold War, President Karimov sought to improve relations with the West. Uzbekistan made its military bases available to the United States for military and intelligence operations in Afghanistan and, in March 2002, the two countries signed the Declaration on the Strategic Partnership and Cooperation Framework.

However, in May 2005, the United States and the EU criticised Uzbekistan's treatment of protests in the city of Andijan, which led to a number of alleged killings. In response, the EU imposed sanctions, banning Uzbek officials allegedly connected to the treatment of protestors from travelling to Europe and establishing embargos on arms and military equipment exports. The United States added additional limits to pre-existing congressional bans on assistance for Uzbekistan, such as military assistance.

Since May 2005, the normalisation of political relations between Uzbekistan and both the United States and EU has resumed. The EU removed all sanctions on Uzbekistan in 2009, citing positive human rights trends and the United States has been providing a limited amount of financial assistance and granting six-month waivers to the country related to the United States' congressional bans.

In December 2016, Shavkat Miromonovich Mirziyoyev was elected as President of the Republic of Uzbekistan and was most recently re-elected in July 2023 following the approval by referendum in May 2023 of changes to the constitution, which will allow Mr Mirziyoyev to potentially serve as president until 2037. Since his election, President Mirziyoyev has taken various steps to liberalise the Uzbek economy by, for example, reforming the currency regime, the banking system and privatising various state-owned entities ("SOEs"), as well as taking steps to work with other countries and international financial institutions. No assurance, however, can be given on the future success of these reforms as well as future political and social stability in Uzbekistan, the deterioration of which may have a material adverse effect on the Uzbek economy and Uzbekistan's relations globally.

In 2017, the Republic of Uzbekistan introduced a number of measures to eliminate violations in the field of labour rights, including limiting the abuse of at-risk groups such as students, education and healthcare workers. The Government also increased wages to cotton pickers in accordance with the recommendations of the International Labour Organisation ("ILO"). During the cotton harvest, five local officials in 2021 were fined for violations related to forced labour. There were no violations related to forced labour during the cotton harvest in 2022. In August 2020, the Government approved and submitted to the Parliament the new draft of the Labour Code of the Republic of Uzbekistan. Although the Government has been closely monitoring the systematic use of child labour in the cotton industry and has increased the punishment of officials for forced labour, there can be no assurance that Uzbekistan's adoption of recommendations by the ILO will remain successful. On 28 October 2022, the new Labour Code was adopted. The new Labour Code contains significantly expanded provisions aimed at, among others, protection of labour rights and their equality, prohibition of forced labour, additional guarantees for socially vulnerable categories of the population. See "*The Economy of the Republic of Uzbekistan - Employment, Wages, Pensions and Social Security - Reforms and Improvements in Labour Practices in Uzbekistan*".

Uzbekistan's relationship with EU countries has also been developing in recent years and Germany and France in particular are important trade partners of Uzbekistan (for example, the volume of Uzbek-German trade and Uzbek-French trade in the six months ended 30 June 2023 amounted to U.S.\$928.8 million and U.S.\$388.0 million, respectively). See "*Overview of the Republic of Uzbekistan - International Relations - Foreign States - European Union*".

No assurance, however, can be given that Uzbekistan's current foreign policy relationships with both the United States and the EU will continue or that the United States and the EU will not impose new restrictions on Uzbekistan in relation to past or future points of tension or that such frictions will not affect the political and economic environment in Uzbekistan and the market value or liquidity of the

Notes. Additionally, complex political relations with the EU and the United States could have an adverse effect on investments in Uzbekistan and the availability of external funding from international capital markets.

Any deterioration in Uzbekistan's relations with neighbouring countries may adversely affect Uzbekistan's economy

In the past, Uzbekistan has had a number of disputes with neighbouring countries, particularly with Tajikistan and Kyrgyzstan.

Uzbekistan has had a number of disagreements with Tajikistan and Kyrgyzstan regarding Uzbek gas and electricity supplies. In December 2009, Uzbekistan announced plans to withdraw from a shared Soviet-era power grid, the Central Asian United Energy System, because it had established new power lines for its own use. Uzbekistan's withdrawal from the grid led to electricity supply disruption for Tajikistan and Kyrgyzstan. Uzbekistan has since begun negotiations with the two countries to ensure adequate energy supplies are restored.

Uzbekistan and Tajikistan have had disputes regarding Tajikistan's plan to complete construction of a hydroelectric power station and dam in Rogun, Tajikistan. Originally started in the Soviet era, Tajikistan aimed to build the Rogun power station in order to secure a significant energy source for the country. Uzbekistan firmly opposed the construction, arguing it could endanger main river flows from the Pamir Mountains down into Uzbekistan's cotton fields, creating agricultural and ecological issues. To prevent construction, Uzbekistan imposed a transport blockade of Tajiki construction materials. However, in 2018, high-level bilateral discussions were held over the construction of the plant and dam and in November 2018, the dam was put into operation in the presence of Uzbekistan's delegation.

Uzbekistan and Kyrgyzstan have also had border disputes regarding Kyrgyzstan's attempts to reclaim a disputed water reservoir. Kyrgyzstan claims that the Al-Buka reservoir is 10 kilometres ("km") within its own borders with Uzbekistan, but Uzbekistan retains current control of the reservoir. Representatives of Uzbekistan and Tajikistan most recently met to discuss the demarcation line of the Uzbek-Tajik state border line in April 2023.

Uzbekistan and Turkmenistan's relations are generally characterised by a high level of bilateral cooperation. The level of cooperation in the political, trade, economic, scientific, technical and cultural-humanitarian spheres is steadily increasing. The volume of trade between the two countries amounted to U.S.\$927 million in 2022 and in the six months ended 30 June 2023, it constituted U.S.\$438.7 million, which represented 1.5% of total foreign trade turnover. In January 2023, however, Turkmenistan suspended exports of natural gas to Uzbekistan amid low temperatures, which adversely impacted the supply of natural gas in Uzbekistan (see "*Uzbekistan has suffered gas and electricity shortages in the past and may do so again in the future*").

Since his election in December 2016, President Mirziyoyev has strongly emphasised improving relations with neighbouring countries as a major foreign policy goal and has taken positive steps to improve ties with Kazakhstan, Kyrgyzstan and Tajikistan in an effort to improve regional cooperation. In February 2017, President Mirziyoyev restored air traffic between Tashkent and Dushanbe, allowing commercial flights to operate between the two countries for the first time in more than 20 years, reopened cross boundary checkpoints, as well as introduced a visa free regime for 30 days for the residents of both countries.

No assurance, however, can be given that Uzbekistan's current foreign policy goals and relationships with its neighbours will continue. A change of policy of the Uzbek government, deterioration of relations between Uzbekistan and its neighbours in the future or interethnic discord could have a material adverse effect on the Uzbek economy.

Uzbekistan has suffered gas and electricity shortages in the past and may do so again in the future

Uzbekistan has been impacted by gas and electricity shortages in the past, particularly in winter, and may do so again in the future. In January 2023 for example, Turkmenistan suspended exports of natural gas to Uzbekistan amid low temperatures, which adversely impacted the supply of natural gas in Uzbekistan. Whilst Uzbekistan was able to procure additional supplies of gas from Gazprom, this could have the effect of increasing Uzbekistan's dependence on Russia, and any further disruption in gas and electricity supplies could cause disruption in business activity in Uzbekistan and adversely affect Uzbekistan's economy.

Implementation of market-based reforms may not be effective which may slow the growth of Uzbekistan's economy

Since early 2017, the Government introduced a number of measures aimed at liberalisation of the Uzbek economy to encourage 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.

For example, on 5 September 2017, the Government liberalised the foreign exchange rate and brought it to equilibrium with current market rates by allowing it to depreciate by 93.4% against the U.S. dollar (from UZS 4,210 per U.S.\$1 to UZS 8,100 per U.S.\$1).

A number of actions were taken in order to liberalise foreign trade operations. These measures included the abolition of, *inter alia*, (i) licensing procedures for wholesale trade activities and special orders for taxation of trade entities, (ii) special orders for accounting for the realised proceeds of exclusive excise tax on goods (automobiles, vegetable oil and others) and their use, (iii) requirements to obtain permission for export trade and (iv) the special regime requiring approval from the State Committee of the Republic of Uzbekistan for the promotion of privatised enterprises and the development of competition for product placement on exchange trades and the introduction of a notification procedure for their approval.

The Government's market liberalisation programme is aimed at raising Uzbekistan's competitiveness and openness, ensuring freedom of economic activity, strengthening macroeconomic stability and boosting economic growth, modernising and diversifying leading sectors of the economy, reforming the financial and banking sector, protecting private property and entrepreneurship, expanding foreign economic activity, drawing foreign investment, developing tourism and implementing structural changes in agriculture.

There is no assurance that planned reforms aimed at liberalising Uzbekistan's economy will be carried out in full or that such reforms as are implemented will be successful in improving economic growth or encouraging foreign direct investment. Any such failure could have a material adverse effect on Uzbekistan's economy.

Challenges in the implementation of economic and financial reforms may mean such reforms are delayed or do not happen, which may have a negative effect on the performance of Uzbekistan's economy

In order to ensure sustainable growth of Uzbekistan's economy, the Government has been implementing a wide range of economic, financial and banking system reforms, and reforms of the legal, tax and regulatory environment. The Government has approved policy measures and actions to reform the customs regime, promote private sector investments, diversify the economy, to broaden the tax base and to facilitate access to credit to further foster private investment in Uzbekistan by both local and foreign investors.

The continued pursuit of Uzbekistan's long-term objectives in these areas, including those contemplated by the Development Strategy for 2022-2026 and the Strategy "Uzbekistan 2030", will

depend on a number of factors including continued political support in Uzbekistan and across multiple government ministries, adequate funding, the outcome of policy reviews, improved security, power sector reform, availability of human capital and significant coordination. The economic and other assumptions underlying the objectives set forth in the Development Strategy for 2022-2026, including with respect to oil prices and production, GDP growth, inflation, external debt and the fiscal deficit, may not be met, which would undermine Uzbekistan's ability to achieve its stated objectives. Failure to achieve one or more of the objectives or complete certain reforms or projects set forth in the Development Strategy for 2022-2026 may render it difficult to achieve other stated objectives, and Uzbekistan's ability to achieve its strategic objectives may be affected by many factors beyond its control. Moreover, some planned reforms may disadvantage certain existing stakeholders, who may seek to curtail such reforms. In addition, the Government has a number of privatisation plans, which may be difficult to achieve without implementing further legislation or active participation from international investors.

If the Government is not able to fund or implement the large number of reforms and proposals (including privatisations) currently being proposed, or if there is a delay in such funding or implementation, then the Government may not be able to meet the long-term strategic objectives, which could result in an adverse effect on the economy of Uzbekistan and its ability to make payments on the Notes.

Corruption and money laundering issues may hinder the growth of the Uzbek economy, and otherwise have a material adverse effect on Uzbekistan and its capacity to meet obligations under the Notes

Emerging economies, such as the Uzbek economy, are subject to rapid change and are vulnerable to market conditions. Emerging economies may also experience more instances of corruption of government officials and misuse of public funds more than mature markets. Because corruption can lead to the misallocation of state funds, tax revenues or the mismanagement of state projects, and corruption or allegations of corruption may have a negative impact on emerging economies and their reputation abroad, especially on their ability to attract foreign investment, fighting corruption has been identified by the Government as one of the key priorities for Uzbekistan. The Government continues to work towards improving accountability, governance standards and legislative framework. Since 2017, the Government introduced a number of anti-corruption reforms, including the Law of the Republic of Uzbekistan "On Combatting Corruption" dated 3 January 2017, which aims to raise the efficiency of anti-corruption measures through consolidating the efforts of government bodies and civil society.

On 29 June 2020, the Decree of the President of the Republic of Uzbekistan "On additional measures to improve the system of combating corruption in the Republic of Uzbekistan", established an Anti-Corruption Agency of the Republic of Uzbekistan to improve the effectiveness of public policies aimed at preventing and combating corruption, ensuring effective interaction between state bodies, the media, civil society institutions and other representatives of non-governmental sectors, as well as international cooperation in this field. The Anti-Corruption Agency of the Republic of Uzbekistan has developed a draft of a national anti-corruption strategy covering the five-year period from 2023 to 2027 to improve the country's anti-corruption system, eliminate conflicts of interest in public service, and improve the business environment in Uzbekistan. It has been submitted to the Administration of the President and is in the process of being accepted. Further presidential decrees and decisions have also been adopted during 2021 and 2022 in order to further improve Uzbekistan's anti-corruption regime. In Transparency International's 2022 Corruption Perceptions Index survey of 180 countries, the Republic of Uzbekistan was ranked number 126, indicating that a perception of public sector corruption occurring within the country remains widespread. However, Uzbekistan's perception score increased three points from 28 in 2021 to 31 in 2022, suggesting that Government efforts to tackle corruption are improving this perception.

Uzbekistan's business climate and competitive indicators are negatively affected by the need to reform construction permits, investor protection arrangements and cross-border insolvency and trading arrangements. In the World Bank's last Ease of Doing Business Survey 2020, Uzbekistan ranked 69 out of 190 countries for ease of doing business whilst in 2012 Uzbekistan was ranked 166 out of 190 countries.

In June 2023, a press report stated that a report allegedly issued by PriceWaterhouseCoopers claimed that historically the Navoi Mining and Metallurgical Company ("NMMC") had not complied with procurement laws and overpaid for certain contracts. NMMC conducted an internal investigation into its existing procurement processes and found that NMMC currently is in compliance with state procurement laws. While it does not acknowledge any wrongdoing, NMMC management believes it is best practice to investigate these allegations and therefore has decided to appoint an independent third party to review NMMC's procurement practices, both current and historical. While NMMC believes it currently is in compliance with procurement laws, no assurances can be given that the investigation will not find historical errors or produce recommendations for improving current processes.

Any future allegations of corruption in Uzbekistan and the failure to address the need for reforms could have a negative effect on the ability of Uzbekistan to attract foreign investment, and thus have a negative effect on both the economy of Uzbekistan and the ability of Uzbekistan to repay principal and make payments of interest on the Notes.

Uzbekistan's banking sector remains vulnerable to external shocks

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

As of 1 July 2023, the banking sector of Uzbekistan consisted of 35 active banks, comprising four wholly state-owned banks, 11 partly state-owned joint stock commercial banks, five banks with foreign capital and 15 private banks. The level of credit concentration in the banking sector has traditionally been high, with the wholly and partly state-owned banks holding 69% of all of the banking sector's total assets, 73% of the banking sector's total loans, 69% of the banking sector's liabilities and 52% of the banking sector's total deposits. A large share of the banking sector's loans consists of state-guaranteed loans to state-owned companies, however this trend has been decreasing since 2019. The share of assets of state-owned banks decreased from 78% from the same period in 2022 down to 69% as of 30 June 2023 due to the completion of the privatisation of the fourth largest state-owned bank "Ipoteka-Bank" by the Hungarian OTP Group and the privatisation of "Uzagroexportbank" (currently – "AVO bank") to a local investor.

As of 1 July 2023, there were loans outstanding to state-owned enterprises in a total amount of U.S.\$11.3 billion (of which U.S.\$8.4 billion, or 74%, are in foreign currency). The financial stability of state-owned enterprises is in good condition and is monitored on a regular basis by the supervisors at CBU. The share of loans guaranteed by the Government is 39% of total loans issued to SOEs. The total amount of non-performing loans of SOEs amounted to U.S.\$33 million, or 1%, of which U.S.\$0.5 million, or 2%, are in foreign currency.

During the initial stage of reforms in the financial system of Uzbekistan, the volume of loans denominated in foreign currencies increased from UZS 68.8 billion (being 62.3% of total loans) in 2017 to UZS 93.5 billion (being 55.9% of total loans) in 2018 due to the liberalisation of foreign exchange as part of market-oriented reforms. During the period from 2017-2019, the Government injected U.S.\$ 5.6 billion into the recapitalisation of state-owned banks. The Uzbekistan Fund for Reconstruction and Development (the "UFRD") and the Ministry of Economy and Finance each

directed U.S.\$ 2.6 billion into the authorised capital of state-owned banks. In addition, in December 2019, UFRD sourced loans of U.S.\$ 4.3 billion of foreign currency loans to SOEs were transferred from the balance of four state-owned banks to the balance of UFRD itself and thenceforward were recognised as direct liabilities of the SOEs towards UFRD. Additionally, UFRD loans of U.S.\$ 1.5 billion were transferred from liabilities to equity of the state-owned banks in order to increase their capitalisation, improve capital adequacy levels and increase the lending capabilities of state-owned banks.

According to the CBU, as of 1 July 2023, foreign currency denominated loans constituted 46% of the total loan portfolio in the sector and foreign currency denominated deposits amounted to 31% of the total deposit portfolio of the banking sector.

There is also a risk that financial assistance to state-owned banks may be needed from the government in the event of a macroeconomic shock, which it may not be willing and/or able to provide. To increase the efficiency of the banking sector, the Government is undertaking a number of reforms owing to the Decree of the President of the Republic of Uzbekistan No. PD-5992 “On the Strategy of Reforming the Banking System for 2020-2025” dated 12 May 2020. The Presidential Decree aims to increase the efficiency and ensure financial stability of the banking system (see “Overview of the Republic of Uzbekistan – Legal Framework”). The Presidential Decree also aims to reduce the Government’s ownership of shares in the banking sector through the privatisation of a majority of the nine state-owned banks, keeping only three banks under the Government control: “National Bank for Foreign Economic Activity of the Republic of Uzbekistan” which focuses on providing financing for investment and other state projects, JSCB “Agrobank” for lending to the agricultural sector, and JSC “Microcreditbank” which supports local entrepreneurial projects (see “*The Economy of the Republic of Uzbekistan – Privatisation*”).

In line with the Decree and other related reform measures, the Government intends to, among other things, decrease its influence on majority of the state-owned banks, as well as reduce direct state financing and state guarantees for borrowers in the commercial banking sector. The privatisation reforms would require the state-owned banks to transition from capital injections and reduced degree of subsidisation from the Government to funding from other sources, such as foreign financial institutions, asset backed securities, customer deposits, the interbank lending market, the international capital markets and other similar instruments, which if not received on favourable terms could have a material adverse effect on the asset quality and profitability of the transitioning banks, resulting in direct impact on the economy of the Republic of Uzbekistan and the trading price of the Notes.

There can be no assurance that such reforms will be successful or sufficient or that the banks will succeed in implementing all of the necessary stages of transformation. Deficiencies in the Uzbek banking sector may result in the banking sector being more susceptible to future worldwide credit market downturns and economic slowdowns. The Uzbek banking sector remains 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, which could have a material adverse effect on Uzbekistan’s economy and the trading price of the Notes.

Uzbekistan’s 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 Uzbekistan and its economy, as well as Uzbekistan’s ability to repay its debt denominated in currencies other than the soum, including amounts due under the Notes. The number of external factors that are outside of Uzbekistan’s control may also impact the value of the soum.

A significant devaluation of the soum will materially affect the ability of the Republic of Uzbekistan to service non-soum denominated debt. Additionally, any depreciation or further devaluation of the soum could result in reduced revenues in the balance of payments or outflow of capital from Uzbekistan and may also lead to increased inflation and domestic interest rates, any of which could have a material adverse effect on Uzbekistan's economy in general, and the asset quality of Uzbekistan's banking sector in particular.

In 2017, the CBU liberalised the foreign currency market allowing the exchange rate to be determined by market forces. As a result, despite a rapid depreciation of the soum against the U.S. dollar, the foreign exchange market stabilised at the end of 2017. Ever since, the soum has been demonstrating a depreciation trend against the U.S. dollar. The soum devalued by 14% (from UZS 8,340 to UZS 9,508 per U.S. dollar) in 2019, 10% (from UZS 9,508 to UZS 10,477 per U.S. dollar) in 2020, 3.4% (from UZS 10,477 to UZS 10,837.7 per U.S. dollar) in 2021, 3.6% (from UZS 10,837.7 to UZS 11,225.5 per U.S. dollar) in 2022 and 2.3% (from UZS 11,225.5 to UZS 11,488.1 per U.S. dollar) in the first six months of 2023. Overall, the soum has lost 37.7% (from UZS 8,340 to UZS 11,488.1 per U.S. dollar) of its value against the U.S. dollar between the beginning of 2018 and 30 June 2023.

There can be no assurances that the CBU will not in the future put restrictions on foreign currency exchange in order to attempt to decrease inflation, which may result in the development of a black market in foreign currency exchange developing.

The dollarisation level in the banking sector as of 1 July 2023 was 44% of total assets, 46% of total loans, 31% of total deposits and 52% of total liabilities. However, compared to the same period of 2022, the share of foreign currency denominated assets as a proportion of total assets decreased from 49% to 44%, the share of foreign currency loans as a proportion of total loans decreased from 48% to 46%, the share of foreign currency deposits as a proportion of total deposits declined from 41% to 31% and the share of foreign currency liabilities as a proportion of total liabilities declined from 58% to 52%.

Uzbekistan's economy is under inflationary pressure

Uzbekistan's economy is significantly affected by inflationary pressure. Uzbekistan's inflation rate was 12.3% in 2022, 10.0% in 2021 and 11.1% in 2020. The CBU expects inflation to be around 8.5% to 9.5% in 2023 and to decline to around 5% in the second half of 2024. In response to temporary external shocks (in particular the conflict between Russia and Ukraine) the CBU increased its policy rate from 14% to 17% in March 2022, but after the normalisation of economic conditions in Uzbekistan it cut the policy rate back to 15% during June-July, and with easing inflationary conditions, the CBU further cut its policy rate to 14% in March 2023.

From 1 January 2020, the CBU entered an active phase in its transition to an inflation targeting regime, initially introducing the CBU's policy rate and interest rate corridor. The CBU has also issued bonds to effectively regulate the liquidity surplus of the banking system.

Starting from February 2020, short-term monetary operations were introduced in order to effectively regulate the interbank money market interest rates and ensure that they remain within the interest rate corridor close to the CBU policy rate.

The CBU intensified operations to provide liquidity to banks through the implementation of swap auctions and REPO during the pandemic. The CBU's deposit auctions for the absorption of excess liquidity, as well as auctions for the placement of government securities, were actively used.

In order to transition to an inflation-targeting regime, the CBU is considering the modernisation of the interbank foreign exchange market and a corresponding improvement in its intervention strategy. Changes in trading operations in the domestic foreign exchange market were made from 15 February 2021. The banking sector of the Republic of Uzbekistan is undergoing a reform and the Government

has adopted various measures to lower the dollarisation level in the banking system since 2018, see “*Monetary and Financial System — Banking Sector*”.

The domestic capital markets of the Republic of Uzbekistan are developing and heavy and sustained inflation could lead to market instability, a financial crisis, reductions in consumer purchasing power and the erosion of consumer confidence. For a detailed analysis of inflation in Uzbekistan, see “*Monetary and Financial System — Inflation*”.

Political instability or a change in government could have a negative effect on Uzbekistan’s economy

Uzbekistan has had periods of political instability in the past, particularly following independence in 1991. In addition, Uzbekistan is a relatively young democracy, having had only one transition of power since independence. Both the previous and current presidential administrations have undertaken significant political, legal and economic reforms focusing on achieving macroeconomic stability and an environment conducive to sustainable economic growth. However, these positive trends may not be sustainable over the longer term, and in 2022 there was unrest in the region of Karakalpakstan prompted by plans to limit its autonomy. Further, in May 2023, changes to the constitution were approved by referendum which extend the length of presidential terms from five to seven years and would allow Mr Mirziyoyev to potentially serve as president until 2037. Any significant changes in the political climate of Uzbekistan, including changes affecting the stability of the Government or involving a rejection or reversal of reform policies, may have a negative effect on the economy.

In addition, should the existing or future Government fail to implement planned structural reforms, as reforms of this nature may be politically and socially unpopular, the economy may not achieve sustainable growth. The extent to which Uzbekistan will be able to attract broad scale investment in the absence of significant reforms is uncertain, and Uzbekistan’s ability to repay principal and make payments of interest on the Notes and to raise capital in the external debt markets in the future may be affected.

A significant portion of Uzbekistan’s economy is not recorded

A significant portion of Uzbekistan’s economy is an informal or shadow economy. The informal economy is not recorded, resulting in a lack of revenue for the Government, ineffective regulation, unreliable statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and an inability to monitor or otherwise regulate a large portion of the economy. The lack of effective regulation and enforcement in this sector also gives rise to other issues, including health and safety issues. Although the Government is attempting to address the informal economy by, among other things, revising the tax regime and liberalising certain regulations, there can be no assurances that such measures will adequately address the issues and bring the informal economy into the formal sector, which could materially adversely affect the Government’s revenues and the economy of Uzbekistan.

The occurrence of pandemics and natural disasters and the impact of climate change may adversely impact Uzbekistan’s economy

The occurrence of pandemics (including but not limited to COVID-19) may adversely impact Uzbekistan’s economy by causing, among other things, supply chain disruptions and market volatility. For example, since 2020, the global economy has been exposed to the continuing effect of the COVID-19 pandemic which negatively affected the global economy and trade, and which also adversely impacted the economy of Uzbekistan by, among other things, contributing to a decline in GDP growth and to increased unemployment.

Natural disasters, including earthquakes and floods, are a threat to the Uzbek economy. Uzbekistan may also be increasingly threatened by climate change. A global increase in the mean temperature is likely to lead to changed precipitation patterns, sea level rises and more frequent extreme weather events, such as prolonged droughts and flooding. Uzbekistan's economy is dependent on climate sensitive sectors, such as agriculture and Uzbekistan has suffered from severe droughts in the past which may become more frequent as a result of climate change. A change in climate may have several other consequences, including lower agricultural productivity, damage to coastal infrastructure, fragile ecosystems, impact on health and biodiversity, financial market disruption, lower GDP and altered migration patterns.

Expenditures associated with pandemic or natural disaster relief efforts may adversely affect Uzbekistan's budgetary position and, as a result, may impair Uzbekistan's ability to service payments on the Notes. In addition, because agriculture, forestry and fishing accounts form a significant portion of Uzbekistan's gross value added by industries (being 20.5% of gross value added by industries in the six months ended 30 June 2023), any natural disasters or other effects associated with climate change could have a material adverse effect on Uzbekistan's economy.

Enforcement of judgments or arbitral awards against Uzbekistan can be difficult in certain jurisdictions

Uzbekistan is a sovereign state and 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, the United Kingdom and the United States are parties to the New York Convention and accordingly, an arbitral award should generally be recognised and enforceable in Uzbekistan provided the conditions for enforcement set out in the New York Convention are met. See "*Enforcement of Foreign Judgments and Awards*" for more information on enforcing an arbitral award in Uzbekistan. However, there is a risk that, notwithstanding the waiver of sovereign immunity by Uzbekistan, a claimant will not be able to enforce an award against assets of Uzbekistan in certain jurisdictions (including by way of an arrest order or attachment or seizure of such assets and their subsequent sale) without Uzbekistan having specifically consented to such enforcement at the time when the enforcement is sought. Furthermore, Uzbekistan reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under any United States federal or state securities law. See "*Enforcement of Foreign Judgments and Awards*".

Uzbekistan's courts will not enforce a judgment obtained in a court outside Uzbekistan unless there is a treaty in effect between the relevant country and the Republic of Uzbekistan providing for reciprocal enforcement of judgments. There is no such treaty in effect between Uzbekistan and the United Kingdom or the United States. Within the CIS, Uzbekistan acceded to the Convention on Legal Aid and Legal Relations in Civil, Family and Criminal Cases in 1994 and to the Convention on Legal Aid and Legal Relations in Civil, Family and Criminal Cases in July 2020.

Uzbekistan has bilateral agreements on recognition and enforcement of criminal, civil judgments and arbitral awards with China, Afghanistan, Czech Republic, Türkiye, Bulgaria (except judgments of criminal courts), Latvia and Lithuania.

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 under Uzbek law. For example, an Uzbekistan court may refuse to recognise or enforce a foreign judgment or arbitral award 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 judgment in respect of the Notes.

Uzbekistan is undertaking a number of reforms in its legal system, some of which may not happen in the time period planned or may take longer than expected, which could impact economic and other reforms

Uzbekistan's legal system is continuing to develop since it achieved independence from the Union of Soviet Socialist Republics (the "USSR") in 1991 and is therefore subject to greater risks and uncertainties than a mature legal system. In particular, risks associated with Uzbekistan's legal system include:

- The Laws of the Republic of Uzbekistan relating to currency regulation grant to each of the President, the Cabinet of Ministers of the Republic of Uzbekistan and the CBU the right to change the sub-legislative acts on the currency regulation regime, i.e. to restrict or suspend any currency transactions for the purposes of implementing international obligations and in cases when emergency situations arise; however, such emergency situations are not clearly defined under Uzbek laws. See "*Uzbekistan's currency is subject to volatility and depreciation*".
- In contractual documentation entered into with Uzbek entities, foreign law shall not apply where the application of such foreign law would be contrary to the public policy of Uzbekistan. The concept of public policy is not well developed in Uzbekistan; it is possible, however, that such considerations could apply in specific circumstances where, for example, the interests of creditors, employees, the national or local economy, public health and safety or national security are involved. The Civil Code of the Republic of Uzbekistan further provides that the application of foreign law cannot be refused solely on the basis of differences in legal, political or economic systems of a foreign state and the Republic of Uzbekistan.
- Pursuant to the Civil Code of the Republic of Uzbekistan, certain mandatory provisions of Uzbek law shall apply irrespective of the choice of foreign law. Potentially, these mandatory provisions could include the fundamental principles of Uzbek law that generally underpin areas such as tax, administrative and criminal law, data protection, licensing and registration, public health, construction and safety requirements, labour law, insurance, competition, embargoes, forex and other public regulations. The code does not specify any reasons for applying such mandatory provisions.
- The Laws of the Republic of Uzbekistan governing commercial activities are evolving and reflect the transition that the economy and the Government are undergoing to modernise the Uzbek economy. Such factors may cause rapid change in legislation, adoption of new legislation (on occasion with a retroactive effect) and a failure, delay or misinterpretation in the implementation of legislation. In addition, the legal system of Uzbekistan is unfamiliar with certain international commercial law terminology, concepts and practices used in connection with legal documentation commonly used in international transactions.
- The Decrees, Resolutions, and Orders of the President and Resolutions and Orders of the Cabinet of Ministers may be unpublished or may contain redacted or confidential provisions, access to which may be strictly or otherwise limited.

Each of the above can cause uncertainty in transactions between foreign investors and Uzbek residents. Further, the commitment of Government officials and agencies to comply with legal obligations and negotiated agreements has not always been reliable and there is a tendency for the authorities to take arbitrary action. Legal redress for breach or unlawful action may not be readily available or may be subject to significant delays. These and other factors that have an impact on

Uzbekistan's legal system make foreign investments in Uzbekistan subject to greater risks and uncertainties than an investment in a country with a more mature legal system, which may negatively impact foreign investment.

In addition, the judicial system, judicial officials and other Government officials in the Republic of Uzbekistan may not be fully independent of external social, economic and political forces. Therefore, judicial or administrative decisions could be unduly influenced. The possible lack of judicial and administrative independence may adversely affect the willingness of foreign investors to make investments in the Republic of Uzbekistan.

The securities market in Uzbekistan is underdeveloped

Uzbekistan has a less-developed securities market than the United States or the United Kingdom and other Western European countries, which may hinder the development of Uzbekistan's economy. An organised securities market was established in Uzbekistan in 1994 and procedures for settlement, clearing and registration of securities transactions remain subject to legal uncertainties and technical difficulties. Although significant developments have occurred in recent years, including the first ever initial public offering of JSC "Quartz", placing stock worth UZS 7.5 billion in April 2018, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Uzbekistan. In particular, legal protections against market manipulation and insider trading are not as well developed or as strictly enforced in Uzbekistan as they are in the United States or the United Kingdom and other Western European countries, and existing laws and regulations may be applied inconsistently. In addition, less information relating to Uzbekistan-based entities may be publicly available to investors in such entities than is available to investors in entities organised in the United States or the United Kingdom and other Western European countries. The above-mentioned factors may impair foreign investment in Uzbekistan and hinder the development of Uzbekistan's economy. However, on 13 April 2021, a decree of the President of the Republic of Uzbekistan "On measures for the further development of the capital market" was adopted, pursuant to which a capital market development programme for 2021-2023 and implementation roadmap were approved.

Statistics published by Uzbekistan and appearing in this Base Offering Circular may be more limited in scope and published less frequently and differ from those produced by other sources

Historically, public dissemination of economic statistics was restricted. In September 2017, a Decree of the President of the Republic of Uzbekistan was issued mandating the publication of economic and financial data. A range of ministries and institutions produce statistics relating to Uzbekistan and its economy, including the Statistics Agency under the President of the Republic of Uzbekistan (in respect of the real economy and other social figures), the CBU (in respect of monetary and financial statistics) and the Ministry of Economy and Finance of the Republic of Uzbekistan (in respect of fiscal statistics).

While Uzbekistan has agreed to adhere to the IMF's Enhanced-General Data Dissemination Standards, the estimated and projected financial and statistical data contained in this Base Offering Circular may be more limited in scope and published less frequently than in the case of other countries, for example those in Western Europe and the United States, and adequate monitoring of key fiscal and economic indicators may be difficult. Estimated and projected financial and statistical data appearing in this Base Offering Circular has, unless otherwise stated, been obtained from public sources and documents. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source.

There may be material differences between preliminary or estimated statistical data set forth in this Base Offering Circular and actual results. As a result, investors may face greater difficulty in accessing the risks of investing in the Notes, which may adversely affect the liquidity and price of the Notes.

Factors Which Are Material for the Purpose of Assessing the Risks Associated with the Notes

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Structure of a particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

- Variable Rate Notes

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

- Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of these Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate on the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

- Notes Issued at a Substantial Discount or Premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility compared to conventional interest-bearing securities with comparable maturities.

- Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes contain collective action clauses under which the terms of any one Series and/or multiple Series may be amended, modified or waived without the consent of all the holders of the Notes of that Series or all the holders of any other Series being aggregated, as the case may be

The Terms and Conditions of the Notes contain provisions regarding amendments, modifications and waivers, commonly referred to as “collective action” clauses. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. The relevant provisions also permit, in relation to reserved matters, multiple Series to be aggregated for voting purposes (provided that each such Series also contains the collective action clauses in its Terms and Conditions).

The Issuer expects that all Series issued under the Programme will include such collective action clauses, thereby giving the Issuer the ability to request modifications or actions in respect of reserved matters across multiple Series. This means that a defined majority of the holders of such Series (when taken in the aggregate) would be able to bind all holders of Notes in all the relevant aggregated Series.

Any modification or actions relating to reserved matters, including in respect of payments and other important terms, may be made to a single Series with the consent of the holders of 75% of the aggregate principal amount outstanding of such Notes, and to multiple Series with the consent of both (i) the holders of 66^{2/3}% of the aggregate principal amount outstanding of all Series being aggregated and (ii) the holders of 50% in aggregate principal amount outstanding of each Series being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable Condition in the Terms and Conditions of the Notes, any such modification or action relating to reserved matters may be made to multiple Series with the consent of 75% of the aggregate principal amount outstanding of all Series being aggregated only, without requiring a particular percentage of the holders in any individual affected Series to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some Series only and, for the avoidance of doubt, the provisions may be used for different groups of two or more Series simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk therefore that the Terms and Conditions of a Series may be amended, modified or waived in circumstances whereby the Noteholders voting in favour of an amendment, modification or waiver may be Noteholders of a different Series and as such, less than 75% of the Noteholders of the relevant Series would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple Series may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to any Notes may adversely affect their trading price.

In the future, the Issuer may issue debt securities, which contain collective action clauses in the same form as the collective action clauses in the Terms and Conditions of the Notes. If this occurs, then this could mean that any Series issued under the Programme would be capable of aggregation with any such future debt securities. The Terms and Conditions of the Notes also include a provision in respect of the establishment of a Noteholders’ Committee, which may represent the holders of a single Series or multiple Series.

The Issuer is not required to effect equal or rateable payment(s) with respect to the Notes or any other External Indebtedness, and is not required to pay other External Indebtedness at the same time or as a condition of paying sums on the Notes and vice versa

Notes issued under the Programme will at all times rank at least *pari passu* in right of payment with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Issuer, from time to time outstanding. However, the Issuer will have no obligation to effect equal or rateable payment(s) at any time with respect to the Notes or any other External Indebtedness and, in particular, will have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. See Condition 5 (*Status*) of the Terms and Conditions of the Notes.

The Terms and Conditions restrict the ability of an individual Noteholder to declare an event of default, and permit a majority of Noteholders to rescind a declaration of such a default

The Terms and Conditions contain a provision, which, if an Event of Default occurs, permits the holders of at least 25% in aggregate nominal amount of the outstanding Notes of the relevant Series to declare all the Notes of that Series to be immediately due and payable by providing notice in writing to the Issuer, whereupon the Notes of that Series shall become immediately due and payable, at their nominal amount with accrued interest, without further action or formality.

The Terms and Conditions also contain a provision permitting the holders of at least 50% in aggregate nominal amount of the outstanding Notes of the relevant Series to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if Definitive Note Certificates are subsequently issued

The Terms and Conditions do not permit the sale or transfer of Notes in such circumstances as would result in amounts being held by a Noteholder which are lower than the minimum Specified Denomination (as defined in the Terms and Conditions). However, in the event that a Noteholder holds a principal amount of less than the minimum Specified Denomination, such Noteholder would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Noteholder may not receive a Definitive Note Certificate in respect of such holding (should Definitive Note Certificates be issued) and would need to purchase a principal amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Note Certificate.

If Definitive Note Certificates are issued, Noteholders should be aware that Definitive Note Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Holders of Notes held through DTC, Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes, vote at meetings of Noteholders and exercise any rights and remedies

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg or may be deposited with a custodian for DTC (each as defined under “*Summary of Provisions Relating to Notes in Global Form*”). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its

participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable investors to vote on any matters on a timely basis.

Similarly, upon the occurrence of an event of default under the Notes, unless and until definitive registered Notes are issued in respect of all book-entry interests, if investors own a book-entry interest investors will be restricted to acting through DTC, Euroclear and/or Clearstream, Luxembourg and if investors are not participants in DTC, Euroclear and/or Clearstream, Luxembourg, through the relevant participant. The Issuer cannot assure prospective investors that the procedures to be implemented through DTC, Euroclear and/or Clearstream, Luxembourg will be adequate to ensure the timely exercise of rights under the Notes on a timely basis or at all. See “*Book Entry Ownership*” and “*Settlement and Transfer of Notes*”.

Transferability of the Notes may be limited under applicable securities laws

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. Notes issued under the Programme may not be offered, sold or otherwise transferred in the United States other than to persons that are QIBs. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended by the Issuer to restrict transfers of Notes as described under “*Subscription and Sale*” and “*Transfer Restrictions*”. It is the obligation of each purchaser of Notes to ensure that its offers and sales of Notes comply with all applicable securities laws.

In addition, if at any time the Issuer determines that any owner of Notes, or any account on behalf of which an owner of Notes purchased its Notes, is a person that is required to be a QIB, the Issuer may compel that such owner’s Notes be sold or transferred to a person designated by or acceptable to the Issuer.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. If a Tranche of Notes is issued to a single investor or a limited number of investors, this may result in an even more illiquid or volatile market in such Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Credit ratings may not reflect all risks

The credit rating(s) assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Further, other ratings (including confidential or unpublished ratings) may be assigned with respect to the Issuer or the Notes (now or in the future) which may differ (and which may be lower) from the ratings set out in this Base Offering Circular or any applicable Final Terms.

In general, European regulated investors are restricted under the Regulation (EC) No. 1060/2009 (as amended, the “**EU CRA Regulation**”) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing benchmarks

Regulation (EU) 2016/1011 (the “**EU Benchmarks Regulation**”) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”), among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the national or international reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks (i) discourage market participants from continuing to administer or contribute to the benchmark, (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Future discontinuance of certain benchmark rates (for example, EURIBOR) may adversely affect the value of floating rate Notes which are linked to or which reference any such benchmark rate

With respect to any Series that has a floating rate of interest based upon a benchmark, such as EURIBOR, investors should be aware that these rates have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated.

Changes to the administration of certain interbank offered rates (the “**IBORs**”) or the emergence of alternatives to an IBOR, may cause such IBOR to perform differently than in the past, or there could be other consequences which cannot be predicted. The discontinuation of an IBOR or changes to its administration could require changes to the way in which the Rate of Interest is calculated in respect of any Notes referencing or linked to such IBOR. The development of alternatives to an IBOR may result in Notes linked to or referencing such IBOR performing differently than would otherwise have been the case if the alternatives to such IBOR had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Notes linked to or referencing such IBOR.

Whilst alternatives to certain IBORs for use in the bond market have been or are being developed, in the absence of any legislative measures, outstanding notes linked to or referencing an IBOR will only transition away from such IBOR in accordance with their particular fallback arrangements in their terms and conditions. The operations of any such fallback arrangements could result in less favourable return for Noteholders than they might receive under other similar securities which contain different or no fallback arrangements (including which they may otherwise receive in the event that legislative measures or other initiatives (if any) are introduced to transition from and given IBOR to an alternative rate).

Condition 8.4 provides for certain fallback arrangements in the event that a relevant benchmark is discontinued or no longer published. Such fallback arrangements include the possibility that the Rate of Interest (as defined in the Conditions of the Notes) on the applicable Notes could be set by reference to an Alternative Reference Rate (as defined in the Conditions of the Notes) and that amendments could also be made to, amongst other things, the Day Count Fraction, Business Day Convention and Interest Determination Date of the Notes (each, as defined in the Conditions of the Notes) to ensure the proper operation of the Alternative Reference Rate, as the case may be, all as determined by the Issuer following consultation with an Independent Adviser (as defined in the Conditions of the Notes) and acting in good faith and in a commercially reasonable manner. The Alternative Reference Rate that is applied may not be effective to reduce or eliminate economic prejudice to investors. The use of an Alternative Reference Rate will still result in any Notes linked to or referencing a benchmark performing differently (which may include payment of a lower Rate of Interest) than they would if the relevant benchmark were to continue to apply in its current form.

If, following the discontinuation of a relevant benchmark, no Alternative Reference Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular

Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for floating rate Notes based on the rate which was last observed on the Relevant Screen Page (as defined in the Conditions of the Notes). Due to the uncertainty concerning the availability of Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory development, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions under Condition 8.4 in making any investment decision with respect to any Notes linked to or referencing a benchmark rate.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or information set out at the pages specified therein) shall be incorporated in, and form part of, this Base Offering Circular:

- the Terms and Conditions of the Notes contained in the Base Prospectus dated 4 February 2019, pages 20 to 51 (inclusive) (at: https://www.rns-pdf.londonstockexchange.com/rns/0134P_1-2019-2-4.pdf); and
- the Terms and Conditions of the Notes contained in the Base Prospectus dated 17 November 2020, pages 27 to 65 (inclusive) (at: https://www.rns-pdf.londonstockexchange.com/rns/6057F_1-2020-11-17.pdf).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Offering Circular shall not form part of this Base Offering Circular.

Any part of a document referred to herein that is not incorporated by reference is either not relevant for an investor or is otherwise covered elsewhere in this Base Offering Circular.

This Base Offering Circular contains references to certain websites. No such website, nor any information contained on any such website, is incorporated in this Base Offering Circular, and such websites and information do not form part of this Base Offering Circular, except where that information has been incorporated by reference into this Base Offering Circular.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and as read in conjunction with the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. References in the terms and conditions to “Notes” are, unless the context requires otherwise, to the Notes of one Series only, not to all Notes that may be issued under the Programme.

1. Introduction

The Republic of Uzbekistan (the “**Issuer**”), represented by the Ministry of Finance of the Republic of Uzbekistan (“**Uzbekistan**”) acting upon authorisation of the President and the Cabinet of Ministers of the Republic of Uzbekistan has established a Global Medium Term Note Programme (the “**Programme**”) for the issuance of notes (the “**Notes**”). The Notes are constituted by, are subject to and have the benefit of a deed of covenant dated 4 February 2019 (as may be amended or supplemented from time to time, the “**Deed of Covenant**”) executed by the Issuer for the benefit of holders of the Notes (“**Noteholders**” or “**holders**”) and are the subject of a fiscal agency agreement dated 4 February 2019 (as may be amended or supplemented from time to time, the “**Fiscal Agency Agreement**”) and made between the Issuer, Citibank Global Markets Europe AG as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the transfer agents, paying agents and other agents named therein.

Notes issued under the Programme will be issued in series (each, a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches of notes (each, a “**Tranche**”) issued on the same or different issue dates. The specific terms of each Tranche (which will, save in respect of the denominations, issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in the applicable Final Terms (the “**Final Terms**”), which should be read in conjunction with these terms and conditions. The terms and conditions applicable to any particular Tranche are these terms and conditions, as completed by the relevant Final Terms (together, the “**Terms and Conditions**”). In the event of any inconsistency between these terms and conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

All subsequent references in these Terms and Conditions to “**Notes**” are to the Notes of the same Series. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.

Certain provisions of these Terms and Conditions are summaries of the Fiscal Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of the Fiscal Agent, the initial Specified Office of which are set out below.

2. Definitions and Interpretation

2.1 Definitions

Terms defined in the Fiscal Agency Agreement or the Deed of Covenant shall, unless otherwise defined herein or the context requires otherwise, bear the same meanings herein. In these Terms and Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Adjustment Spread**” means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (c) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate;

“**Alternative Reference Rate**” means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

“**Benchmark Event**” means, in respect of a Reference Rate:

- (a) such Reference Rate ceasing to be published for a period of at least five business days or ceasing to exist;
- (b) a public statement by the administrator of such Reference Rate that it will, by a specified date within the following six months, cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);
- (c) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;

- (d) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (e) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using such Reference Rate;

“**Broken Amount(s)**” has the meaning given in the relevant Final Terms;

“**Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Business Day**” means:

- (a) in the case of Euros, a TARGET Settlement Day;
- (b) in the case of a Specified Currency other than Euros, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; or
- (c) in the case of a Specified Currency or one or more Business Centre(s) specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

- (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“**Calculation Amount**” has the meaning given in the relevant Final Terms;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30”;

- (f) if “**30E/360**” or “Eurobond Basis” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (g) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Euro Exchange Date**” means the date on which the Issuer gives notice (the “**Euro Exchange Notice**”) to the Noteholders that replacement Notes denominated in Euros are available for exchange;

“**External Indebtedness**” means all obligations, and Guarantees in respect of obligations, for money borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of the Issuer;

“**Extraordinary Resolution**” has the meaning given in Condition 17.1 (Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions);

“**Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“**Guarantee**” means any guarantee of or indemnity in respect of Indebtedness or other like obligation;

“**Indebtedness**” means any indebtedness of any Person for money borrowed, whether incurred, assumed or guaranteed, other than trade credit in the ordinary course of business;

“**Independent Adviser**” means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“**Interest Determination Date**” has the meaning given in the relevant Final Terms;

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**International Monetary Assets**” means all the Issuer’s official holdings of gold and all the Issuer’s holdings of (i) Special Drawing Rights, (ii) Reserve Positions in the Fund and (iii) Foreign Exchange, and the terms “**Special Drawing Rights**”, “**Reserve Positions in the Fund**” and “**Foreign Exchange**” have, as to the types of assets included, the meanings given to them in the publication of the IMF entitled “**International Financial Statistics**” or such other meanings as shall be formally adopted by the IMF from time to time;

“**ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms;

“**Issue Date**” has the meaning given in the relevant Final Terms;

“**Margin**” has the meaning given in the relevant Final Terms;

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Participating Member State**” means a Member State of the European Union which adopts the Euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (a) if the currency of payment is Euros, any day which is:
- (i) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Financial Centre; or
- (b) if the currency of payment is not Euros, any day which is:
- (i) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Financial Centre;

“**Permitted Security Interest**” means:

- (a) any Security Interest upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of such property and any renewal and

extension of such Security Interest which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;

- (b) any Security Interest existing on property at the time of its acquisition to secure Public External Indebtedness and any renewal or extension of any such Security Interest which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;
- (c) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; and
- (d) any Security Interest securing Public External Indebtedness or any Guarantee of Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that (a) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Security Interest is granted consists solely of such assets and revenues;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (a) in relation to Euros, it means the principal financial centre of such Participating Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Public External Indebtedness” means External Indebtedness of the Issuer which is in the form of, or represented by, bonds, notes, or other securities and which is, or may be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system, over-the-counter securities market or other securities market;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Final Terms or calculated or determined in accordance with the provisions of these Terms and Conditions and the relevant Final Terms;

“Redemption Amount” has the meaning given in the relevant Final Terms;

“Reference Banks” means the four major banks selected by the Calculation Agent in consultation with the Issuer in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms;

“Regular Period” means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Nominating Body**” means, in respect of a reference rate:

- (a) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the reference rate relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (iii) a group of the aforementioned central banks or other supervisory authorities, or (iv) the Financial Stability Board or any part thereof;

“**Relevant Screen Page**” means the page, section or other part of a particular information service specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Reserved Matter**” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“**Security Interest**” means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Interest Payment Date**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Fiscal Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**Successor Rate**” means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body;

“**TARGET System**” means the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System 2 or any successor thereto;

“**TARGET Settlement Day**” means any day on which the TARGET System is open;

“**Treaty**” means the Treaty establishing the European Communities, as amended; and “**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

2.2 Interpretation

In these Terms and Conditions:

- (a) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Terms and Conditions;
- (b) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Terms and Conditions;
- (c) references to Notes being “outstanding” shall be construed in accordance with the Fiscal Agency Agreement; and
- (d) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes.

3. Form, Denomination and Title

The Notes are issued in registered form in the Specified Denomination(s) shown in the relevant Final Terms, without interest coupons, provided that:

- (a) the Specified Denomination(s) shall not be less than €100,000 or its equivalent in another currency;
- (b) interests in the Restricted Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in other currencies; and
- (c) Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in another currency).

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the

“**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

4. Transfers of Notes

4.1 Transfer

One or more Notes may be transferred, in whole or in part in the Specified Denominations set out in the applicable Final Terms and subject to the minimum transfer amounts specified therein, upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent (as applicable) may reasonably require, including for the purposes of establishing title to the relevant Note, and the identity of the person making the request. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. A copy of the current regulations will be made available by the Registrar or any Transfer Agent to any Noteholder upon request.

4.2 Delivery

Each new Note to be issued pursuant to Condition 4.1 (*Transfer*) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of the Registrar or the relevant Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or 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 otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and such insurance as it may specify. In this Condition 4.2, “**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 Registrar or the relevant Transfer Agent (as the case may be).

4.3 No Charge

Transfers of Notes shall be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and security as the Registrar or the relevant Transfer Agent may require).

4.4 Restrictions on Transfer

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for redemption of, or payment of any interest amount in respect of, that Note.

5. Status

The Notes constitute direct, general, unconditional and (subject to Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer and the full faith and credit of the Issuer is pledged for the due and punctual payment of principal and interest on the Notes and for the performance of all obligations of the Issuer in respect of the Notes and the Deed of Covenant. The Notes will at all times rank *pari passu* without preference among themselves and at least *pari passu* in right of payment with all other unsecured External Indebtedness of the Issuer from time to time outstanding, provided further that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to the Notes or any other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*.

6. Negative Pledge

So long as any Note remains outstanding the Issuer shall not create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its International Monetary Assets, present or future, to secure (i) any Public External Indebtedness or (ii) any Guarantee in respect of Public External Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Deed of Covenant are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

7. Fixed Rate Note Provisions

7.1 Application to Fixed Rate Notes

This Condition 7 is applicable to the Notes only if the relevant Final Terms specifies the Fixed Rate Note Provisions as being applicable.

7.2 Rate of Interest for Fixed Rate Notes

The Notes bear interest on the outstanding principal amount from the Interest Commencement Date at the rate(s) per annum equal to Rate(s) of Interest payable in arrear on each Interest Payment Date in each year and on the Maturity Date if the Maturity Date does not fall on an Interest Payment Date, subject as provided in Condition 11 (*Payments*). The amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount(s) so specified.

7.3 Calculation of Interest Amounts for Fixed Rate Notes

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest subunit of the Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. In these Terms and Conditions “**sub unit**” means, with respect of any currency other than the U.S. dollar, the lowest amount of such currency that is available as legal tender in the country of such currency, and with respect to U.S. dollars means one cent.

7.4 Additional Definitions

For the purposes of these Terms and Conditions, “**Day Count Fraction**” means:

- (a) if “Actual/Actual (ICMA)” is specified in the relevant Final Terms:

- (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; or

For the purposes of Condition 7.4(a) “**Determination Period**” means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date);

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Interest Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Interest Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30 day months) divided by 360.

8. Floating Rate Note Provisions

8.1 Application to Floating Rate Notes

This Condition 8 is applicable to the Notes only if the relevant Final Terms specifies the Floating Rate Note Provisions.

8.2 Interest Payment Dates

The Notes bear interest on the outstanding principal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (a) the Specified Interest Payment Date(s) (each, an “**Interest Payment Date**”) in each year specified in the relevant Final Terms; or
- (b) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls in the number of months or other period specified as the Specified Period in the relevant Final Terms after the preceding

Interest Payment Date or, in the case of the first Interest Payment Date after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

8.3 Rate of Interest for Floating Rate Notes

The Rate of Interest payable from time to time in respect of the Notes shall be determined in the manner specified in the relevant Final Terms.

(a) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be either:

(i) the offered quotation; or

(ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) (the “**Relevant Time**”) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations, *provided, however* that:

(x) if no Reference Rate appears on the Relevant Screen Page at the 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Reference Rates that each of the Reference Banks is quoting to leading banks in the Principal Financial Centre at the Relevant Time on the relevant Interest Determination Date, as determined by the Calculation Agent; and

(y) if paragraph (x) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Reference Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Reference Rate) in respect of a Calculation Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the Principal Financial Centre are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the relevant Interest Determination Date relating to the next succeeding Interest Period for a period equivalent to the duration of the relevant Interest Period (I) to leading banks carrying on business in Europe,

or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin or Maximum Rate of Interest or Minimum Rate of Interest applicable to the preceding Interest Period and to the relevant Interest Period).

- (b) Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

8.4 Benchmark Replacement

In addition, notwithstanding the provisions above in Condition 8.3 (*Rate of Interest for Floating Rate Notes*), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the relevant Final Terms when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

- (a) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in a reasonable manner), no later than five business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the “**IA Determination Cut-off Date**”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (b) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (c) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 8.4 (*Benchmark Replacement*));

provided, however, that if sub-paragraph (b) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (c) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 8.4 (*Benchmark Replacement*));

- (d) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Fiscal Agency Agreement and these Conditions as may be required in order to give effect to this Condition 8.4 (*Benchmark Replacement*). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and
- (e) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Fiscal Agent and Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with Applicable Law.

8.5 Minimum and Maximum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

8.6 Calculation of Interest Amounts for Floating Rate Notes

The Calculation Agent will, as soon as reasonably practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for the relevant Interest Period and calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

8.7 Calculation Agent

If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as reasonably practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

8.8 Notice

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Fiscal Agent and each listing authority, stock exchange and quotation system (if any) by which the Notes have than been admitted to listing, trading and quotation as soon as reasonably practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders by the Issuer in accordance with Condition 20 (Notices). The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

8.9 Notices Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. Zero Coupon Note Provisions

9.1 Application for Zero Coupon Notes

This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

9.2 Redemption Amount Improperly Refused

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (a) the Reference Price; and
- (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is

the earlier of (i) 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 Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. Redemption and Purchase

10.1 Final Redemption

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms, subject as provided in Condition 11 (*Payments*).

10.2 Redemption at the option of the Issuer (Call Option)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice each as specified in applicable Final Terms to the Noteholders in accordance with Condition 20 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) each as specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if Make-whole Amount is specified in the applicable Final Terms, will be the higher of (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the nominal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin, all as determined by the Determination Agent.

In this Condition:

“**DA Selected Bond**” means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term of the Notes, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term of the Notes;

“**Determination Agent**” means a leading investment bank or financial institution of international standing selected by the Issuer;

“**Quotation Time**” shall be as set out in the applicable Final Terms;

“**Redemption Margin**” shall be as set out in the applicable Final Terms;

“**Reference Bond**” shall be as set out in the applicable Final Terms or the DA Selected Bond;

“**Reference Bond Price**” means, with respect to any date of redemption, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

“**Reference Bond Rate**” means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

“**Reference Date**” will be set out in the relevant notice of redemption;

“**Reference Government Bond Dealer**” means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

“**Reference Government Bond Dealer Quotations**” means, with respect to each Reference Government Bond Dealer and any date of redemption, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer;

“**Remaining Term Interest**” means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 10.2 (*Redemption at the option of the Issuer (Call Option)*);

In the case of a partial redemption of Notes, the Notes to be redeemed (the “**Redeemed Notes**”) will (i) in the case of Redeemed Notes represented by Definitive Note Certificates, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by Definitive Note Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 20 (*Notices*) not less than 15 days prior to the date fixed for redemption.

10.3 Purchase

The Issuer may at any time purchase, or procure others to purchase for its account, Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (provided that such resale is outside the United States as defined in Regulation S under the United States Securities Act of 1933, as amended, or, in the case of any Notes resold pursuant to Rule 144A under that Act is only made in accordance with that Rule and otherwise in compliance with all Applicable Law) or surrendered for cancellation, at the option of the Issuer. Any Notes so purchased, while held by or on behalf of the Issuer or any Person acting on behalf of the Issuer, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders.

10.4 Cancellation

All Notes which are submitted for cancellation pursuant to Condition 10.3 (*Purchase*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on the regulated market of the London Stock Exchange plc (the “**Stock Exchange**”) and the rules of such exchange so require, the Issuer shall promptly inform the Stock Exchange of the cancellation of any Notes under this Condition 10.4 (*Cancellation*).

11. PAYMENTS

11.1 Payments

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is Euros, any other account to which Euros may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

11.2 Record Date

Payments of interest shall, subject to Condition 11.4 (*Payment Business Day*), be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of any Paying Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

11.3 Payments Subject to Applicable Laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.4 Payment Business Day

If the due date for payment of any amount in respect of any Note is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

12. Taxation

12.1 Payments Free and Clear of Taxes

All payments of principal and interest in respect of the Notes 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 the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been

required, except that no such additional amounts shall be payable in respect of any Note presented for payment:

- (a) 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 Uzbekistan other than the mere holding of such Note; or
- (b) 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 presented such Note on the last day of such period of 30 days; or
- (c) where (in the case of a payment of principal or interest on redemption) the relevant Note is surrendered for payment in the Republic of Uzbekistan.

In addition, if and to the extent that the obligations of the Issuer, to pay additional amounts pursuant to this Condition 12 are or have become illegal, unenforceable or otherwise invalid, the Issuer will indemnify and hold harmless each holder of a Note from and against, and will, upon written request of a holder and presentation of reasonable supporting documentation, reimburse each such holder for, the amount of any Taxes withheld or deducted from, or paid by such holder in respect of, payments made under or with respect to the Notes or the Deed of Covenant and which would not have been withheld, deducted or paid had the said obligations not been or become illegal, unenforceable or otherwise invalid. Solely for purposes of these Terms and Conditions, any payment made pursuant to this paragraph shall be considered an additional amount.

12.2 FATCA

Notwithstanding anything to the contrary in this Condition 12, none of the Issuer, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“**FATCA**”) or any laws of Uzbekistan, or any agreement between the United States of America and Uzbekistan, implementing FATCA.

13. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs and is continuing, then the holders of not less than 25 per cent in aggregate outstanding principal amount of the Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be due and payable, whereupon they shall immediately become due and repayable at their principal amount together with accrued interest without further action or formality and notice of any such declaration shall promptly be given to all other Noteholders by the Issuer:

- (a) *Non-payment*: the Issuer is in default with respect to the payment of principal, interest or additional amounts on any of the Notes and such default continues for a period of 30 days; or
- (b) *Breach of other Obligations*: the Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes (other than a default or breach elsewhere specifically dealt with in this Condition 13) and such default or breach is not remedied within 60 days after notice thereof has been given to the Issuer at the Specified Office of the Fiscal Agent by any holder of Notes; or
- (c) *Cross Acceleration*: (a) any other Public External Indebtedness of the Issuer (i) becomes due and payable prior to the due date for payment thereof by reason of default by the Issuer, or (ii) is not repaid at maturity as extended by the period of

grace, if any, applicable thereto, or (b) any Guarantee given by the Issuer in respect of Public External Indebtedness of any other Person is not honoured when due and called upon; provided that the aggregate amount of the relevant Public External Indebtedness or liability under such Guarantee in respect of which one or more of the events mentioned in this Condition 13(c) shall have occurred equals or exceeds U.S.\$50,000,000 or its equivalent in other currencies; or

- (d) *Moratorium*: a general suspension of, or a moratorium on, the payment of principal of, or interest on, the Public External Indebtedness of the Issuer is declared by the Issuer, or the Issuer is, or admits that it is, unable to pay any Public External Indebtedness as it falls due, or the Issuer commences proceedings with a view to the general adjustment of its Indebtedness; or
- (e) *IMF Membership*: the Issuer shall cease to be a member of the International Monetary Fund (IMF) or shall cease to be eligible to use the general resources of the IMF;
- (f) *Invalidity or unenforceability*: the validity of the Notes is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or all or any of its obligations set out in the Notes shall be or become unenforceable or invalid.

If the Issuer receives notice in writing from holders of at least 50 per cent in aggregate outstanding principal amount of the Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect, but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

14. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

15. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Replacement Agent (as defined in the Fiscal Agency Agreement), subject to all Applicable Law and listing authority, stock exchange or quotation system requirements (if any), 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 and the Replacement Agent may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

16. Agents

16.1 Agents of the Issuer

In acting under the Fiscal Agency Agreement and in connection with the Notes, the Fiscal Agent acts solely as agent of the Issuer. The Fiscal Agent does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

16.2 Requirements to Maintain Agents

The initial Fiscal Agent, Paying Agent, Transfer Agent and Registrar and their respective initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and to appoint a successor Fiscal Agent, Paying Agent, Transfer Agent, Registrar or Calculation Agent and additional or successor agents; provided, however, that:

- (a) the Issuer shall at all times maintain a Fiscal Agent;
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (c) if and for so long as the Notes are admitted to listing, trading or quotation, by any listing authority, stock exchange or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange or quotation system; and
- (d) the Issuer shall maintain a Registrar whose Specified Office shall be outside the United Kingdom.

Notice of any change in any of the Agents or their respective Specified Offices shall promptly be given to the Noteholders.

17. Meetings of Noteholders; Written Resolutions and Electronic Consents

17.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

- (a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the provisions of the Fiscal Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.
- (b) The Issuer will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Fiscal Agency Agreement and described in Condition 17.9 (*Notes controlled by the Issuer*)) have delivered a written request to the Issuer setting out the purpose of the meeting. The Issuer will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (c) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Fiscal Agency Agreement. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

- (d) The notice convening any meeting will specify, *inter alia*;
- (i) the date, time and location of the meeting;
 - (ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
 - (iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
 - (iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;
 - (v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
 - (vi) whether Condition 17.2 (*Modification of this Series of Notes only*), or Condition 17.3 (*Multiple Series Aggregation – Single limb voting*), or Condition 17.4 (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;
 - (vii) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
 - (viii) such information that is required to be provided by the Issuer in accordance with Condition 17.6 (*Information*);
 - (ix) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 17.7 (*Claims Valuation*); and
 - (x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (e) In addition, the Fiscal Agency Agreement contains provisions relating to Written Resolutions and Electronic Consents. All information to be provided pursuant to this Condition 17.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.
- (f) A “**record date**” in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
- (g) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

- (h) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
- (i) Any reference to “**debt securities**” means any notes (including the Notes), bonds, debentures or other debt securities (which for these purposes shall be deemed to include any sukuk representing the credit of the Republic of Uzbekistan or any other similar instrument) issued directly or indirectly by the Issuer in one or more series with an original stated maturity of more than one year.
- (j) “**Debt Securities Capable of Aggregation**” means those debt securities which include or incorporate by reference this Condition 17 and Condition 18 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

17.2 Modification of this Series of Notes only

- (a) Any modification of any provision of, or any action in respect of, these Terms and Conditions, the Fiscal Agency Agreement and/or the Deed of Covenant in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
- (b) A “**Single Series Extraordinary Resolution**” means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:
 - (i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes held by Noteholders present in person or represented by proxy; or
 - (ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes held by Noteholders present in person or represented by proxy.
- (c) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or
 - (ii) in the case of a matter other than a Reserved Matter more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

- (d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

17.3 Multiple Series Aggregation – Single limb voting

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
- (b) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
- (c) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.
- (d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (e) The “**Uniformly Applicable**” condition will be satisfied if:
 - (i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
- (f) It is understood that a proposal under paragraph (a) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected Series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and, the same amount of consideration per amount of past due interest, respectively, as that

offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected Series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected Series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

- (g) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 17.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

17.4 Multiple Series Aggregation – Two limb voting

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (b) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:
 - (i) at least 66 per cent of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (ii) more than 50 per cent of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (c) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
 - (i) at least 66 per cent of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (ii) more than 50 per cent of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or

confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (e) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 17.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

17.5 Reserved Matters

In these Conditions, “**Reserved Matter**” means any proposal:

- (a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest (other than any variation arising from the discontinuation of any interest rate benchmark used to determine the amount of any payment in respect of the Notes) or any other amount payable in respect of the Notes on any date;
- (b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (c) to change the majority required to pass an Extraordinary Resolution, a Written Resolution, an Electronic Consent or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (d) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution”, “Electronic Consent” or “Multiple Series Two Limb Written Resolution”;
- (e) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (f) to change the definition of “Uniformly Applicable”;
- (g) to change the definition of “outstanding” or to modify the provisions of Condition 17.9 (*Notes controlled by the Issuer*);
- (h) to change the legal ranking of the Notes;
- (i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 13 (*Events of Default*);

- (j) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 24 (*Governing Law and Arbitration*);
- (k) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (l) to modify the provisions of this Condition 17.5;
- (m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;
- (n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Terms and Conditions in connection with any exchange of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer, which would result in the Terms and Conditions as so modified being less favourable to the Noteholders which are subject to the Terms and Conditions as so modified than:
 - (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or conversion; or
 - (ii) if more than one series of other obligations or debt securities results from the relevant exchange or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount; or
- (o) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes and the Deed of Covenant.

17.6 Information

Prior to or on the date that the Issuer proposes any Extraordinary Resolution, Written Resolution or Electronic Consent pursuant to Condition 17.2 (*Modification of this Series of Notes only*), Condition 17.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 17.4 (*Multiple Series Aggregation – Two limb voting*), the Issuer shall publish in accordance with Condition 18.8 (*Manner of publication*) and provide the Fiscal Agent with the following information:

- (a) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;
- (b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

- (d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 17.1(d)(vii).

17.7 Claims Valuation

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 17.3 (*Multiple Series Aggregation – Single limb voting*) and Condition 17.4 (*Multiple Series Aggregation – Two limb voting*), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

17.8 Manifest error, etc.

The Notes, these Terms and Conditions and the provisions of the Fiscal Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

17.9 Notes controlled by the Issuer

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) and (c) Condition 13 (*Events of Default*), any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

- (i) “**public sector instrumentality**” means the Central Bank of Uzbekistan, any department, ministry or agency of the government of the Republic of Uzbekistan or any corporation, trust, financial institution or other entity owned or controlled by the government of the Republic of Uzbekistan or any of the foregoing; and
- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution or Electronic Consent, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 18.5 (*Certificate*) which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution or vote in respect of any Electronic Consent. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

17.10 Publication

The Issuer shall publish all Extraordinary Resolutions, Written Resolutions and Electronic Consents which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 18.8 (*Manner of publication*).

17.11 Exchange and Conversion

Any Extraordinary Resolutions or Written Resolutions or Electronic Consents which have been duly passed and which modify any provision of, or action in respect of, the Terms and Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

17.12 Written Resolutions and Electronic Consents

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a Global Note held on behalf of one or more of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (the "relevant clearing system(s)"), then the approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures:

- (a) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders; or
- (b) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:
 - (i) in respect of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*), the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding Notes in the case of a Reserved Matter or more than 50 per cent. of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter;
 - (ii) in respect of a proposal Condition 17.3 (*Multiple Series Aggregation—Single limb voting*), the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); or

- (iii) in respect of a proposal pursuant to Condition 17.4 (*Multiple Series Aggregation—Two limb voting*), (x) the persons holding at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of (i), (ii) and (iii), each an “**Electronic Consent**”) shall, for all purposes (including Reserved Matters) take effect as (A) a Single Series Extraordinary Resolution (in the case of (i) above), (B) a Multiple Series Single Limb Extraordinary Resolution (in the case of (ii) above) or (C) a Multiple Series Two Limb Extraordinary Resolution (in the case of (iii) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders (in the case of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 17.3 (*Multiple Series Aggregation—Single Limb Voting*) or Condition 17.4 (*Multiple Series Aggregation—Two Limb Voting*) to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the “**Relevant Consent Date**”) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Consent Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the “**Proposer**”) so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders (in the case of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 17.3 (*Multiple Series Aggregation—Single Limb Voting*) or Condition 17.4 (*Multiple Series Aggregation—Two Limb Voting*) that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders (in the case of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 17.3 (*Multiple Series Aggregation—Single Limb Voting*) or Condition 17.4 (*Multiple Series Aggregation—Two Limb Voting*) that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to Relevant Consent Date shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any 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 identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the

relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) 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. The Issuer shall not 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.

All information to be provided pursuant to paragraph (d) of Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) shall also be provided, mutatis mutandis, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

18. Aggregation Agent; Aggregation Procedures

18.1 Appointment

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Terms and Conditions or the Fiscal Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

18.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Terms and Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

18.3 Written Resolutions

If a Written Resolution has been proposed under the Terms and Conditions to modify any provision of, or action in respect of, these Terms and Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

18.4 Electronic Consents

If approval of a resolution proposed under the terms of these Terms and Conditions to modify any provision of, or action in respect of, these Terms and Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

18.5 Certificate

For the purposes of Condition 18.2 (*Extraordinary Resolutions*), Condition 18.3 (*Written Resolutions*) and Condition 18.4 (*Electronic Consents*), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 17.2 (*Modification of this Series of Notes only*), Condition 17.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 17.4 (*Multiple Series Aggregation – Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution and, with respect to an Electronic Consent, the date arranged for voting on the Electronic Consent.

The certificate shall:

- (a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 17.9 (*Notes controlled by the Issuer*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

18.6 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 18 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

18.7 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 18 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

18.8 Manner of publication

The Issuer will publish all notices and other matters required to be published pursuant to the Fiscal Agency Agreement including any matters required to be published pursuant to Condition 17 (*Meetings of Noteholders; Written Resolutions and Electronic Consents*), this Condition 18 and Condition 13 (*Events of Default*):

- (a) through Euroclear, Clearstream Luxembourg and DTC and/or any other clearing system in which the Notes are held;
- (b) in such other places and in such other manner as may be required by Applicable Law; and
- (c) in such other places and in such other manner as may be customary.

19. Further Issues and Consolidation

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Fiscal Agency Agreement, create and issue further notes having the same terms and conditions as the Notes of a particular Series in all respects (or in all respects except for the issue price, issue date and first payment of interest) so as to form a single series with the Notes of the particular Series, provided that, unless such further notes are fungible with the original Notes for U.S. federal income tax purposes, such further notes will be issued with a separate CUSIP and ISIN. The Fiscal Agency Agreement contains provisions for convening a single meeting of the Noteholders of a particular Series and the holders of Notes of other Series.

The Issuer may, with the prior approval of the Fiscal Agent (which shall not be unreasonably withheld), from time to time on any Interest Payment Date occurring on or after the Redenomination Date (as defined in Condition 23 (*Redenomination*)) on giving not less than 30 days' prior notice to the Noteholders in accordance with Condition 20 (*Notices*), without the consent of the Noteholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in the same currency provided such other Notes have been redenominated into the Specified Currency (if not originally so denominated) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

20. Notices

Notices required to be given to Noteholders pursuant to the Conditions will be valid if published in a manner which complies with the rules and regulations of the Stock Exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given by publication in a newspaper of general circulation in London (which is expected to be the Financial Times).

21. Currency Indemnity

If any Noteholder receives or recovers any amount in a currency other than that in which the relevant payment is expressed to be due (the "**Contractual Currency**") (whether as a result of, or of the enforcement of, an award, judgment or order of any court or other tribunal) in respect of any sum expressed to be due to it from the Issuer that amount will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the relevant Noteholder under the Notes, the Issuer will indemnify such Noteholder against any loss sustained by it as a result on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent or any Paying Agent. In any event, the Issuer will indemnify the relevant Noteholder against the cost of making any such purchase.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. Rounding

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in these Terms and Conditions), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005 per cent, being rounded up to 0.00001 per cent), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up) and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. Redenomination

23.1 Redenomination

This Condition 23 is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.

23.2 Redenomination Date

If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Fiscal Agent and the Noteholders, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

23.3 Calculation of Redenominated Notes

Notwithstanding the other provisions of these Terms and Conditions, with effect from the Redenomination Date:

- (a) the Notes shall be deemed to be redenominated into Euros in the denomination of Euros 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into Euros at the rate for conversion of such currency into Euros established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Fiscal Agent that the then market practice in respect of the redenomination into Euros 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange or quotation system (if any) by which the Notes have then been admitted to listing, trading or quotation and the Fiscal Agent of such deemed amendments;
- (b) if Notes have been issued in definitive form:

- (i) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 23) shall remain in full force and effect; and
- (ii) new Notes denominated in Euros will be issued in exchange for Notes denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (c) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub division of the Euros, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euros by cheque drawn on, or by credit or transfer to a Euros account (or any other account to which Euros may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

23.4 Calculation of Interest on redenominated Definitive Note Certificates

Following redenomination of the Notes pursuant to this Condition 23, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes held by the relevant holder.

23.5 Change of Interest Determination Date

If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

24. Governing Law and Arbitration

24.1 Governing Law

The Notes and the arbitration agreement in Condition 24.2 (*Arbitration*) (including any non-contractual obligations arising out of or in connection with the Notes) are governed by, and shall be construed in accordance with, English law.

24.2 Arbitration

Any dispute, controversy or claim, be it contractual or non-contractual, arising out of or in connection with the Notes, including any question regarding their formation, existence, validity or termination (a “**Dispute**”) shall be referred to and finally resolved:

24.2.1 By arbitration administered by the London Court of International Arbitration (the “**LCIA Court**”) in accordance with its Rules (the “**Rules**”). The Rules are deemed to be incorporated by reference into this Condition 24.2.

24.2.2 The number of arbitrators shall be three, each party having the right to nominate one arbitrator. If one party fails to appoint an arbitrator within 30 days of receiving notice of the appointment of an arbitrator by the other party, then that arbitrator shall be appointed by the LCIA Court.

24.2.3 The third arbitrator, who shall act as chairman of the tribunal, shall be chosen by the two arbitrators chosen by or on behalf of the parties. If he is not chosen and appointed

within 15 days of the date on which the later of the two-party appointed arbitrators is appointed, he shall be appointed by the LCIA.

- 24.2.4 The seat of arbitration shall be London, England where all hearings and meetings shall be held, unless the parties agree otherwise. The language to be used in the arbitral proceedings shall be English.
- 24.2.5 Sections 45 and 69 of the Arbitration Act 1996 shall not apply.
- 24.2.6 It is agreed that the arbitrators shall have no authority to award exemplary or punitive damages of any type under any circumstances whether or not such damages may be available under the relevant applicable law, the parties hereby waiving their right, if any, to recover such damages.
- 24.2.7 The parties agree that the arbitrators shall have power to award on a provisional basis any relief that they would have power to grant on a final award.
- 24.2.8 Without prejudice to the powers of the arbitrators provided by the Rules, statute or otherwise, the arbitrators shall have power at any time, on the basis of written evidence and the submissions of the parties alone, to make an award in favour of the claimant (or the respondent if a counterclaim) in respect of any claims (or counterclaims) to which there is no reasonably arguable defence, either at all or except as to the amount of any damages or other sum to be awarded.
- 24.2.9 Nothing in this Condition 24.2 shall be construed as preventing either party from seeking conservatory or similar interim relief in any court of competent jurisdiction nor shall anything in this Condition 24.2 prohibit a party from bringing an action to enforce a money judgment in any other jurisdiction.
- 24.2.10 The parties agree that the arbitration and any facts, documents, awards or other information related to the arbitration or the dispute, controversy or claim to which it relates shall be kept strictly confidential and shall not be disclosed to any third party without the express written consent of the other party, unless such disclosure is required to comply with any legal or regulatory requirement.

24.3 Service of Process

The Issuer agrees that the process by which any proceedings are commenced in the English courts in support of, or in connection with, an arbitration commenced pursuant to Condition 24.2 (*Arbitration*) may be served on it by being delivered to 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 or, in his absence, his designate as its authorised agent for service of process in England. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of a Noteholder appoint a further person in England to accept service of process on its behalf and, failing such appointment within 14 days, such Noteholder shall be entitled to appoint such a person by written notice to the Issuer. Nothing in this paragraph shall affect the right of the Noteholder to serve process in any other manner permitted by law.

24.4 Enforcement of Awards; Waiver of Immunity

Any award made pursuant to Condition 24.2 (*Arbitration*) in relation to a Dispute may be enforced in any tribunal or court of competent jurisdiction. To the extent that the Issuer may in any jurisdiction claim for itself or its assets, property or revenues (irrespective of their use or intended use) immunity from jurisdiction, suit, enforcement, execution, attachment (whether in aid of execution, before the making of a judgment or award or otherwise) or other

legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets, property or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction subject to the provisions of Condition 24.5 (*Waiver of Immunity – Exclusions*). The Issuer reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of, or in, the United States of America under any United States federal or state securities law.

24.5 Waiver of Immunity – Exclusions

Notwithstanding any of the provisions of Condition 24.4 (*Enforcement of Awards; Waiver of Immunity*), the Issuer does not waive any immunity in relation to: (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations including their heads and other employees, (except to the extent they are appointed as process agent and it is required for any service of process pursuant to these Conditions); (b) property of military character and under the control of a military authority or defence agency of the Issuer; and (c) property located in Uzbekistan that is used for public or governmental purposes (as distinct from property dedicated to a commercial use).

24.6 Consolidation of Disputes

24.6.1 In this Condition 24.6:

“**Joinder Order**” means an order by a Tribunal that a Primary Dispute and a Linked Dispute be resolved in the same arbitral proceedings;

“**Linked Dispute**” means any Dispute and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with these Terms and Conditions and/or the Deed of Covenant, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them, in which a Request for Arbitration (as defined in the Rules) is served after a Request for Arbitration has been served in respect of a Primary Dispute;

“**Primary Dispute**” means any Dispute and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with these Terms and Conditions and/or the Deed of Covenant, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them, in which a Request for Arbitration has been served before a Request for Arbitration has been served in relation to any Linked Dispute; and

“**Tribunal**” means any arbitral tribunal appointed under these Terms and Conditions.

24.6.2 Any party to both a Primary Dispute and a Linked Dispute may apply to the Tribunal appointed in relation to the Primary Dispute for a Joinder Order in relation to any Linked Dispute.

24.6.3 The applicant for a Joinder Order must promptly notify all parties to the Primary Dispute and the Linked Dispute of any application under (i) above.

24.6.4 The Tribunal appointed in relation to the Primary Dispute may, if it considers it just, make a Joinder Order on hearing an application brought under (i) above. In determining whether to make a Joinder Order, the Tribunal must take account of:

- (i) the likelihood and consequences of inconsistent decisions if joinder is not ordered;
- (ii) any failure on the part of the party seeking joinder to make a timely application; and
- (iii) the likely consequences of joinder in terms of cost and time.

24.6.5 If the Tribunal makes a Joinder Order:

- (i) it will immediately, to the exclusion of any other Tribunal, have jurisdiction to resolve finally the Linked Dispute in addition to its jurisdiction in relation to the Primary Dispute;
- (ii) it must order that notice of the Joinder Order and its effect be given immediately to any arbitrators already appointed in relation to the Linked Dispute and to all parties to the Linked Dispute and to all parties to the Primary Dispute;
- (iii) any appointment of an arbitrator in relation to the Linked Dispute before the date of the Joinder Order will terminate immediately and that arbitrator will be deemed to be *functus officio* with effect from the date of the Joinder Order. Such termination is without prejudice to:
 - (A) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
 - (B) his entitlement to be paid his proper fees and disbursements; and
 - (C) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
- (iv) it may also give any other directions it considers appropriate to:
 - (A) give effect to the Joinder Order and make provisions for any costs which may result from it (including costs in any arbitration terminated as a result of the Joinder Order); and
 - (B) ensure the proper organisation of the arbitration proceedings and the proper formulation and resolution of the issues between the parties.

24.6.6 If a Tribunal appointed in respect of a Primary Dispute under these Terms and Conditions makes a Joinder Order which confers on that Tribunal jurisdiction to resolve a Linked Dispute arising under these Conditions, that Joinder Order and the award of that Tribunal will bind the parties to the Primary Dispute and the Linked Dispute being heard by that Tribunal.

24.6.7 For the avoidance of doubt, where a Tribunal is appointed under these Conditions, the whole of its award (including any part relating to a Linked Dispute) is deemed for the purposes of the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958 to be contemplated by these Conditions.

24.6.8 Each of the Issuer and the Noteholders waives any objection, on the basis of a Joinder Order, to the validity and/or enforcement of any arbitral award made by a Tribunal following any Joinder Order.

25. Rights of Third Parties

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

FORM OF FINAL TERMS

[PROHIBITION OF SALES TO EEA 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 Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97, 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 “**PRIPs 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 PRIPs Regulation.]

[MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/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 [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] 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 manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any [person subsequently offering, selling or recommending the Notes (a “**distributor**”)] [distributor] should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

THE REPUBLIC OF UZBEKISTAN, REPRESENTED BY THE MINISTRY OF ECONOMY AND FINANCE OF THE REPUBLIC OF UZBEKISTAN ACTING UPON AUTHORISATION OF THE PRESIDENT OF THE REPUBLIC OF UZBEKISTAN AND THE CABINET OF MINISTERS OF THE REPUBLIC OF UZBEKISTAN

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the Global Medium Term Note Issuance Programme

Part A Contractual Terms

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Base Offering Circular dated 28 September 2023 [and the supplement[s] dated [●]] (the “**Base Offering Circular**”). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Base Offering Circular [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Offering Circular [as so supplemented]. Copies of the Base Offering Circular [and the supplement[s] dated [●]] may be obtained from the specified offices of the Fiscal Agent during normal business hours and are available on the website of the Ministry of Economy and Finance of Uzbekistan at <https://imv.uz/en>.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Base Prospectus dated [4 February 2019][17 November 2020] which are incorporated by reference in the Base Offering Circular dated 28 September 2023. This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Base Offering Circular dated 28 September 2023 [and the supplement[s] dated [●]] (the “**Base Offering Circular**”) including the Conditions incorporated by reference in the Base Offering Circular, in order to obtain all relevant information. Copies of the Base Offering Circular [and the supplement[s] dated [●]] may be obtained from the specified offices of the Fiscal Agent during normal business hours and are available on the website of the Ministry of Economy and Finance of Uzbekistan at <https://imv.uz/en>.

- | | | |
|---|--|--|
| 1 | Issuer: | The Republic of Uzbekistan, represented by the Ministry of Economy and Finance of the Republic of Uzbekistan acting upon authorisation of the President of the Republic of Uzbekistan and the Cabinet of Ministers of the Republic of Uzbekistan |
| 2 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount of Notes: | |
| | [(i)] Series: | [●] |
| | [(ii)] Tranche: | [●] |
| | [(iii)] Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date].] |
| 5 | Issue Price: | [●] per cent., of the Aggregate Nominal Amount [plus accrued interest from [●] (if applicable)] |
| 6 | (i) Specified Denomination(s): | [●] |
| | (ii) Calculation Amount: | [●] |
| 7 | [(i)] Issue Date: | [●] |

- [(ii)] Interest Commencement Date: [Specify/Issue Date/Not Applicable]
- 8 Maturity Date: [[●]/Interest Payment Date falling on or nearest to [●]]
- 9 Interest Basis: [[●] per cent. Fixed Rate]
 [●] +/- [●] per cent. Floating Rate]
 [Zero Coupon]
- 10 Payment Basis: [Redemption at par]
 Redemption Amount: [●]
- 11 Date approval for issuance of Notes obtained: [●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 12 Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- Interest Payment Date(s): [●] in each year [adjusted in accordance with [●]/not adjusted]
- Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
- Day Count Fraction: [Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
- Interest Determination Date(s): [●] in each year
- 13 Floating Rate Note Provisions: [Applicable/Not Applicable]
- Specified Interest Period(s): [●]
- Specified Interest Payment Dates: [●]
- First Interest Payment Date: [●]
- Business Day Convention: [FRN Convention/Floating Rate Convention/Eurodollar Convention/Following Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention/Preceding Business Day Convention/Not Applicable]

Business Centre(s):	[●]
Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
Screen Rate Determination:	
• Reference Rate:	[[●] month EURIBOR]
• Interest Determination Date(s):	[●]
• Relevant Screen Page:	[●]
• Reference Banks:	[●]
ISDA Determination:	
• Floating Rate Option:	[●]
• Designated Maturity:	[●]
• Reset Date:	[●]
Margin(s):	[+/-][●] per cent. per annum
Minimum Rate of Interest:	[●] per cent. per annum
Maximum Rate of Interest:	[●] per cent. per annum
Day Count Fraction:	[Actual/365 / Actual/Actual(ISDA) / Actual/365(Fixed) / Actual/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / Actual/Actual(ICMA)]
14 Zero Coupon Note Provisions:	[Applicable/Not Applicable]
[Amortisation Yield /Accrual Yield]:	[●] per cent. per annum
Reference Price:	[●]

PROVISIONS RELATING TO REDEMPTION

15 Call Option:	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(a) Optional Redemption Date(s):	[●]
(b) Optional Redemption Amount(s) of each Note:	[[●] per Calculation Amount][Make-whole Amount]
	<i>[(If Make-whole Amount is selected, include items (i) to (iii) below or relevant options as are set out in the Conditions)]</i>

- | | |
|---------------------------------|--|
| (i) Reference Bond: | [●]/[Not Applicable] |
| (ii) Redemption Margin: | [●] per cent. |
| (iii) Quotation Time: | [●] |
| (c) If redeemable in part: | [Not Applicable] |
| (i) Minimum Redemption Amount: | [●] |
| (ii) Maximum Redemption Amount: | [●] |
| (iii) Notice periods: | Minimum period: [●] days
Maximum period: [●] days |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | |
|--------------------------------|-----------------------------|
| 16 Financial Centre(s): | [Not Applicable/[●]] |
| Redenomination: | [Applicable/Not Applicable] |
| Calculation Agent: | [●] |

LISTING AND ADMISSION TO TRADING APPLICATION

Application has been made to the London Stock Exchange for the Notes to be admitted to the Official List and trading on its main market with effect from [●]. These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange of the Notes described herein pursuant to the Global Medium Term Note Programme of the Republic of Uzbekistan.

[THIRD PARTY INFORMATION]

[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

Dated: [●]

By:

Duly authorised

Part B
Other Information

1 LISTING

- (i) Listing and admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the FCA and admitted to trading on the London Stock Exchange's Main Market with effect from [●].

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

- (ii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: The Notes to be issued [have been/are expected to be] rated:

[S & P: [●]]

[Moody's: [●]]

[Fitch: [●]]

[Other: [●]]

[Not Applicable]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

4 [Fixed Rate Notes only – YIELD]

- Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5 OPERATIONAL INFORMATION

- ISIN Code (Reg S Notes): [●]

- ISIN Code (Rule 144A Notes): [●]

- Common Code (Reg S Notes): [●]

Common Code (Rule 144A Notes):	[•]
[CFI:	[Not Applicable/[•]]
[FISN:	[Not Applicable/[•]]
CUSIP (Rule 144A Notes):	[•]
[CINS:	[•]]
Any clearing system(s) other than [DTC, Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[•]

6. DISTRIBUTION

Method of distribution:	[Syndicated/Non-syndicated]
If syndicated, names of Managers:	[Not Applicable/give names]
Date of Subscription Agreement:	[•]
Stabilisation Manager(s) (if any):	[Not Applicable/give name]
If non-syndicated, name of relevant Dealer:	[Not Applicable/give name]
Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]

(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)

SUMMARY OF PROVISIONS RELATING TO NOTES IN GLOBAL FORM

The Global Notes

Each Series will be issued in registered form and evidenced on issue by a Global Note.

Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in an Unrestricted Global Note which will be deposited on issue with a Common Depository for Euroclear and/or Clearstream, Luxembourg and registered in the name of a nominee for a Common Depository in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A will be represented by interests in a Restricted Global Note which will be registered in the name of Cede & Co. as nominee for, and which will be deposited with the Custodian for DTC, in respect of interests held through DTC.

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the fiscal agency agreement dated 4 February 2019 relating to the Notes (as may be amended or supplemented from time to time, the “**Fiscal Agency Agreement**”) and, with respect to a Restricted Global Note, as set forth in Rule 144A and the Restricted Notes will bear the legends set forth thereon regarding such restrictions set forth under “*Transfer Restrictions*”.

Any beneficial interest in an Unrestricted Global Note that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Note will, upon transfer, cease to be an interest in that Unrestricted Global Note and become an interest in the corresponding Restricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that Restricted Global Note for as long as it remains such an interest. Any beneficial interest in a Restricted Global Note that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note will, upon transfer, cease to be an interest in that Restricted Global Note and become an interest in that Unrestricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Unrestricted Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the “**Definitive Note Certificates**”). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effects of the Terms and Conditions of the Notes. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Notes will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (the “**Record Date**”), where “**Clearing System Business Day**” means Monday to Friday inclusive, except 25 December and 1 January.

Notices

So long as any Notes are evidenced by a Global Note and such 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 it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes *provided however, that*, so long as the Notes are

listed on a stock exchange and its rules so require, notices will also have to be filed in accordance with the rules of such stock exchange.

Meetings

The holder of each Global Note will be treated as being one person for the purposes of any quorum requirements of, or have the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each 1,000 units of the currency in which the relevant Notes are denominated as comprise the principal amount of Notes for which the relevant Global Note may be exchangeable.

Purchase and Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

Exchange for Definitive Note Certificates

Exchange

Notes initially represented by a Restricted Global Note are exchangeable in whole, but not in part, (free of charge to the Holder) for Restricted Definitive Note Certificates (i) if the Restricted Global Note is held by or on behalf of DTC and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Note or ceases to be a “clearing agency” registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, by the Holder giving notice to the Registrar or a Paying and Transfer Agent, (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 12 (*Taxation*) which would not be suffered were the Notes in definitive form or (iii) an Event of Default occurs. The Issuer shall notify the Noteholders of the occurrence of any of the events specified above as soon as practicable thereafter.

Notes initially represented by an Unrestricted Global Note are exchangeable in whole, but not in part, (free of charge to the Holder) for Unrestricted Definitive Note Certificates (i) if the Unrestricted Global Note is held by or on behalf of a clearing system and such clearing system 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 a Paying and Transfer Agent, (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 12 (*Taxation*) which would not be suffered were the Notes in definitive form or (iii) an Event of Default occurs. The Issuer shall notify the Noteholders of the occurrence of any of the events specified above as soon as practicable thereafter.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar. In exchange for the relevant Global Note, as provided in the Fiscal Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Note Certificates in or substantially in the form set out in the relevant schedule to the Fiscal Agency Agreement.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Note Certificates 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 a Paying and Transfer Agent is located.

Delivery of Definitive Note Certificates

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity and/or security as the Registrar 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 Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a 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 and, in the case of a Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Definitive Note Certificates issued in exchange for a beneficial interest in a Restricted Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*”.

Legends

The holder of a Definitive Note Certificate 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 Paying and Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Restricted Definitive Note Certificate bearing the legend referred to under “*Transfer Restrictions*”, or upon specific request for removal of the legend on a Restricted Definitive Note Certificate, the Issuer will deliver only Restricted Definitive Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer and the Registrar that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer for general budgetary purposes, including infrastructure projects.

OVERVIEW OF THE REPUBLIC OF UZBEKISTAN

Location and Population

Uzbekistan (officially the Republic of Uzbekistan (*O'zbekiston Respublikasi*)) is located in Central Asia and borders Kazakhstan to the north and north-east, Kyrgyzstan and Tajikistan to the east and south-east, Turkmenistan to the west and Afghanistan to the south.

The area of the territory of Uzbekistan is 448.97 thousand square km. The length of the state border is 6,221 km and at its widest points, Uzbekistan stretches for 930 km from north to south and for 1,425 km from west to east. The terrain of Uzbekistan is predominantly flat-to-rolling sandy desert with dunes.



Uzbekistan is a sovereign democratic republic. The effective Constitution of the Republic of Uzbekistan was adopted in 1992. However, national referenda and the Supreme Assembly have amended the Constitution multiple times throughout the country's history.

Administratively, Uzbekistan is divided into 13 regions (*viloyatlar*) including the capital (Tashkent) and 12 others (Andijan, Bukhara, Fergana, Jizzakh, Khorezm, Namangan, Navoiy, Kashkadarya, Samarkand, Syrdarya, Surkhandarya and Tashkent regions), and one autonomous republic (Karakalpakstan).

According to preliminary data of the Statistics Agency under the President of the Republic of Uzbekistan, as of 1 January 2023, the population of Uzbekistan was estimated at 36.0 million with 51.0% of the population (18.4 million) living in urban areas and 49.0% of the population (17.6 million) living in rural areas. As of 1 January 2023, the city of Tashkent had an estimated population of 3.0 million, which was approximately 8.3% of the total population. As of 1 January 2023, the population density of Uzbekistan was estimated at 80.2 persons per square km. According to the 2022 census data, ethnic Uzbeks constitute more than 84.8% of Uzbekistan's total population. Other ethnic groups include Karakalpaks, Tajiks, Kazakhs, Russians, Kyrgyz, Tatars, Turkmens, Koreans and

Ukrainians, among others. The national language of Uzbekistan is Uzbek, whilst Russian is used extensively and is the most widely taught second language.

The following table sets forth a breakdown of Uzbekistan’s population by age and gender as of 1 January 2023:

	Percentage of Population	Gender		Total Population (Male and Female)
		Male	Female	
Age				
0-14	30.1	31.0	29.2	10.8
15-24	14.7	14.9	14.4	5.3
25-54	41.9	41.9	42.0	15.1
55-64	8.0	7.5	8.4	2.9
65 and over	5.3	4.7	6.0	1.9
Total	100	100	100	36.0

Source: Statistics Agency under the President of the Republic of Uzbekistan

Uzbekistan is a secular country and its Constitution stipulates the right to religious freedom. The principal religion in the country is Islam. As of 1 January 2023, Muslims constituted approximately 95.3% of the population, while approximately 2.7% of the population follows Russian Orthodox Christianity and approximately 1.9% of the population follows other religions or are non-religious. A majority of Uzbeks are non-denominational Muslims.

History

Uzbekistan formed the nation as it is known today around 1000 B.C. However, the term “Uzbek” was introduced in the 15th and 16th centuries, during the period of Shaybani Khan’s rule. Uzbekistan is located along the “Silk Road”, a historical network of trade routes between Europe, India, China and many other Afro-Eurasian countries that began during the Han Dynasty (206 B.C. - 220 A.D.).

Art, cultural life and science in Uzbekistan developed between the 9th and 12th centuries. Great scientists such as Al-Khorezmi, Ahmad Al-Fargani, Al-Farabi, Abu Rayhan Biruni, Abu Ali ibn Sina (Avicenna) and al-Zamakhshari were born in what is present-day Uzbekistan, and the notable Islamic scholars Imam al-Bukhari, al-Tirmidhi, Nazhmuddin Kubra and Bahavuddin Naqshband were also from what is present-day Uzbekistan.

At the beginning of the 13th century, the Mongol military, led by Genghis Khan, upon defeating the state of Khorezm, conquered much of modern Central Asia, including the territory of modern Uzbekistan.

Amir Timur (also known as Tamerlane), was one of the main influences behind statehood in this region. Capitalising on the disintegration of the states of Genghis Khan’s heirs in Central Asia in the second half of the 14th century, Amir Timur united the states of Genghis Khan’s heirs and founded a powerful state with a capital in Samarkand. In 1380, Amir Timur invaded other regions, conquering

Iran, the Caucasus, Iraq, Syria, Türkiye and Northern India, and established a centralised state, called Movaroun-Nahr in Central Asia. The elimination of political fractures allowed for the subsequent development of the economy, which Mongol rule had previously exhausted.

After the fall of the Timurid dynasty, Central Asia was divided into city-states under Muslim rulers known as “khans”. The Khanate of Khiva, the Bukhara Khanate and the Khanate of Kokhand were considered the most powerful in what is now Uzbekistan. These khans ruled the region during the 18th and 19th centuries.

The Russians occupied Tashkent in 1865 and ruled all of Central Asia by 1920. On 27 October 1924, the Uzbek Soviet Socialist Republic was created, and in May 1925 it became part of the USSR. During World War II, the relocation of factories from the war zone to Tashkent helped to enlarge Uzbekistan’s industrial base.

On 29 August 1991, ten days after the collapse of the anti-Gorbachev coup in Moscow, an extraordinary session of the Supreme Council voted to declare the Republic independent and changed its name to the Republic of Uzbekistan. On 31 August 1991, the Republic of Uzbekistan declared its independence from the USSR. A referendum was held in December 1991, in which 98% of participants endorsed Uzbekistan’s independence. However, after obtaining independence, Uzbekistan faced difficult political and socio-economic conditions. Over 130 years of rule by colonial regimes significantly hindered the development of Uzbekistan as an independent republic.

Mr. Islam Karimov with 86% of the votes won the first presidential elections held on 29 December 1991. Islam Karimov won a subsequent referendum in 1995, allowing him to stay in office until 2000. He was further re-elected in the January 2000 presidential election. Following the extension of the presidential term in office from five to seven years, Islam Karimov was again re-elected in December 2007 for a seven-year term. In December 2011, the senate of the Oliy Majlis of the Republic of Uzbekistan (the “**Senate**”) approved the Law of the Republic of Uzbekistan “On introduction of amendments to article 90 of the Constitution of Uzbekistan”, which led to the duration of the presidential term reverting back to five years.

Islam Karimov led Uzbekistan for 25 years until his death in September 2016. Following Islam Karimov’s death, Mr. Shavkat Mirziyoyev served as acting president and subsequently won the presidential election in December 2016. A number of parties were represented in the 2016 presidential election, including the Liberal Democratic Party “O’zLiDeP”, the People’s Democratic Party “O’zXDP”, the Justice Social Democratic Party “Adolat” and the National Revival Democratic Party “Milliy Tiklanish”. Shavkat Mirziyoyev was the nominee for the Liberal Democratic Party of Uzbekistan and was elected as President by 88.6% of the votes. President Shavkat Mirziyoyev was re-elected for a second five-year term in October 2021. In May 2023, Uzbekistan passed a package of constitutional amendments in a referendum which reset President Shavkat Mirziyoyev’s term count and extended the presidential term from five to seven years. In July 2023, after holding an early election, President Shavkat Mirziyoyev was re-elected for a further seven-year term.

Government

The Constitution and the President

Uzbekistan is a sovereign democratic republic, governed by the President of the Republic of Uzbekistan (the “**President**”), the Cabinet of Ministers and the Supreme Assembly (*Oliy Majlis*) (each as defined below). Uzbekistan’s current constitution (the “**Constitution**”) was adopted by nationwide vote at the referendum held on 30 April 2023. This new version of the Constitution entered into force on 1 May 2023. Until then, since 1992 the constitution had been amended 15 times. In 2023 however, due to the large scale of changes, a new version of the Constitution was adopted.

Amendments in the new version of the Constitution include the extension of the presidential term from five to seven years, the reduction of the number of senators from 100 to 65, and the banning of the death penalty and the extradition of a citizen of Uzbekistan to another state. For the first time, the Constitution includes a separate chapter on civil society institutions and guarantees for their activities. The amendments also consolidate the powers of the lower house of parliament to control the execution of the state budget and consider the report of the Accounting Chamber of the Republic of Uzbekistan (the “**Accounting Chamber**”). The Accounting Chamber is the supreme external audit and financial control body of the state. Among others, its functions include examination of a draft law on the State Budget, review of drafts of local budgets, control over the correct application of the requirements of the legislation on public procurement, and audit of the effectiveness and legality of the expenditures of the State Budget and other funds.

The President represents Uzbekistan domestically and in international relations. The President has a wide range of powers, including appointing and dismissing the Prime Minister and members of the Cabinet of Ministers (subject to confirmation by the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan (the “**Legislative Chamber**”)), appointing and dismissing the Procurator-General of Uzbekistan and the Chairman of the Accounting Chamber (subject to confirmation by the Senate of the Republic), making appointments to local executive and administrative bodies and exercising other constitutional and lawfully stipulated powers. The President also has the power to sign and promulgate laws, issue binding decrees, resolutions and ordinances, grant pardons to convicted citizens and confer state awards, ranks and titles. The President is also the Commander-in-Chief of the Armed Forces of Uzbekistan.

The President shall be elected by citizens of Uzbekistan on the basis of the universal, equal and direct suffrage by secret ballot for the term of seven years. The procedure for electing the President shall be defined by the law of Uzbekistan. The President, during his term of office, may not hold any other paid post, serve as deputy of representative body or engage in commercial activity. The President shall enjoy personal immunity and protection under law.

The Executive Power

The Government, represented by the Cabinet of Ministers, exercises executive power in Uzbekistan. The Cabinet of Ministers is comprised of the Prime Minister, his deputies, ministers and chairmen of the state committees, as well as the Head of the Government of the Republic of Karakalpakstan.

The Cabinet of Ministers, within the framework of constitutional norms and in accordance with legislation, issues decisions and orders that are binding on all bodies, enterprises, institutions, organisations, officials and citizens throughout the territory of Uzbekistan. The Cabinet of Ministers, as part of its duties, shall be accountable to the Supreme Assembly and the President.

The candidacy of the Prime Minister of Uzbekistan is submitted by the President to the Legislative Chamber for consideration and approval following consultations with all factions of political parties either within a month after the election of officials and the formation of the bodies of the chambers of the Oliy Majlis of Uzbekistan or within a month after the release from office or resignation of the Prime Minister and the current composition of the Cabinet of Ministers. The nominee of the Prime Minister is to be considered as approved if it receives more than half the total number of votes of the deputies of the Legislative Chamber. In case of a triple rejection of the submitted candidates to the post of the Prime Minister, the President shall appoint the Prime Minister and have the right to dissolve the Legislative Chamber.

The President shall have the right to dismiss the Prime Minister, the current composition or a member of the Cabinet of Ministers.

The Legislature and Main Political Parties

The representative and legislative body of Uzbekistan is the supreme assembly of the Republic of Uzbekistan (the “**Supreme Assembly**”). It comprises two chambers: the Legislative Chamber and the Senate.

The Legislative Chamber consists of 150 deputies, of which 135 deputies are directly elected by the people of Uzbekistan and 15 deputies are elected by the Ecological Party of Uzbekistan (a non-governmental association) for five-year terms. The election of 135 deputies is carried out on the basis of universal, free, equal and direct voting by secret ballot.

The Senate is made up of territorial representatives and consists of 65 members. Four members are elected from each of the 14 regions, the Republic of Karakalpakstan and the capital city of Tashkent, making up 56 members in total. This is done by secret ballot at relevant joint sittings of deputies of Zhokarghy Kenes of the Republic of Karakalpakstan (the highest state representative body in the Republic of Karakalpakstan), representative bodies of state authority of regions, districts, cities and towns among these deputies. The remaining nine members of the Senate are appointed by the President among citizens with extensive practical experience and special merits in the spheres of science, art, literature, manufacturing and other areas of state and public activity. The same person may not simultaneously be a deputy of the Legislative Chamber and a member of the Senate. A deputy of the Legislative Chamber and a member of the Senate may be a citizen of Uzbekistan, who has reached on the date of the elections 25 years of age and has permanently resided on the territory of Uzbekistan for not less than five years. Requirements for candidates to be a deputy shall be determined by law.

Sittings of the Legislative Chamber are convened from the first working day of September until the last working day of June of the next year. Sittings of the Senate are called as required, but no less than three times a year. Sittings of the Chambers of the Supreme Assembly are considered to be quorate provided at least half of the total number of all deputies and senators participate in the session.

The exclusive powers of the Legislative Chamber include:

- monitoring the execution of the State budget;
- hearing reports of the Accounting Chamber;
- consideration and approval of the candidacy of the Prime Minister, following the nomination of the President;
- hearing reports of the Prime Minister on current issues of socio-economic development of the country, as well as members of the Cabinet of Ministers on issues of their activities;
- consideration and approval of candidates for members of the Cabinet of Ministers, following the nomination of the President;
- hearing the annual report of the Cabinet of Ministers on the most important issues of the socio-economic life of the country;
- sending parliamentary requests to officials of state bodies and implementing other forms of parliamentary control;
- the election of the Speaker of the Legislative Chamber, his deputies and chairmen of committees and their deputies;
- ruling on matters of deprivation of immunity of a deputy of the Legislative Chamber submitted by the Procurator-General;

- the adoption of decisions on matters relating to the organisation of the Legislative Chamber's activity and its internal schedule;
- the adoption of resolutions on those or other matters relating to political, social and economic life, as well as matters of domestic and foreign policies of the state;
- exercise of other powers provided for by the Constitution and laws; and
- the Legislative Chamber can dissolve itself by the decision of not less than two-thirds of the total number of its members. If the Legislative Chamber is dissolved, and until a new composition of the Legislative Chamber is elected, its functions and authority on the adoption of laws, except for the Constitution and constitutional laws, are automatically transferred to the Senate. Under the Constitution, the elections to the Legislative Chamber shall be held within three months from the date when the Legislative Chamber dissolves itself.

The exclusive powers of the Senate include:

- the election of the Chairman of the Senate, his deputies and chairmen of committees and their deputies;
- the election, following the nomination of the President, of the Constitutional Court and the Supreme Court judges, the Supreme Judicial Council, the head of the Republican anti-corruption body and the head of the Republican anti-monopoly body;
- consideration and approval, following the nomination of the President, of candidates for the positions of the Procurator-General and the Chairman of the Accounting Chamber;
- handling consultations on the candidacy of the Chairman of the State Security Service following the proposal by the President;
- the appointment and dismissal of diplomatic and other representatives of the Republic of Uzbekistan to foreign states and international organisations following the nomination of the President;
- the appointment and dismissal of the Chairman of the Board of the Central Bank following the nomination of the President;
- approval of the decrees of the President on the formation and abolition of ministries and other executive bodies of the Republic;
- the adoption of acts of amnesty following the proposal of the President;
- hearing reports of the heads of diplomatic and other missions to foreign states and international organisations on the issues of their activities;
- sending parliamentary requests of officials of state bodies and implementing other forms of parliamentary control;
- assisting local representative bodies of the Government in the implementation of their activities;
- cancelling decisions of local representative bodies of the Government in case of violation of legal norms;
- ruling on matters of deprivation of immunity of a member of the Senate following the proposal of the Procurator-General;

- hearing reports of the Procurator-General and the Chairman of the Board of the Central Bank;
- the adoption of decisions on matters relating to the organisation of the Senate's activity and its internal schedule;
- the adoption of resolutions on matters relating to political, social and economic life, as well as matters of domestic and foreign policies of the state;
- exercise of the powers of the Supreme Assembly to adopt laws when the Legislative Chamber is dissolved (except for the Constitution and constitutional laws which can be adopted only by two-thirds of both the Legislative Chamber and the Senate or by a referendum); and
- exercise of other powers provided by the Constitution and laws.

The Senate can dissolve itself by the majority of not less than two-thirds of the total number of senators. As in the case of the Legislative Chamber, the elections to the Senate shall be held within three months from the date when the Senate dissolves itself.

The central electoral commission is the state body responsible for the preparation and running of the state elections for the office of the President and the Supreme Assembly as well as for the running of national referenda (the "**Central Electoral Commission**"). Based on the recommendation of the Zhokarghy Kenes of the Republic of Karakalpakstan and the deputies of the regions of Uzbekistan and Tashkent city, the Legislative Chamber and the Senate shall elect Members of the Central Election Commission. The Chairman of the Central Election Commission shall be elected by its members following the nomination of the President at the meeting of the Commission.

The last elections to the Legislative Chamber and the Kenghashes of people's deputies were held on 22 December 2019. The Central Electoral Commission registered 125 candidates elected as deputies on 25 December 2019, comprising of 53 representatives of Uzbekistan Liberal Democratic Party "O'zLiDeP", 36 representatives of National Revival Democratic Party "Milliy Tiklanish", 24 representatives of the Justice Social Democratic Party "Adolat", 22 representatives of the People's Democratic Party of Uzbekistan "O'zXDP" and 15 representatives of the Ecological Movement of Uzbekistan.

The latest elections to the Senate were held in January 2020. Currently, the Senate does not have a dominant political party.

The next elections to the Legislative Chamber and the Senate are scheduled to be held in 2024 - 2025.

Judicial System

The judicial system in Uzbekistan, which shall be carried out only by the courts, consists of (i) the Constitutional Court, (ii) the Supreme Court, (iii) the Supreme Judicial Counsel, (iv) the Martial Court, (v) interdistrict, district, city and regional economic courts, (vi) interdistrict, district, city and regional courts on civil cases, (vii) district, city and regional courts on criminal cases, (viii) district, city and regional administrative courts, (ix) territorial martial courts, (x) the Economic Court of the Republic of Karakalpakstan, (xi) the Administrative Court of the Republic of Karakalpakstan (xii) the Court of the Republic of Karakalpakstan on civil cases and (xiii) the Court of the Republic of Karakalpakstan on criminal cases.

The judicial authority in the Republic of Uzbekistan shall function independently from the legislative and executive authorities, political parties, and other institutions of civil society. The judicial system and the procedure for the activities of courts in the Republic of Uzbekistan shall be determined by law. The formation of extraordinary courts shall be inadmissible.

The Constitutional Court of the Republic of Uzbekistan reviews cases on the constitutionality of acts of the legislative and executive authorities, including determining conformity of the laws or other acts passed by the Supreme Assembly, presidential decrees or other enactments of state authority.

The Senate, following the nominations of the Supreme Judicial Council from specialists in the sphere of politics and law, elects the Constitutional Court upon the submission of the President.

The Supreme Court is the highest judicial authority in the field of civil, criminal, economic and administrative proceedings and has the right to supervise the judicial activities of lower courts. The decisions given by the Supreme Court are final and binding on the entire territory of Uzbekistan.

The Chairperson of the Supreme Court and his/her deputies shall be elected on the proposal of the President and by the Senate for a five-year term. The same person may not be elected as Chairperson, deputy Chairperson of the Supreme Court more than two terms in a row. On 10 April 2017, the Decree of the President of the Republic of Uzbekistan “On the formation of the Supreme Council of Courts of the Republic of Uzbekistan” established the Supreme Judicial Council of Uzbekistan, a new institution in the state judicial system that assists in ensuring the independence of the judiciary in Uzbekistan.

Uzbekistan is taking measures to improve the structure and increase the efficiency of the judicial system. On 18 January 2023, by a Decree “On additional measures to further expand access to justice and increase the efficiency of courts”, a short-term strategy for raising the judicial system to a qualitatively new level for 2023 - 2026 has been approved. Within the framework of the strategy, the priority tasks for ensuring justice are: the formation of a truly fair judicial system based on the idea of “in the name of the honor and dignity of man” and the direction of its activities towards the effective protection of the interests of the people and human dignity; strengthening the confidence of the people, including entrepreneurs, in the judicial system by achieving fair judicial decisions, establishing in the creation of every citizen the image of the court and judges as their reliable defenders; improving legislation aimed at creating all opportunities for citizens and entrepreneurs to protect their rights and legitimate interests in the courts, fully implementing the principles of competition and equality of parties in legal proceedings, ensuring the objectivity of courts in practice; complete digitalisation of court activities, introduction of artificial intelligence technologies, improvement of interdepartmental exchange of electronic data, expansion of opportunities for remote participation in court hearings; ensuring strict execution of court decisions, increasing the responsibility of state bodies and local khokimiyats in this direction; creating in every citizen and entrepreneur who goes to court a feeling of satisfaction with the court, and ultimately with the state, by instilling a high culture of communication among judges and court employees.

A new version of the Law of the Republic of Uzbekistan “On the Constitutional Court of the Republic of Uzbekistan” was signed by the President of Uzbekistan and came into force on 28 April 2021 (“the **Constitutional Court Law**”). The Constitutional Court Law has reformed the Constitutional Court of Uzbekistan. The Constitutional Court now considers claims from Uzbek citizens and private legal entities for alleged violations of their constitutional rights. These constitutional claims can be brought against any state body or official whose actions allegedly violated constitutional rights. During these constitutional proceedings, parties may rely on witnesses, experts and translators when submitting evidence. Key government officials have a right to be heard in any of these constitutional hearings and can proffer their views on the matters under consideration. These key government officials include the President, the Speaker of the Legislative Chamber, the Chairman of the Senate, the Prime Minister, Ombudsman, Children's ombudsman, Director of the National Human Rights Centre of the Republic of Uzbekistan, Chairman of the Jokargy Kenes of the Republic of Karakalpakstan, Chairman of the Supreme Judicial Council, Chairman of the Supreme Court, Prosecutor General, Minister of Justice, Chairman of the Accounting Chamber and The Commissioner for Protection of Rights and Legitimate Interests of Entrepreneurs under the President.

Local Government

The Kenghashes of people's deputies, led by khokims, are the representative bodies of authority in regions, districts, cities and towns (except towns subordinate to district centres). The Kenghashes of people's deputies shall be headed by a Chairperson elected in accordance with the law among its deputies. A person holding the position of khokim of a region, district or city may not hold the position of Chairperson of the Kenghashes of people's deputies simultaneously.

The Kenghashes of people's deputies and khokims are elected for a five-year term. The same person may not be elected as the Chairperson of the Kenghashes of people's deputies of the same region, district or city more than two terms in a row. Similarly, the same person may not be appointed as khokim of the same region, district, city for more than two terms in a row.

The authority of the Kenghashes of people's deputies shall include:

- consideration and adoption of relevant local budgets, control over their execution;
- approval of programmes for the socio-economic development of territories and social protection of the population;
- approval of the khokim to office, hearing reports about its activities; and
- exercise of other powers provided for by the Constitution and laws.

The powers of khokims of regions, districts, cities shall include:

- execution of the Constitution and the laws of the Republic of Uzbekistan and decisions of the chambers of the Oliy Majlis, decrees, resolutions and orders of the President, decisions of the Cabinet of Ministers, higher khokims and relevant Kenghashes of people's deputies;
- implementation of measures aimed at ensuring the economic, social, cultural and environmental development of the territories;
- formation and execution of the local budget; and
- exercise of other powers provided for by the Constitution and laws.

The khokim of region and the city of Tashkent shall be appointed and relieved of his post by the President in accordance with law.

The khokims of districts and cities shall be appointed and relieved of their posts by the khokim of the region and the city of Tashkent, and approved by the relevant Kenghashes of people's deputies.

The khokims of towns subordinate to district centres shall be appointed and relieved of their posts by the khokim of the district and approved by the district Kenghashes of people's deputies.

Legal Framework

The legal system of Uzbekistan is based on Civil Law, established through statutory legislation and sub-legislation, which provide for a strict hierarchy of legal acts.

The Civil Code is currently being developed in a new edition. The amendments of the Civil Code are aimed at improving the investment climate and ensuring stable property relations in the economy, creating a legislative basis for the use of information and communication technologies in civil legal relations, the creation of favourable conditions for self-employment and entrepreneurial activity, the

liberalisation of contractual relations and their compliance with international standards and the strengthening of legal protection of individuals and entities.

In accordance with the new draft of the Civil Code, concepts such as “option”, “corporate contract”, “conditional deposit (escrow)”, “distribution agreement”, “agency”, “digital rights”, “development rights (superficial)”, “rights of personal use and possession (usufruct)” and others will be included.

Under the draft, legal persons will be divided into legal entities of private law and legal entities of public law. The differences between the two are in the manner in which they are created: legal entities of private law, created on the basis of founding documents; legal entities of public law, created by a decision of the President or other State bodies. In addition, individual entrepreneurs are allowed to carry out certain activities without State registration.

Amendments provided for by the new draft of the Civil Code include the right to build (superficial), the right to personal benefit (usufruct), contract of sale subject to repurchase, and purchase and sale with installment payment (contract of sale of goods on credit, in installments).

Antitrust regulation is outlined in the Law of the Republic of Uzbekistan “On Competition”, the new edition of which was adopted on 3 July 2023 that sets forth a new concept of superior bargaining power, antimonopoly compliance, a new test for the dominant position, establishes financial sanctions for certain breaches and regulates, *inter alia*, merger control in the commodity and financial markets and restricts monopolistic behaviour. The law expressly prohibits certain practices such as (i) abuse by entities in dominant positions and superior bargaining power, (ii) concerted actions transactions that limit competition and (iii) unfair competition. The law also regulates auctions (tenders) and prohibits certain actions that may limit competition, such as creating advantageous circumstances (including access to information) for some participants in the auction, indicating the exact manufacturer of the goods and the unlawful disqualification of a participant.

The banking system is undergoing a reform under the Decree of the President of the Republic of Uzbekistan PD- 5992 “On the Strategy of Reforming the Banking System” dated 12 May 2020. The Decree defines the following as main priorities for the banking sector development in the Republic of Uzbekistan:

- increasing the efficiency of the banking system through the creation of equal competitive conditions in the financial markets, ensuring credit provisions on market terms exclusively, reducing the banks’ dependence on the state’s resources, modernising banking service provisions, creating an effective infrastructure and automating banking operations as well as phasing out non-core activities of the banks;
- ensuring the financial stability of the banking system through the improvement of loan portfolios and risk management quality, maintaining moderate credit growth rates, implementing balanced macroeconomic policies, improving corporate governance and employment of managers with international practical experience, the introduction of technology based solutions for financial risk assessment;
- reduction of the state’s share in the banking sector through comprehensive transformation of commercial banks with the state’s share, the introduction of modern banking standards, information technologies and software products, divestment of the state’s shares in banks through competitive sales to investors who have the required experience and knowledge, while reforming commercial banks and enterprises with state-owned shares in parallel;
- increasing access to and the quality of financial services through a concentration of state’s presence and the adoption of targeted measures in the under-served and vulnerable segments, wide-scale introduction of remote services for the general population and small businesses, the development of low-cost service points as well as the creation of favourable

conditions for the emergence and development of non-bank credit institutions as a mutually complementary part of the country's financial system.

In order to create a broader environment for the activities of business entities through the elimination of bureaucratic procedures and the improvement of licensing and permitting procedures the Decree of the President of the Republic of Uzbekistan PD- 6044 "On measures to cardinaly improve licensing and permitting procedure" dated 24 August 2020 has been approved. According to the Decree:

- at the first stage (in 2020), the Government is aiming to transfer to alternative methods of regulation of certain types of licences and permissive documents that do not harm the health of citizens and society, to simplify procedures and ensure transparency through the complete digitalisation of the processes for issuing the relevant documents; and
- at the second stage (in 2020-2021), the Government is aiming to systemise legislative acts in the field of licensing and issuance of permits, develop passports for the provision of public services, and radically reduce the number of regulatory legal acts by introducing standard administrative regulations for the issuance of certain types of licences and permits.

On 5 June 2020, a Decree of the President of the Republic of Uzbekistan PD- 6005 "On Reforming of Customs Administration and Enhancement of Activities of Bodies of the State Customs Service of the Republic of Uzbekistan" reformed customs administration by introducing international norms and standards in customs regulations and improved efficiency of customs authorities by installing digital customs.

On 16 February 2021, the Law of the Republic of Uzbekistan "On International Commercial Arbitration" No. LRU-674 ("**Arbitration Law**") was signed. The Arbitration Law applies to international commercial arbitration subject to agreements in force between Uzbekistan and another state. Pursuant to the Arbitration Law, disputes arising from all commercial relationships, both contractual and non-contractual, can be referred to international commercial arbitration by agreement of the parties. The parties are free to determine the number of arbitrators. In the absence of such a determination, three arbitrators are appointed. The interim measures ordered by the arbitral tribunal are considered binding. The parties may, at their discretion, agree on the language or languages that can be used in the arbitration. The award must be made in writing. The arbitral award, regardless of the country in which it was made, is recognised as binding and is enforced when a written application is submitted to the court.

On 22 April 2021, the Law of the Republic of Uzbekistan "On public procurement" No.LRU-684, which reformed the public procurement procedures in Uzbekistan, was signed ("**Public Procurement Law**"). In particular, the Public Procurement Law appoints the Ministry of Economy and Finance of the Republic of Uzbekistan as an authorised body in the field of public procurement. Furthermore, the powers of the Cabinet of Ministers of the Republic of Uzbekistan (an authorised body in the field of public procurement, per the previous version of the Public Procurement Law) were revised to include the following:

- to ensure the formation and implementation of state policy in the field of the public procurement
- to take measures for the rational use of budgetary funds, of the budgetary system in the field of public procurement, improving and expanding the types of public procurement procedures and attracting business entities to participate in public procurement procedures;
- to supervise the activities of State customers in public procurement procedures;
- to determine the methods and criteria for evaluating and comparing the proposals of participants in procurement procedures, as well as the procedure for organising their conduct;

- to determine the procedure for the submission of proposals by participants in procurement procedures for participation in the selection of the best proposals and electronic tenders; and
- to set up the commission for consideration of complaints regarding public procurement procedures.

Moreover, the Public Procurement Law introduced a requirement to draw up a schedule for planned public procurement for the following year by 25 December of each year. Furthermore, the selection of the best offers and public procurement carried out by direct contracts were determined as the types of procurement procedures, which in turn replaced the previously existing procedures such as tender and public procurement from a single supplier.

Security and Defence

Security Service

In 2018, in accordance with the Decree of the President of the Republic of Uzbekistan No. PD-5379 “On measures to improve the State Security System of the Republic of Uzbekistan” dated 14 March 2018, the National Security Service was reorganised into the State Security Service (“SSS”). The SSS is a special authorised body that carries out intelligence and counter-intelligence activities aimed at preventing, detecting and suppressing encroachments on the constitutional order, sovereignty and territorial integrity of Uzbekistan.

The SSS is also responsible for the following:

- the protection of the state borders of Uzbekistan;
- the implementation of strategic initiatives to strengthen the country’s defence capabilities;
- the fight against terrorism, extremism, organised crime, illegal circulation of weapons, narcotic drugs and psychotropic substances; and
- the prevention, detection and suppression of destructive activities aimed at propaganda of national, ethnic and religious enmity.

The SSS provides for the economic, scientific, technical, social and information security of Uzbekistan and is under the supervision of the President.

Military Defence

On 9 January 2018, the Law of the Republic of Uzbekistan “On Defence Doctrine of the Republic of Uzbekistan” No LRU-458 was adopted to ensure the transparency of Uzbekistan’s defence policies (the “**Doctrine**”). The Doctrine outlines the main directions and approaches to the development of Uzbekistan’s military and the armed forces, as well as creates administrative and legal conditions for effective military-political relations and cooperation with other foreign states in the field of security and defence.

The Doctrine is based on the legislative acts of the Republic of Uzbekistan and the norms of international law, and determines the priorities of the state’s defence policy, the basic principles and directions of training, construction and the use of the armed forces based on the national interests of Uzbekistan, the global and regional military and political situation and the nature of modern military conflicts.

The President, who is also the Supreme Commander-in-Chief of the Armed Forces, specifies the priority directions of the state’s military and security operations.

Uzbekistan's policy is established on principles of openness in its foreign relations and prioritises developing constructive relations with its immediate neighbours, transparency of the country's defence policy and effective military-political interaction for security and defence with foreign states.

Anti-terrorism Measures

In accordance with its strategy to combat international terrorism, Uzbekistan cooperates with the UN Security Council Counter-Terrorism Committee, the CIS Anti-Terrorism Centre and the Shanghai Cooperation Organisation, and actively facilitates the efforts of the International Coalition Forces Against Terrorism. Uzbekistan is also a party to all existing conventions and UN protocols on counter terrorism.

The main priorities of Uzbekistan's cooperation with the UN include combating contemporary threats and security challenges, the stabilisation and reconstruction of Afghanistan and the non-proliferation of weapons of mass destruction.

International Relations

The Republic of Uzbekistan has established diplomatic relations with more than 130 countries around the world. There are 45 embassies of foreign countries, three consulates general, 11 honorary consulates, 22 missions of international organisations, 24 representations of international intergovernmental and governmental organisations of foreign states and one trade mission with diplomatic status operating in Tashkent.

Uzbekistan is involved in 55 diplomatic and consular missions in foreign countries and international organisations. It is a member of more than 100 international organisations and interacts with various multilateral institutions, including the UN, the CIS, Shanghai Cooperation Organisation, Turkic Council, OSCE, OIC and the Economic Cooperation Organisation. Uzbekistan also cooperates with the IMF, the World Bank, the European Bank for Reconstruction and Development ("**EBRD**"), the ADB, the Islamic Development Bank ("**IsDB**") and the Asian Infrastructure Investment Bank ("**AIIB**") in connection with many social and investment projects.

Uzbekistan maintains peaceful relations with countries of the global community and has no outstanding disputes relating to state borders.

International Organisations

*World Trade Organisation ("**WTO**")*

Uzbekistan applied for membership to the WTO in 1994. To date, there have been four meetings of a working group consisting of members of the organisation to discuss the country's potential membership. During an official visit to South Korea in 2017, President Mirziyoyev announced plans to resume work to join the WTO. In 2017, Uzbekistan and South Korea executed a road map for South Korea to advise Uzbekistan on assessing the consequences of joining the WTO and examining national legislation in accordance with the requirements of the WTO agreements. The United States has also agreed to provide necessary technical assistance in the accession process through documentation review, seminars and conferences. The last meeting with the WTO working group took place in 2018. Uzbekistan is currently participating in the organisation as an observer state.

In May 2018, the Chairman of the Chamber of Commerce and Industry of the Republic of Uzbekistan announced that Uzbekistan is planning to join the WTO within a four to five-year period. However, the Government acknowledges that the process of negotiation and implementation of required structural and legislative reforms may take longer. In order to facilitate the process, Uzbekistan has created two special divisions within the Government responsible for matters connected to its accession. The post of Deputy Minister of Investments and Foreign Trade of Uzbekistan was

introduced to manage WTO accession issues, including customs and tariff regulation of foreign trade, optimisation of imports and developing transport routes.

On 14 March 2023, Uzbekistan held the 6th meeting of the Working Party on the accession to the WTO. Bilateral market access negotiations with member states are being conducted intensively. The Resolution of the President No.DP-181 was enacted on 2 June 2023 in order to aid the country's entry into the WTO.

To carry out the President's directive efficiently, the Interdepartmental Commission for Work with the WTO has been restructured. A specialised role focused solely on WTO matters has also been established within the Presidential Administration for ongoing engagement.

Commonwealth of Independent States (“CIS”)

Uzbekistan is one of the founding members of the CIS, which was established in December 1991 to promote the resolution of key issues for the development of its members, including economic, security, political and human cooperation issues, as well as migration and development of contacts between citizens of the member states. Currently, the CIS consists of 11 states. An agreement on the CIS Free Trade Area was signed in October 2011. The development of cooperation in other fields, including security, culture, education, sport and other matters is in progress.

Organisation for Security and Cooperation in Europe (“OSCE”)

Uzbekistan has been a member of the OSCE since 26 February 1992. In June 2006, the government of Uzbekistan and the OSCE signed a memorandum of understanding, pledging to establish the post of OSCE Project Coordinator in Uzbekistan. Through this cooperation, the OSCE has worked on project implementation, which is a priority for Uzbekistan, as well as on strengthening the cooperation between Uzbekistan and the OSCE. Since 2007 until the date of this Base Offering Circular, more than 20 projects have been implemented within the framework of the signed memorandum, together with the ministries and agencies of Uzbekistan.

Uzbekistan seeks to implement principles and accepted responsibilities within the framework of the OSCE, as well as consider new challenges, threats to security, international agenda issues and Uzbekistan's national interests.

Every two years, action plans for the further development of cooperation between the Republic of Uzbekistan and the OSCE are adopted and implemented.

North Atlantic Treaty Organisation (“NATO”)

Uzbekistan, while not a member of NATO, is an active participant in the NATO Partnership for Peace Programme, which it joined in 1995. NATO and Uzbekistan are developing practical cooperation in a number of areas through the country's Individual Partnership and Cooperation Programme, which has been agreed for a two-year period in 2019 and 2020. Uzbekistan also works with NATO and other partner countries on a wide range of other areas through the Partnership for Peace Programme and the Euro-Atlantic Partnership Council.

In 2010, Uzbekistan signed an agreement with NATO regarding the railway transportation of non-lethal cargo to Afghanistan.

Organisation of Islamic Cooperation (“OIC”)

In October 1995, Uzbekistan became a member of the OIC, an inter-governmental organisation that has 57 member states spread over four continents. Since joining the OIC, Uzbekistan has taken an active part in significant OIC events, including summits, conferences of foreign ministers and annual coordination meetings of foreign ministers as part of the UN General Assembly. Uzbekistan places

importance on cooperation with the economic bodies of the OIC, including the IsDB. For information on cooperation with the IsDB, see “*Public Debt — International Financial Organisations — Islamic Development Bank*”.

Shanghai Cooperation Organisation (“SCO”)

Uzbekistan is one of the founders of the SCO and, together with other member states, established the strategy of cooperation within the SCO framework. The main priorities for Uzbekistan within the SCO include maintaining regional stability, developing economic, trade and investment cooperation.

At present, the SCO has firmly established itself as an authoritative international organisation, and Uzbekistan, along with other member states, will determine the further strategy for the development of mutually beneficial cooperation within the organisation.

During the Samarkand SCO summit, the President put forward 16 initiatives aimed at increasing the effectiveness of cooperation in spheres including politics, trade, economics, transport, logistics and innovation. In general, at SCO summits during the period between 2017 and 2022, Uzbekistan had announced 70 initiatives between the SCO member states. 55 initiatives of which have already been implemented and 15 are in the process of implementation.

Organisation of Turkic States (“OTS”)

The OTS is an international organisation created on 3 October 2009 in accordance with the Nakhichevan Agreement on the establishment of the Cooperation Council of Turkic-Speaking States in Nakhchivan, Azerbaijan (“**Nakhichevan Agreement**”).

The current members of the OTS are Azerbaijan, Kazakhstan, Kyrgyzstan, Türkiye and Uzbekistan. Since 2018, Hungary holds the status of an observer at the Turkic Council. Uzbekistan became a member of the OTS on 14 October 2019 by ratifying the Nakhichevan Agreement.

Through its membership in the organisation, Uzbekistan aims to improve interregional connectivity, conditions for trade and investment in the region, strengthen transport links, further simplify customs and transit procedures and provide financial and banking operations for gradual implementation of free movement of goods, capital, services and technologies.

International Financial Organisations

For information on Uzbekistan’s relations with the ADB, the World Bank, the IMF and other financial organisations, see “*Public Debt — Relations with International Financial Organisations*”.

Foreign States

China

China recognised Uzbekistan’s independence on 27 December 1991, and diplomatic relations were established on 2 January 1992.

In 2004 - 2018, the Ministries of Foreign Affairs of Uzbekistan and China held 16 rounds of political consultations, discussing the issues of bilateral cooperation and interaction within the SCO. The two countries co-operate on issues of terrorism, extremism and separatism, drug and illegal arms trafficking and other security challenges.

In the six months ended 30 June 2023, trade turnover accounted for U.S.\$5.3 billion (17.8% of total foreign trade turnover for the six months ended 30 June 2023), including export of U.S.\$1.0 billion and import of U.S.\$4.2 billion.

Uzbekistan supports the implementation of projects for the construction of the pipeline “Uzbekistan-China” and railway “China-Kyrgyzstan-Uzbekistan”.

The two countries are also developing cooperation in the financial sector, in particular with the China Development Bank and the Export-Import Bank of China.

There are 1,860 enterprises operating in Uzbekistan with the participation of Chinese investments, of which 296 were established in 2023.

Russia

The Russian Federation recognised the independence of the Republic of Uzbekistan on 20 March 1992 and, on the same day, diplomatic relations between the two countries were officially established.

Cooperation between Uzbekistan and Russia is developing on the basis of the Treaty on Strategic Partnership (2004), the Treaty on Allied Relations (2005) and Declaration on Enhancement of Strategic Partnership between the Republic of Uzbekistan and the Russian Federation (2012).

Russia remains one of Uzbekistan’s key foreign trade partners. In the six months ended 30 June 2023, trade turnover between the two countries amounted to U.S.\$4.4 billion (representing 15.1% of Uzbekistan’s total trade turnover).

European Union

Since its independence, Uzbekistan has identified cooperation with the European Union as one of the priorities of its foreign policy. Relations with European states are developing both at the bilateral level and within the framework of the Partnership and Cooperation Agreement between the Republic of Uzbekistan and the European Communities and their member states, which entered into force on 1 July 1999.

The key areas of cooperation with the European Union member states are the development of trade, investment and financial cooperation, technology, science, education, ecology, health and culture, as well as strengthening of regional security. The Republic of Uzbekistan aims to improve bilateral relations with Germany, France, Belgium, Italy, Spain, Latvia and other member states.

Joint governing bodies such as Uzbekistan - the EU Cooperation Council, Cooperation Committee, Parliamentary Cooperation Committee, Subcommittee on Trade and Investment, Subcommittee on Justice, Internal Affairs, Human Rights and Related Issues, Subcommittee on Development Cooperation have been established.

The delegation of the European Union to the Republic of Uzbekistan was officially accredited to the Republic of Uzbekistan on 31 May 2011. The Minister of Foreign Affairs of Uzbekistan takes part at the annual meetings of the EU-Uzbekistan Cooperation Council in Brussels.

Regarding bilateral trade and economic relations, the Partnership and Co-operation Agreement provides for the EU and Uzbekistan to grant each other most-favoured-nation treatment with respect to:

- custom duties and charges applied to imports and exports;
- direct and indirect taxes applied to imported goods; and
- rules relating to the sale, purchase, transport, distribution and use of goods in the domestic market.

In 2022, the total volume of trade with the European Union member states amounted to U.S.\$4.5 billion (9.0% of total foreign trade turnover for 2022), including exports of U.S.\$831.7 million and imports of U.S.\$3.7 billion. Trade turnover in the six months ended 30 June 2023 amounted to U.S.\$3.1 billion, including exports of U.S.\$539.7 million and imports of U.S.\$2.6 billion.

Kazakhstan

Diplomatic relations between Uzbekistan and Kazakhstan were established on 23 November 1992. Uzbek-Kazakh relations have been actively developing in recent years. 17 high-level meetings have been held so far. There is free trade between the two countries and Kazakhstan is one of the key trade partners of Uzbekistan, accounting for a significant part of Uzbekistan's trade with countries in the region. In the six months ended 30 June 2023, trade turnover between the two countries amounted to U.S.\$2.1 billion (representing 8.1% of Uzbekistan's total trade turnover). Uzbekistan and Kazakhstan co-operate on issues relating to security, stability and sustainable development in the region as a whole.

South Korea

Since the establishment of diplomatic relations in 1992, Uzbekistan-South Korean cooperation has been steadily developing. The two Heads of States have held 17 summit meetings in the past 28 years, resulting in a strategic partnership that has greatly contributed to furthering and strengthening multifaceted bilateral relations.

In 2014, the two countries signed the "Joint Declaration between the Republic of Uzbekistan and the Republic of Korea on the further development and deepening of the strategic partnership," which defines perspectives of cooperation in political, trade, economic, investment, cultural-humanitarian areas, as well as collaboration in the framework of international organisations.

The trade turnover between the two countries in the six months ended 30 June 2023 amounted to U.S.\$1.0 billion (representing 3.6% of Uzbekistan's total trade turnover).

Kyrgyzstan

Uzbekistan-Kyrgyzstan diplomatic relations were established on 16 February 1993 and the two countries have opened embassies in Bishkek and Tashkent.

Uzbekistan and Kyrgyzstan have entered into 249 bilateral agreements, with the key agreements being the Treaty of Eternal Friendship dated 12 December 1996 and the Declaration on Strategic Partnership, Strengthening of Friendship, Good Neighbourliness and Confidence dated 5 October 2017. 17 top-level visits have been held so far. Since the establishment of the Joint Intergovernmental Commission on Bilateral Cooperation by the countries in 1996, ten meetings of the Commission have been held. The foreign policy departments of Uzbekistan and Kyrgyzstan have signed the Cooperation Programmes between the Foreign Ministries for 2023-2024.

In the six months ended 30 June 2023, trade turnover between the two countries amounted to U.S.\$484 million (representing 1.7% of Uzbekistan's total trade turnover).

Turkmenistan

The scale of economic cooperation between Uzbekistan and Turkmenistan has been improving steadily in recent years, leading to an increase in trade turnover between the two countries, which in the six months ended 30 June 2023 amounted to U.S.\$426.3 million (representing 1.6% of Uzbekistan's total trade turnover). The interaction of the two countries in the hydrocarbon industry has been dynamically advancing in recent years. The implementation of the project on establishing the transnational Turkmenistan-Uzbekistan-Kazakhstan-China pipeline serves to diversify transportation routes of important strategic resources. Transport and communications constitute another vital

dimension of economic cooperation between the two countries. The implementation of the project on establishing the Uzbekistan-Turkmenistan-Iran-Oman transport corridor is expected to allow for opportunities in further bolstering trade and economic relationships and to increase volumes of international transit cargo. Currently, the issue of a test run of goods along the route “Uzbekistan-Turkmenistan-Iran-Oman” is being discussed with the working committee responsible under the agreement to establish the transit corridor. Co-operation between Uzbekistan and Turkmenistan developed further between 2020 and 2021, as the countries established an inter-parliamentary friendship group and the Joint Uzbek-Turkmen Commission on Water Management Issues.

Afghanistan

Afghanistan is a southern neighbouring country of Uzbekistan. The trade turnover in the six months ended 30 June 2023 amounted to U.S.\$371 million (representing 1.3% of Uzbekistan’s total trade turnover).

Uzbekistan is actively participating in the development of Afghan infrastructure, for example, the construction of 500 kilovolt Surkhan-Puli-Khumri power transmission line. Uzbekistan is interested in constructing the “Mazar-i-Sharif-Kabul” railway with further access to the seaports of Gwadar and Karachi in Pakistan.

Tajikistan

Uzbekistan is in the process of developing its relationship with Tajikistan in relation to trade, economic and humanitarian matters, as well as for combatting threats to regional security and stability. The countries established the Intergovernmental Commission on Trade and Economic Cooperation, which so far had 10 meetings. Maintaining constructive and open dialogue between Uzbekistan and Tajikistan is an important condition for ensuring regional security and development. In the six months ended 30 June 2023, trade turnover between the two countries amounted to U.S.\$354 million (representing 1.2% of Uzbekistan’s total trade turnover).

On 10 June 2021, the President, at the invitation of the President of the Republic of Tajikistan Emomali Rahmon, made an official visit to Tajikistan. The intention is to sign a Joint Statement of the Heads of State, containing agreements on (i) the establishment of an Uzbekistan-Tajikistan investment company; (ii) cooperation in the industry and new technologies; and (iii) a roadmap for further cooperation in the agriculture industry and other sectors. The intention is for more than 30 documents, covering almost all areas of cooperation, to be adopted. It is also planned to conclude commercial contracts and cooperation agreements, across various sectors of the economy, worth approximately U.S.\$1 billion.

Belarus

Uzbekistan aims to strengthen cooperation with Belarus. Currently bilateral cooperation has focused on trade and economics, fighting crime, preventing emergencies and mitigating their consequences. In the six months ended 30 June 2023, trade turnover between the two countries amounted to U.S.\$296.7 million (representing 1.0% of Uzbekistan’s total trade turnover).

United States of America

Cooperation with the United States of America is one of the priorities of foreign policy of Uzbekistan, which is also reflected in “The Concept of Foreign Policy of the Republic of Uzbekistan”.

The current Uzbek-American relations are long-term and multidimensional based on universally recognised principles and norms of international law, mutual respect and consideration of each other’s interests.

In 2002, the United States of America and the Republic of Uzbekistan signed the Declaration on the Strategic Partnership and Cooperation Framework to establish qualitatively new and mutually beneficial relations in the political, economic, military, military-technical, humanitarian and other areas. Important areas of bilateral cooperation are the promotion of peace and stability in Afghanistan, global security challenges, illicit drug trafficking, weapons of mass destruction proliferation, terrorism and extremism.

Regular political dialogue, including at the highest level, contributes to the progressive development of bilateral cooperation. American delegates of various levels, comprising representatives of key departments of the United States administration, regularly visit Uzbekistan. Interaction is conducted in the framework of annual political consultations, a mechanism for exchanging views on topical issues of Uzbek-American relations.

Inter-parliamentary ties are developing between the two countries. The Congressional Uzbekistan Caucus is operating at the House of Representatives of the United States Congress headed by congressional representatives Vicente Gonzalez and Trent Kelly.

Uzbekistan and the United States are actively developing trade, economic and investment cooperation, which is a priority area in Uzbek-American relations.

The American-Uzbekistan Chamber of Commerce plays an important role in supporting and promoting business contacts between countries. Trade cooperation with the United States is being developed through the Trade and Investment Framework Agreement signed between the United States and the Central Asian states.

Various major American companies operate in Uzbekistan. Boeing is a constant and key supplier of modern aircraft for the national air company of Uzbekistan, including aircraft of the new generation “Boeing-787-8 Dreamliner”. General Electric is also an important partner of Uzbekistan in the oil and gas and aviation sectors of the economy, as well as in the health and the development of renewable energy sources. Other American companies that operate in Uzbekistan include Exxon Mobil, CNH Industrial, Coca-Cola, Hyatt, Hilton, John Deere, Honeywell, Caterpillar among others.

Uzbekistan is regularly visited by experts from specialised agencies and organisations of the United States to hold negotiations and joint events. Sister city relations have been established between Tashkent and Seattle (Washington), Bukhara and Santa Fe (New Mexico), Zarafshan and Clinton (Mississippi).

In 2022, the total volume of trade with the United States amounted to U.S.\$493 million, including exports of U.S.\$124.5 million and imports of U.S.\$368.7 million. The trade turnover in the six months ended 30 June 2023 amounted to U.S.\$282 million (representing 1.0% of Uzbekistan’s total trade turnover), including exports of U.S.\$78 million and imports of U.S.\$204 million.

In January 2021, the governments of the United States, Uzbekistan and Kazakhstan announced the launch of the Central Asia Investment Partnership, which aims to raise at least U.S.\$1 billion for the implementation of joint projects.

United Kingdom

Diplomatic relations between the United Kingdom and Uzbekistan were established on 18 February 1992. Trade and economic cooperation between Uzbekistan and the United Kingdom is developing steadily. Uzbek exports to the United Kingdom include textiles, yarn, machinery and equipment, nonferrous metals and agricultural products as well as professional services. Imports from the United Kingdom include medical equipment, pharmaceuticals, chemical products and equipment. As of 30 June 2023, more than 116 companies with 100% investment from investors based in the United Kingdom were registered in Uzbekistan. The Uzbek-British Trade and Industry Council, founded in

1994, provides a high-level platform for bilateral economic cooperation. Sessions are held annually, alternating between Tashkent and London.

In 2022, the total volume of trade with the United Kingdom amounted to U.S.\$215.6 million (0.4% of total foreign trade turnover for 2022), including exports of U.S.\$114.3 million and imports of U.S.\$101.4 million. Trade turnover in the six months ended 30 June 2023 amounted to U.S.\$143.8 million, including exports of U.S.\$52.3 million and imports of U.S.\$91.5 million.

The Uzbek-British cultural and humanitarian relations are progressively developing, including in education. Since 2002, Westminster International University operates in Tashkent. The National University, the Academy of Sciences of the Republic of Uzbekistan, together with the University of Cambridge in Tashkent, created the Educational and Experimental Centre for High Technologies in April 2018.

From September 2018 to January 2019, the delegates of both countries participated in the annual international forum on education, and in 2019, four schools were established with the assistance of the Cambridge Assessment International Education based in England. On 4-12 November 2019, negotiations were held with leading British universities to train pharmaceutical industry specialists and a memorandum of understanding was signed with the Royal Pharmaceutical Society.

On 31 October 2019, the bilateral United Kingdom-Uzbekistan Partnership and Cooperation Agreement (“PCA”) was signed by the United Kingdom and Uzbekistan. Further to the PCA, the two nations continue to grant each other “most-favoured nation” treatment for trade.

The trade status secured under the PCA will ensure businesses can continue to trade with confidence. Moreover, the PCA:

- ensures there is no disruption in the relationship between the United Kingdom and Uzbekistan, and provides the foundation for future cooperation in foreign, political and security matters;
- maintains existing human rights, democracy and rule of law commitments; and
- recognises Uzbekistan’s commitment to an ambitious reform agenda and its accomplishments in the political, economic and legal areas.

The UK International Ambassador for Human Rights conducted a two-day “virtual” visit to Uzbekistan on 20 and 21 January 2021. The primary purpose of the visit was to enhance the bilateral relations between the UK and Uzbekistan in the area of human rights, and to closely examine aspects of the political relationship, including human rights issues, including torture, media freedom, parliamentary work, civil society, religion and gender equality.

Ukraine

Ukraine is another trade partner of Uzbekistan. Bilateral relations between the two countries encompass various spheres. In the six months ended 30 June 2023, trade turnover between the two countries amounted to U.S.\$105 million (representing 0.4% of Uzbekistan’s total trade turnover).

Japan

Japan recognised Uzbekistan’s independence on 28 December 1991 and diplomatic relations were established on 26 January 1992.

Uzbek-Japanese and Japanese-Uzbek economic cooperation committees, formed in 1994, play a significant role in the development of trade and economic relations. Sixteen committee meetings have been held, with the most recent one held in Tashkent on 25 October 2022.

During the official visit of the President to Japan on 17-20 December 2019, Prime Minister Abe conveyed Japan's decision to provide yen loans totaling U.S.\$1.5 billion for constructing a third plant at the Navoi Thermal Power Station and maintaining existing power stations, as well as yen loans exceeding U.S.\$200 million for the agricultural industry.

On 19 December 2019, the "Convention between Japan and the Republic of Uzbekistan for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance" was signed in Tokyo.

The total volume of financial and technical assistance of Japan to Uzbekistan amounts to more than U.S.\$232.3 billion. A number of socially significant and infrastructural projects in such areas as healthcare, education, energy, transportation and telecommunications were implemented due to the financial and technical assistance of Japan to Uzbekistan.

In 2022, bilateral trade amounted to approximately U.S.\$233 million, including exports of U.S.\$14.5 million and imports of U.S.\$219 million. In the in the six months ended 30 June 2023, bilateral trade amounted to U.S.\$71.2 million.

Latin America

Uzbekistan seeks to maintain active contacts with the Latin American countries, especially with Brazil, Cuba, Chile and Argentina.

Bilateral talks are held on a regular basis with representatives of Latin American delegations arriving at Uzbekistan to discuss issues of cooperation in the political, trade-economic, cultural-humanitarian and scientific spheres, and to develop cooperation for tourism and international organisations.

Education

Education in Uzbekistan includes preschool, primary, secondary and tertiary education systems. As at the date of this Base Offering Circular, the literacy rate among the Uzbek population older than eight years old is almost 100%.

During the USSR, the entire education cycle, starting from preschool education and ending with higher education, was built on the basis of German educational standards adapted in the USSR. Following the independence of Uzbekistan, the state did not abolish the existing education system, but gradually carried out reforms in order to bring the quality and accessibility of education in line with international standards. Article 50 of the Constitution of the Republic of Uzbekistan stipulates that "everyone has the right to education" and the state itself guarantees free general secondary and basic vocational education. General secondary education is compulsory in Uzbekistan.

Education in Uzbekistan is funded by state and local budgets. In the six months ended 30 June 2023, UZS 24.9 trillion were allocated for education expenditures, compared to UZS 16.8 trillion in the six months ended 30 June 2022 with respect to the funds allocated to the system of the former ministry of Public Education.

Pre-Primary Education

Pre-primary education plays a central role in the system of continuing education. Children in Uzbekistan undergo preschool education up until the ages of six or seven years in state and non-state kindergartens and in the family.

Full-time medical workers and medical workers of a health authority assigned to a preschool educational institution carry out the role of protecting the life and health of children in preschool educational institutions. Public and charitable organisations and international funds are actively involved in the implementation of the goals and objectives of preschool education.

In recent years, the country has paid special attention to the development of preschool education. In order to better regulate and coordinate the activities of public and private kindergartens, the Ministry of Preschool Education of the Republic of Uzbekistan was established by a Decree of the President of the Republic of Uzbekistan on 30 September 2017. As of 30 June 2023, there were 30,792 preschool educational institutions in Uzbekistan, which covered 72% of all children of preschool age.

As part of its strategy for the development of preschool education, the Government plans to increase the coverage of children of preschool age to 100% by 2030.

Between 2018 and 2020, Uzbekistan made further reforms to the preschool educational sector through 76 legislative measures. Public preschool tuition for families with two or more children was reduced by 30% during this period. Uzbekistan is also implementing a programme to provide nutritious meals to children in public preschools.

Preschool education in Uzbekistan is carried out in Uzbek as well as in Karakalpak, Russian, Tajik, Kyrgyz and Kazakh languages.

Primary and Secondary Education

As at 30 June 2023, there were 10,522 secondary schools in Uzbekistan (which covered the 11 years of secondary education for 6,461,741 pupils), of which 91 were specialised schools. The following table sets out the number of schools, pupils, graduates and teachers in Uzbekistan's education system as at 30 June 2023.

	As at 30 June 2023 ⁽¹⁾		
	Total	Male	Female
Number of schools (total):.....	10,522	-	-
Special school.....	91	-	-
Secondary schools (incl. primary)..	10,431	-	-
Number of pupils (total):.....	6,461,741	3,304,009	3,157,732
1-4 grades.....	2,543,967	1,319,974	1,223,993
5-9 grades.....	3,064,354	1,581,056	1,483,298
10-11 grades.....	831,534	389,639	441,895
Pupils with disabilities and pupils in prisons	21,886	13,340	8,546
Number of Graduates (total):	968,366	477,639	490,727
From 9 grades	575,346	296,071	279,275
From 11 grades	393,020	181,568	211,452
Number of teachers (total) (excluding part-time teachers):	521,629	159,972	361,657
<i>Including with:</i>			
High education	469,863	-	-

As at 30 June 2023⁽¹⁾

	Total	Male	Female
Incomplete high education	-	-	-
Secondary special education.....	51,766	-	-

Source: Statistics Agency under the President of the Republic of Uzbekistan and Ministry of Preschool and School Education of the Republic of Uzbekistan

(1) Preliminary estimates.

In Uzbekistan, there is compulsory free general education for an 11-year period, which is subdivided into primary (year one through four) and secondary (year five through 11) education (or alternatively, pupils can study at a college or lyceum after finishing nine years of education).

Primary education in Uzbekistan is mandatory, free and universal. This means that all children who have reached school age attend general or special (for disabled children and children with developmental delays) primary school.

General secondary education is a continuation of primary education, but has a qualitatively different content and teaching methodology, including mandatory and additional components. The mandatory component is determined by state educational standards and establishes an adequate, minimally necessary level of student training. This component is established on the basis of the social order of the state and society, as well as the interests and needs of the individual. The additional component is determined on the basis of the needs and abilities of the student, the material, technical and personnel provision of the school and the requirements of the socio-economic development of the territories. The volume of additional study is determined according to the standards established by the Ministry of Preschool and School Education of the Republic of Uzbekistan. The educational work of the schools is carried out on the basis of the basic curriculum and educational programme of general secondary education, approved by the Ministry of Preschool and School Education of the Republic of Uzbekistan.

General secondary education is implemented in full-time programme and completes the final certification of graduates. The graduates are awarded a state certificate, including a certificate with distinction for those who have achieved particular success.

Secondary Special Education

Secondary specialised education, one of the forms of optional education, is aimed at preparing qualified employees, such as technical specialists, agronomists, elementary school teachers, service workers, medical assistants and dentists. For a number of sectors, secondary special education is the highest level of professional training (for example art, the circus and some artistic specialties).

Prior to 2017, secondary special education, as part of the compulsory 11-year education system, was provided only at a full-time basis in two types of educational institutions, academic lyceums and vocational colleges, with a three-year study term for all specialties. Only after graduation from a secondary education institution graduates have the right to further higher education or to engage in labour activity in acquired specialties and professions.

Since 2017, the system of secondary specialised education has become more flexible, labour-oriented and accounts for the complexity of the profession. The system has restored compulsory 11-year general secondary education in schools and optional secondary specialised education, with professional programme from six months to two years, depending on the complexity of the specialty

and profession. Therefore, a graduate of an 11-year secondary school has the equal right to choose the type of further education: either secondary optional education or higher education.

Higher Education

In accordance with the Law of the Republic of Uzbekistan “On Education” No. LRU-637 dated 23 September 2020, higher education has two levels: a bachelor’s degree and a master’s degree. Until 2017, higher education was carried out only following completion of secondary specialised education. Since 2017, it has been carried out following completion of the 11-year secondary school education.

Higher education encompasses fundamental knowledge in the chosen area with an average period of study of four years, although in some areas the period of study may be only three years, while in others, such as medicine, it may take up to six years. The master’s degree includes a higher education in a specific specialty with at least a year of study after a bachelor’s degree. Higher education may be provided on a full-time or part-time basis or through evening courses.

Currently, 211 higher educational institutions are functioning in the Republic’s education system, including 116 state educational institutions and 65 non-state educational institutions. There are also 30 foreign universities and their branches (including private branches) in Uzbekistan, including the Management Development Institute of Singapore in Tashkent (Singapore), the Polytechnic University of Turin (Italy), Inha University (Korea), Lomonosov Moscow State University, University of Oil and Gas named after I.M. Gubkin (Russia), Westminster International University in Tashkent (United Kingdom), Sharda University Uzbekistan (India) and others.

In addition to higher education, a postgraduate education is available and is aimed at meeting the needs of society in the scientific and scientific-pedagogical staff of the highest qualification of the degree of PhD and DSc. Postgraduate education can be obtained in higher educational institutions and research institutions.

Healthcare

Healthcare in Uzbekistan is provided on general availability and free of charge. The Ministry of Health is the body for the administration of the complete healthcare process, supervising technical units of care, epidemiology care centres, professionals training and others. Services are financed by public revenue, with the budget allocation defined centrally.

The main sources of the healthcare budget are tax revenues and public financing. In 2022, healthcare expenditures amounted to UZS 25,515.0 billion (or 10.8% of the state budget expenditure). In the six months ended 30 June 2023, public expenditure on healthcare amounted to approximately UZS 12,627.4 billion (or 9.8% of the state budget expenditure) without targeted funds. The Decree of the President of the Republic of Uzbekistan “On comprehensive measures for radical improvement of the health care system of the republic of Uzbekistan” No. PD- 5590 dated 7 December 2018 makes provision for healthcare expenditure in Uzbekistan for 2019 to 2025 in the amount of 15.4% of total government expenditure. Since 1993, owing to waves of privatisation, certain healthcare services have been, and are continuing to be, provided by the private sector, which is believed to be better equipped.

The current Uzbek healthcare system can be divided into rural and urban healthcare provisioning. Prior to 2017, it had too many different layers of care, such as polyclinics, community hospitals, district hospitals and regional hospitals as the highest level of health care provisioning. The Government restructured healthcare by (i) reducing the count of health provisioning access points held out as feldsher-midwifery posts, (ii) creating new kinds of primary healthcare facilities (approximately 818 rural physician points and 800 family polyclinics) and (iii) transferring part of the healthcare system to the private sector, creating approximately 4,000 private medical institutions as of July 2023.

Currently, primary healthcare medical provisioning is typically aggregated into polyclinics and medical centres as a first point of entry. More specialised health care is provisioned in rural medical centres, district and regional hospitals. Moving the first point of care towards patients is very important in terms of providing cost efficient healthcare.

Since independence, the country has made significant achievements in the field of healthcare. Between 1990 and 2022, the average life expectancy of the population increased by 7.1 years, from 67.2 to 74.3 years. In 2022, the average life expectancy of males and females was 72.1 and 76.6 years, respectively. In the six months ended 30 June 2023, the primary causes of mortality in Uzbekistan were circulatory diseases (62.4%), accidents, poisonings and injuries (4.3%), cancer (9.3%), respiratory diseases (5.5%), diseases of the digestive system (4.8%), infectious and parasitic diseases (1.4%) and other diseases (12.3%).

Furthermore, as part of the implementation of the Presidential Resolution of the Republic of Uzbekistan “On measures to improve the organisation of primary health care institutions in the Republic of Uzbekistan” No.PR-2857 dated 29 March 2017 approximately 800 family polyclinics and over 1,000 emergency medical substations were established between 2017 and 2019.

Uzbekistan was also able to obtain certificates from the World Health Organisation for the elimination of various diseases, such as wild poliomyelitis in 2002 as well as measles and rubella in 2017.

COVID-19 related expenditures

As of 30 June 2023, the total sum of UZS 9,405.2 billion was allocated to sanitary-epidemiological security agency and regional centres to prevent the spread of COVID-19, including:

- 381,228 medical, sanitary-epidemiological and other employees engaged in activities aimed at the prevention of COVID-19 who were paid a total of UZS 3,884.5 billion as additional incentive fees:
 - 223,493 employees were paid UZS 519.8 billion as 6% additional daily payments to salaries, including a total of UZS 206.9 billion for 58,732 doctors;
 - 87,838 employees were paid a total of UZS 3,156.9 billion as additional incentive payments for the 30-day period, including UZS 1,317.3 billion for 22,536 doctors;
 - 30,749 employees working in State Sanitary-epidemiological Security Agency and its regional centre were paid UZS 93.1 billion;
 - 33,958 emergency healthcare employees were paid a total of UZS 100.9 billion as additional financial incentive payments; and
 - a total of 5,190 employees working in the special clinics (COVID-19 centres established on the basis of family clinics) were paid UZS 13.8 billion as monthly financial incentives.
- UZS 5,520.7 billion were allocated for serving patients and personnel at hospitals and quarantine zones, including:
 - hot meals – UZS 322.9 billion;
 - medicines and disinfection materials – UZS 1,265.4 billion;
 - medical equipment – UZS 218.2 billion;
 - vaccines – UZS 2,325.6 billion;

- test systems, blankets and disposable protective clothing and other necessary equipment – UZS 378.8 billion; and
- other expenses (transportation, communication, disinfection etc.) – UZS 1,009.8 billion.

Environment

Uzbekistan inherited many ecological challenges from the USSR. In the late 1980s, the Government created a new state entity, the State Committee of the Republic of Uzbekistan on Nature Protection (“**SCNP**”). Throughout its activities, the SCNP has undergone changes in name and structure. It was named the State Committee for Ecology and Environment Protection, the Ministry of Natural Resources, and on 31 May 2023, it established as the Ministry of Ecology, Environmental Protection and Climate Change of the Republic of Uzbekistan with the Committee of Tourism, Agency of Forestry and Agency of Uzhydromet under its supervision (the “**Ministry of Ecology**”). State management of the system of environmental protection and rational use of natural resources is carried out by the Ministry of Ecology through the coordination of the activities of authorised ministries and organisations.

In December 1992, the Law of the Republic of Uzbekistan “On Protection of Nature” No. 754-XII was passed and it became one of the first laws adopted in independent Uzbekistan. With the cooperation of the Ministry of Ecology, more than 30 laws and normative acts were adopted which directly or indirectly concern environmental protection. In 1993, in order to find scientific solutions to ecological problems, the Technological Institute of Atmosphere and Unitary Research Enterprise and the Ecology of Water Administration were established.

Since its independence, Uzbekistan has been actively involved in, and cooperates with programmes and agencies of the United Nations, and Uzbekistan is a member of the International Union for Conservation of Nature and has ratified over 15 international environmental agreements.

The Republic of Uzbekistan is a member of the Central Asian Cooperation Organisation and the Shanghai Cooperation Organisation (“**SCO**”). In the context of coordinating the use of water resources in the region, Uzbekistan has become a member of the largest regional organisations, such as the Economic Cooperation Organization and the Central Asian Regional Economic Cooperation (“**CAREC**”).

The Republic of Uzbekistan is a member of almost all programmes of the World Meteorological Organisation, including programmes in the field of hydrology, meteorology, climate, information, especially dangerous hydrometeorological phenomena, drought management, training and the International Decade for Hydrometeorological Safety, as well as serving as a member of the UNESCO International Hydrological Programme and Scientific programmes of the Interstate Council on Hydrometeorology of the CIS.

Uzbekistan cooperates with central Asian states, including as part of the International Fund for Saving the Aral Sea (“**IFAS**”), whose other members are the central Asian countries Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan. The main task of the IFAS is to coordinate solutions to problems arising out of the socio-economic development of the population, preserve the environment and improve the ecological status of the region in order to achieve sustainable development in Central Asia.

The IFAS’s activities are conducted under the leadership of the President of the IFAS, currently the President of the Republic of Tajikistan, and the headquarters of the IFAS’s Executive Committee are located in Dushanbe in the Republic of Tajikistan.

In addition, Uzbekistan is currently in compliance with the Montreal Protocol, showing annual decreases in the consumption of ozone-depleting substances. According to the National Programme for the Substitution of Ozone-Depleting Substances, until 2030 the consumption of ODSs within Uzbekistan will be restricted.

Most of the environmental problems in Uzbekistan are cross-border problems that require the joint efforts of neighbouring states to solve. These include acute water scarcity, large volumes of industrial waste, land degradation and a reduction in biodiversity. In this respect, the role of the international conventions of the United Nations Economic Commission for Europe (“**UNECE**”) is important.

Uzbekistan actively cooperates with the UNECE in respect of the potential accession of the Republic of Uzbekistan to a number of UNECE conventions. The development of continuous cooperation among UNECE countries is one of the most important goals for the UNECE.

Uzbekistan has ratified the Rio Declaration on Environment and Development, the United Nations Framework Convention on Climate Change (ratified by the Parliament in 1999) and its Paris Agreement, United Nations Convention on Biological Diversity (ratified by the Parliament in 1995), United Nations Convention to Combat Desertification (which Uzbekistan joined in 1995), Vienna Convention for the Protection of the Ozone Layer (which Uzbekistan joined in 1993), Basel Convention on the Control of Transboundary Movements of Hazardous Wastes (which Uzbekistan joined in 1995), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (which Uzbekistan joined in 1997), the Convention on the Conservation of Migratory Species of Wild Animals (which Uzbekistan joined in 1998), the Convention on Wetlands of International Importance (which Uzbekistan joined in 2001) as Waterfowl Habitats, Stockholm Convention on Persistent Organic Pollutants and Cartagena Protocol on Biosafety, among others.

On 3 November 2015, the World Bank Board of Executive Directors approved an allocation of U.S.\$38 million from the International Development Association (“**IDA**”) to finance the first phase of the Climate Adaptation and Mitigation Programme for Aral Sea Basin regional programme. The programme approved financing of U.S.\$9 million for Tajikistan, U.S.\$ 14 million for Uzbekistan and U.S.\$15 million for regional activities to be implemented by the Executive Committee of the International Fund for saving the Aral Sea, with support from CAREC for day-to-day regional coordination and implementation of the regional components of the project. The programme aims to enhance the knowledge database and climate change capacities and facilitate regional dialogue and cooperation between many stakeholders to ensure effective climate response.

Uzbekistan ratified the Paris Agreement on 9 November 2018 and has undertaken quantitative obligations to reduce greenhouse gas emissions by 2030 by 10% compared to 2010 and an initiative to reduce emissions of nitrous oxide.

The Laws of the Republic of Uzbekistan “On the Use of Renewable Energy Sources” No.LRU-539 dated 21 May 2019, “On Public Private Partnership” No. LRU-537 dated 10 May 2019, “On the Rational Use of Energy” No 412-I dated 25 April 1997 and other related laws have been adopted. The Resolution of the President of the Republic of Uzbekistan “On approval of the strategy for the transition of the Republic of Uzbekistan to “Green” economy for the period 2019-2030” No. PR-4477 was adopted on 4 October 2019 (“**PR-4477**”).

The key aims of the strategy outlined in the PR-4477 include increasing energy efficiency of the basic sectors of the economy; diversifying energy consumption and development of the use of renewable energy sources; adapting to and mitigating for the effects of climate change; increasing efficiency in the use of natural resources; conserving the natural ecosystem; and developing financial and non-financial mechanisms to support the green economy.

Target indicators for the implementation of the strategy are:

- a reduction of specific greenhouse gas emissions per unit of gross domestic product by 10% from the level of 2010;
- a twofold increase in energy efficiency;
- a decrease in the carbon intensity of gross domestic product;
- further development of renewable energy sources, bringing their share to more than 25% of the total electricity generation;
- providing access to modern, inexpensive and reliable energy supply for up to 100% of the population and sectors of the economy;
- modernisation of the infrastructure of industrial enterprises, ensuring their sustainability by increasing energy efficiency by at least 20%;
- wider use of clean and environmentally friendly technologies and industrial processes, expanding the production and use of motor fuels and vehicles with improved energy efficiency and environmental friendliness;
- the development of electric transport;
- a significant increase in the efficiency of water use in all sectors of the economy;
- the introduction of drip irrigation technologies on an area of up to 1 million hectares, with an increase in yields to 20-40% of crops cultivated on them;
- achieving a neutral balance of land degradation; and
- an increase to 20-25% of the average productivity of production of basic types of food agricultural products.

The Ministry of Energy developed “The Concept Note for Ensuring Electricity Supply in 2020-2030” with the goal of satisfying the increasing demand for electrical power at competitive prices and ensuring the dynamic development of the power sector in Uzbekistan through the modernisation and reconstruction of existing power plants, the construction of new generating assets using energy efficient power production technologies, the improvement of power metering systems, fuel diversification and the development of renewable energy sources.

In its updated 2021 Nationally Determined Contribution (“NDC”), Uzbekistan stated its intention to reduce greenhouse gas emissions per unit of GDP by 35% by 2030 from the level of 2010, an increase from its previous target of 10% from its prior NDC. Uzbekistan is also striving to further develop renewable energy sources, bringing its share of total power generation to 25% by 2030.

The “Yashil Makon” or “Green Nation” initiative was put forward by the President of Uzbekistan in November 2021. The initiative has the aim of planting one billion tree and shrub saplings over the next five years across Uzbekistan.

Ongoing projects

Jointly, the United Nations Development Programme (“UNDP”) and the Global Environment Facility (“GEF”) approved “Conservation and Sustainable Management of Lakes, Wetlands and Coastal Corridors in the Aral Sea Basin”. This project aims to develop integrated water resources management for the restoration and sustainability of the Aral Sea water level on an area of 900 thousand hectares in

key areas of biodiversity (lakes, wetlands and coastal ecosystems), as well as the support of five newly-created protected areas covering an area of 3,194,600 hectares.

Uzbekistan is the latest country to formally join the Nitric Acid Climate Action Group (“NACAG”), thereby committing to long-term and ambitious climate action in the country’s nitric acid industry. This development marks an important step in NACAG’s journey towards a climate-friendly transformation of the global nitric acid sector. The sector’s greenhouse gas mitigation potential in Uzbekistan is estimated to be equivalent to roughly two million tonnes of CO₂ annually. With Uzbekistan’s signature, Uzbekistan’s nitric acid producers have become eligible to receive financial support from NACAG for the purchase and installation of nitrous oxide abatement technology.

The “Programme for adaptation to climate change and mitigation of its consequences for the Aral Sea basin” is being implemented with the participation of the IDA under the Presidential Resolution “On measures for the implementation of the project “Programme for adaptation to climate change and easy impact reduction for the Aral sea basin” with the participation of the international developments association” No. PR-2784 dated 16 February 2017. The goal of the project is to expand regional coordinated access to improved information services on climate change for key stakeholders in Central Asian countries, as well as increase investment and capacity development, which, taken together, will contribute to solving the problems related to climate change that are common to Central Asia. The location of the project is the Republic of Karakalpakstan, Bukhara, Navoi and Khorezm regions. The total cost of the project is U.S.\$20.71 million, with funding to consist of:

- International Development Association loan – U.S.\$1,400 million;
- contribution of the Republic of Uzbekistan – U.S.\$3.55 million; and
- contribution of the project participants (beneficiaries) – U.S.\$3.16 million.

The Uzhydromet Centre is the national body in the Republic of Uzbekistan for the implementation of the priorities of the United Nations Framework Convention on Climate Change.

Another project under UNDP-GEF, namely “Strengthening the resilience of Central Asian countries by enabling regional cooperation to assess glacio-nival systems to develop integrated methods for sustainable development and adaptation to climate change” is being developed to strengthen the adaptation capacity of Central Asian countries to climate change impacts on the cryosphere through assessment, promotion of regional cooperation and stakeholder engagement. The project aims to address the issue of regional cooperation in building a knowledge base and capacity on the monitoring of snow glaciers and permafrost, including forecasting responses to climate change and supporting national as well as regional strategic action programmes.

The Ecological Party of Uzbekistan

The Environmental Movement of Uzbekistan was registered as a non-governmental, non-profit organisation by the Ministry of Justice on 23 October 2009. Its main goals are to achieve the observance of the rights of the citizens of Uzbekistan today and for the future generation to have a comfortable environment, health care, environmental protection, rational use of natural resources and environmental protection.

The Ecological Party of Uzbekistan was registered by the Ministry of Justice on 22 January 2019. The decision had been made to preserve the experience of the Environmental Movement of Uzbekistan in the practice of improving legislation, international cooperation, public environmental control, and solving environmental problems, and transfer it to a new political force.

As of 1 September 2021, the Ecological Party of Uzbekistan consists of 14 regional and approximately 206 district and city party organisations. Primary party organisations work in many neighbourhoods, enterprises, institutions and organisations. More than 453,000 people became

members of the Ecological Party of Uzbekistan within six months, 46.8% of them are women and 39.8% are young people.

Litigation

The Government is a party to a number of arbitral proceedings relating to investment disputes. The Government does not consider that any of these proceedings, either individually or collectively, will ultimately result in a level of liability that may have significant effects on the fiscal position of the Republic of Uzbekistan.

THE ECONOMY OF THE REPUBLIC OF UZBEKISTAN

Introduction

Uzbekistan has experienced economic transformation since it gained independence in 1991. By 1996, the Government had implemented an independent development model, which allowed the country to emerge from economic recession, strengthen macroeconomic stability and begin the implementation of economic structural transformation reforms. These measures allowed Uzbekistan to avoid a sharp recession and economic turmoil that many post-Soviet countries faced in the 1990s.

Between 2017 and 2022, as a result of deepening economic reforms aimed at creating a favorable business environment, opening up to the global markets and the modernisation and technological upgrades of production assets, the GDP of Uzbekistan increased on average at 5.2% per year and in 2022, there was growth at 5.7%. In the first half of 2023, the GDP of the Republic of Uzbekistan at current prices amounted to UZS 469,619.0 billion and, compared to the same period in 2022, increased in real terms by 5.6%. Economic growth over the last six years (2017 - 2022) was primarily driven by industry (with average economic growth of 6%), construction (with average economic growth of 11%), services (with average economic growth of 6.6%) and agriculture, forestry and fishing (with average economic growth of 2.5%). The creation of a favorable business environment which resulted in enhancing investment led not only to high-economic growth but also to major qualitative changes in the structure of the economy.

As a result of the undertaken economic reforms, Uzbekistan's economy has become more diversified. Due to diversification and technical and technological reforms in the industrial sector, the share of industry as a percentage of the gross value added by industries increased from 21.1% in 2017 to 26.7% in 2022 (26.3% in the six months ended 30 June 2023), while the share of the service sector as a percentage of the gross value added by industries increased from 41.4% in 2017 to 41.5% in 2022 (47.1% in the six months ended 30 June 2023).

The share of the private sector as a percentage of Uzbekistan's total GDP compared to the public sector has also increased, with the private sector's share of total GDP amounting to 80.5% in 2022, as compared to 58.4% of total GDP in 1995, according to the Statistics Agency of Uzbekistan. Small business has been an important factor of the economic development of the Republic of Uzbekistan for the period 2000 to 2022. Measures taken to create a favourable business environment and to stimulate small business development and private entrepreneurship contributed to an increase in the share of small business, such that it comprised 51.8% of total GDP in 2022 as compared to 31.0% of total GDP in 2000.

Economic Reforms 2017-2020

In 2017, the President implemented a series of significant reforms aimed at fostering the growth and liberalisation of the national economy. These comprehensive reforms encompassed various aspects, including the restructuring of state-owned enterprises (SOE), streamlining the privatisation process, facilitating the transformation of unproductive SOEs and manufacturing facilities, enhancing the business environment in Uzbekistan, boosting the export capabilities of local enterprises, eliminating monopolistic control over specific product categories like fruits and vegetables, and revamping the automobile industry. In addition, structural economic reforms implemented in 2017 and 2019, including, inter alia, currency liberalisation, trade and prices liberalisation (for example, broad increases in tariffs on energy (18%), natural gas (19%) and petrol (13%)) were aimed at the reduction of the size of the informal sector, lowering import tariffs which pushed further development of foreign trade and the integration of Uzbekistan's economy into the global trading market. The ultimate objective behind these initiatives was to foster further growth in GDP, improve the overall business environment within Uzbekistan, and bolster the development of key industrial sectors as aforementioned.

The reforms also envisaged a reduction in the tax burden and a simplification of the tax system, as well as the development of international cooperation.

This reform programme is continuing.

Recent Economic Trends

In recent years, the GDP of Uzbekistan has consistently demonstrated stable growth.

Fixed capital formation has increased significantly amid an improved business environment and the liberalisation of the economy which is reflected in the main indicators of development of investment activity in the country. The share of fixed capital formation as a proportion of total GDP increased from 31% in 2018 to 32% in 2022 (29.6% in the six months ended 30 June 2023).

During the period between 2017 and 2022, gross fixed capital formation grew by more than 3.4 times, with an average annual increase of 11.2%, exceeding the average annual growth rate of total GDP 5.2% for the period.

The COVID-19 pandemic has had a negative economic impact globally, including on the Central Asian countries. The pandemic and economic crisis have affected national healthcare systems, public sectors, business activity, consumption, international trade and investment all over the world. Despite these challenges, Uzbekistan's outlook remains positive as reforms continue to shift the economy towards greater resource efficiency and private sector growth.

GDP at current prices amounted to UZS 469,619.0 billion and grew by 5.6% in the first half of 2023. A positive contribution to GDP growth was made by agriculture, forestry and fisheries (0.7 percentage points), industry (1.4 percentage points), construction (0.3 percentage points) and services (2.6 percentage points). Due to the growth of net taxes on products, GDP increased by 0.6 percentage points. There has been a cumulative increase of approximately 7% in social payments and a 7% increase in minimum wages since 1 April 2023. These increases supported private consumption despite a 21% decline in remittances in the six months ended 30 June 2023, compared to the same period in 2022. In 2022, higher remittances supported the trade deficit leading the current account deficit to shrink from 7% of GDP in 2021 to 1.0% in 2022. Exports increased by 15.9% in 2022 and by 23% in the six months ended 30 June 2023, due to increased price for gold and other precious metals. Imports increased by 20.4% in 2022 and by 17% in the six months ended 30 June 2023 due to high internal demand. Increased external borrowing from multilateral and bilateral partners helped finance the current account deficit.

The inflation rate decreased from 18.8% in 2017 to 12.3% in 2022 and 3.5% in the six months ended 30 June 2023, respectively. In response to easing inflationary conditions, the CBU cut its policy rate in March 2023, from 15% to 14%. Currently, the CBU rate remains at 14%.

In April 2023, the IMF projected 5.3% and 5.5% real GDP growth in Uzbekistan in 2023 and 2024, respectively.

Uzbekistan's Development Strategy for 2022-2026

In January 2022, the President signed a Decree No. PD-60 for the implementation of the strategy for the further development of Uzbekistan for 2022-2026 (the "**Development Strategy for 2022-2026**"). The Development Strategy for 2022-2026 focuses on seven priority areas and is intended to increase the efficiency of governmental reforms, ensure the comprehensive, accelerated development of the state and society and set the priority areas for the country's modernisation and liberalisation. The Development Strategy for 2022-2026 provides for the timely and effective implementation of the reforms as a top priority for all state authorities and officials. Thus, the Government established the National Commission for the implementation of the Development Strategy for 2022-2026, headed by the President, as well as commissions for the execution of each of the strategy's seven priority areas.

The Development Strategy's for 2022-2026 seven priority areas are:

- **building a people’s state by elevating human dignity and the furtherance of a civil society:** improving the efficiency of the institution of the mahalla, strengthening the role of the Kenghashes of people’s deputies, further expanding the capacity of local governments, transforming leadership principles among local authorities into an ethic of ‘servant leaders’, introducing a compact public administration system, streamlining administrative structures in the public administration system, further increasing the role of chambers of the Oliy Majlis and political parties, modernising regulatory processes, developing an ‘e-government system’, modernising the civil service system, developing effective mechanisms for communication with the public, and improving the organisational and legal framework for effective public oversight;
- **establishing the principles of justice and the rule of law as the most fundamental and critical conditions for the country's development:** protecting property rights’ inviolability, ensuring the rule of law and constitutional legality, establishing effective judicial oversight and increasing access to justice, ensuring public security, creating a new image of law enforcement bodies, ensuring timely execution of court orders and orders of other state bodies, increasing the role of the Bar Association, and developing an active civil society among citizens;
- **developing a robust national economy that ensures rapid growth:** ensuring stable high growth rates in sectors of the economy, increasing the volume of industrial production, increasing dramatically the volume of geological prospecting activities, providing an uninterrupted supply of electricity into the economy, making the digital economy the primary economic driver of the economy, improving the country’s investment climate, expanding the economy’s financial resources, increasing the country’s export potential, creating conditions conducive to entrepreneurial activity, intensive development of agriculture, reforming the water management system, expanding the livestock feed base, proportional development of the regions, developing engineering-communication and social infrastructure systems and services in the regions, developing tourism, and developing the transport system;
- **pursuing just and fair public policies and human capital development:** developing pre-school education, developing public education, developing higher education, introducing broad innovations into the economy, improving the healthcare system, strengthening social protection, increasing citizen engagement in health and wellness activities, supporting women and ensuring their active participation in society, and improving state policies aimed at youth development;
- **ensuring the elevation of spiritual values through developing those institutions tasked with their stewardship:** instilling the positive and inventive worldview inherent in Uzbekistani society on a national level, popularising reading, in-depth study and widespread promotion of the scientific heritage of Uzbekistani ancestors, encouraging an atmosphere of interethnic harmony and interreligious tolerance in society, developing Fine Arts, Applied Arts and Design, developing further culture and arts, developing further the study and promotion of the history of Uzbekistan, and developing national cinematography capacity;
- **approaching global challenges through the lens of national interests:** eliminating and mitigating existing environmental problems, protecting the ecological and environmental integrity of the country, expanding forest regions, combating extremism and terrorism, introducing ethical standards in the civil service, instilling a zero-tolerance attitude to corruption in society, reducing poverty by at least two-fold by the end of 2026, pursuing safe, orderly and legal labour migration and effective migration policy, establishing permanent and effective contacts with compatriots in foreign countries through the Public Fund ‘Vatandoshlar’, and increasing the effectiveness of pandemic control; and

- **strengthening the country's security and defence potential, while pursuing an open, pragmatic and active foreign policy:** strengthening the rights of citizens in the area of personal freedoms to receive and impart information, augmenting and elevating the state's defence capability, strengthening the social protection of servicemen and their families comprehensively, creating an effective emergency prevention and response system, increasing the country's role as an equitable international entity, elevating to the highest level the close cooperation in Central Asia, further developing relations with traditional partners, strengthening the activities of the country in the framework of the United Nations bodies and institutions, achieving WTO membership and deepening integration processes with the Eurasian Economic Union, developing and enhancing strategic messaging to provide an accurate image of Uzbekistan in the world community, improving the regulatory framework of foreign policy and foreign economic activity and the legal framework of international cooperation, and improving the system of services for citizens of Uzbekistan abroad.

According to the Development Strategy for 2022-2026, large-scale institutional and structural reforms aimed at reducing the state's presence in the economy are being implemented, including measures to strengthen further the protection of private property rights and to stimulate the development of small business and private entrepreneurship. A commission has been established under the President to protect the rights and legal interests of business entities and a ban has been imposed on the use of criminal punishment in the form of deprivation of the right to engage in entrepreneurial activity. In addition, the Chamber of Commerce and Industry of the Republic of Uzbekistan was reformed to effectively support a new system for the protection of the rights and legitimate interests of business entities. Measures have been taken to improve the management of state property and increase the efficiency of previously privatised enterprises and to support the private sector in the post-privatisation process by assisting the development of investment projects to restore inactive enterprises. The foreign exchange market has also been liberalised and economic entities have gained free access to national currency conversion. A market-based mechanism of foreign exchange rates was formed and exchange restrictions were eliminated.

The Development Strategy for 2022-2026 also envisages implementation of measures to reduce the annual inflation rate and the fiscal deficit; complete the processes of transformation of commercial banks with a state share, increasing the share of the private sector in banking assets to 60% by the end of 2026. Following the Development Strategy for 2022-2026, value added tax rate has been reduced to 12% in 2023. Decrease to 15% in income tax rate for businesses in banking, financial and telecommunication industries is expected in 2025.

A number of programmes were adopted by Decree of the President of the Republic of Uzbekistan as part of the Development Strategy for 2022-2026. In general, these programmes are aimed at reforming the social and economic sectors of Uzbekistan over a five-year period. These programmes provide for, *inter alia*, structural reforms, modernisation, diversification of production and the continuation of the policy of stimulating localisation of finished products, components and materials. The acceleration of renovation of physically worn and obsolete equipment, as well as the reduction of industrial production costs, is also envisaged by these programmes. The reforms also cover the energy sector, including measures to further develop renewable energy, improve energy efficiency in the economy and reduce the emission of harmful gases into the atmosphere through the active introduction of green energy technologies in all areas.

Industrial programmes include the development of the non-ferrous and rare metals processing sectors and the construction and automotive industries.

The Government is also focused on the development and modernisation of infrastructure within Uzbekistan. A number of infrastructure development and modernisation programmes have been adopted in recent years, specifically in engineering communications and road transport, which are expected to be completed in 2030. See "*Transport*".

In addition, on 14 January 2019 the President adopted the Decree of the President of the Republic of Uzbekistan No. PD-5630 “On Measures to Fundamentally Improve the State Asset Management System, Antitrust Regulation and Capital Markets”. The decree provides for, *inter alia*, the creation of (i) the State Asset Management Agency of the Republic of Uzbekistan to effectively govern state-owned assets and SOEs, their activities and development, (ii) the Antitrust Committee of the Republic of Uzbekistan to control market competition, natural monopolies and develop antitrust regulations and (iii) the Capital Markets Development Agency of the Republic of Uzbekistan to control the activity and development of the securities market in the Republic of Uzbekistan. The decree also provides the initial development goals for each respective newly created agency in their respective fields, all of which are aimed at the fundamental analysis of existing pitfalls and barriers for the development of their respective sectors of the economy and their elimination.

The President adopted the Decree No. PD-6096 on 27 October 2020, under which five different categories of SOEs to undergo transformation by the Ministry of Economy and Finance of the Republic of Uzbekistan. The first category comprises 32 companies forming 25% of the total GDP of Uzbekistan, belonging to the metals and mining, oil and gas, energy and other sectors. The Government engaged international audit and consulting agencies in 2021 to start the process of restructuring, improving operational efficiency, facilitating financial recovery and establishing short-term and long-term development strategies for the SOEs. Most of the major companies, such as JSC Uzbekneftegaz and JSC Uzavtosanaot, prepared their respective financial statements for 2021 in accordance with IFRS for the first time and other SOEs are expected to follow their lead. The second category comprises 39 companies in the oil and gas, mining, hotel services, food and beverages, transportation and logistics sectors, which are important for GDP growth, but smaller in size than the companies belonging to the first category. These companies could be sold to strategic investors or through an initial public offering. The third category comprises 62 companies in the construction, chemicals, financial and lease services, information technologies, beverages and other sectors, which will be sold by the State Asset Management Agency and regional governors and will not require international consultants. The fourth category comprises smaller companies in the transportation, oil and gas and other sectors. All of the state’s share in the companies belonging to the fourth category will be sold to the private sector via electronic bidding platforms. The fifth category comprises companies in the real estate sector and the properties belonging to these companies will be sold to the private sector. The Government has also developed an action plan to obtain globally recognised credit ratings for its key SOEs to facilitate better access to the international capital markets. JSC UzAuto Motors, Uzbekhydroenergo JSC, Uzagrosugurta JSC and JSC Uzbekneftegaz have each already received credit ratings from Fitch Ratings of BB- (as of December 2022), BB- (as of August 2023), BB- (as of July 2023) and BB- (as of September 2023), respectively.

On 1 March 2023, the President adopted the Resolution “On measures to accelerate the processes of reforming companies with the state participation” No. PR-83. The resolution established that UzAssets JSC, the investment company fully owned by the Agency of Strategic Development, shall receive shares of the major state-owned entities (as listed in Annex I to the Resolution), and shall be authorised to appoint members of the management and supervisory boards, and engage international auditors, investment consultants, investment banks and other parties to improve operations of the companies and prepare them for future privatisation.

Presidential Resolution No. PR-83 was subsequently amended by the Presidential Resolution No PR-283 dated 18 August 2023, pursuant to which (i) the Agency of Strategic Development transferred its shares in UzAssets JSC to the Ministry of Economy and Finance; and (ii) shares of certain state-owned banks (listed in Annex I to the Resolution) were also transferred from the Uzbekistan Fund for Reconstruction and Development to the Ministry of Economy and Finance.

Decree of the President No. UP-101 was adopted on 8 April 2022 and sets a groundwork for liberalisation of certain economic activities of residents and non-residents of Uzbekistan. Among others, the Decree permitted foreign citizens to purchase certain immovable property without requiring them to obtain the residence permit in the Republic of Uzbekistan.

Further the Decree instructed to engage services of investment banks and other consultants to start preparation of limited privatisation process of several major state-owned entities, including Uzbekneftegaz JSC, Uzbekistan Airways JSC, UzAuto Motors JSC and others through the IPO process.

Finally, the Decree contained a number of measures aimed at increasing trade by reducing import tariffs and other regulatory barriers.

The Government also takes measures to ensure a stable water supply and a programme for the integrated development and modernisation of the drinking water supply and sewage systems for 2022-2026 has consequently been adopted. Additionally, the Clean Drinking Water Foundation has been established, funded from contributions from the State budget, preferential loans from international financial organisations, grants from international donors, funds from philanthropists and other revenues.

Based on the progress achieved by the Government, Uzbekistan was named the 2019 Country of the Year award winner by The Economist magazine. Highlights of Uzbekistan's reforms are:

- strengthening minority investor protections by increasing shareholders' rights and role in major corporate decisions, clarifying ownership and control structures and requiring greater corporate transparency;
- simplifying tax payments by merging the infrastructure tax with the corporate income tax;
- facilitating cross-border trade by introducing risk-based inspections and simplifying import documentary compliance;
- facilitating contract enforcement by introducing a consolidated law on voluntary mediation, establishing financial incentives for the parties to attempt mediation and publishing performance measurement reports on local commercial courts;
- modernising the monetary policy by introducing an inflation targeting regime;
- fiscal transparency and medium-term budget planning by introducing a law on budget (previously, it was a presidential decree);
- introducing a law on public debt, which sets a ceiling on the public debt level and determines key rules and principles in managing the public debt;
- introducing first-generation reforms to liberalise the prices of 25 commodities (including cotton, wheat, and an increase of natural gas and electricity tariffs);
- the launch of PPP projects; and
- the removal of administrative barriers, simplification of licensing processes, and better access to financial resources.

In February 2019, Uzbekistan issued debut five-year and ten-year Eurobonds in an aggregate principal amount of U.S.\$1 billion, which are listed on the London Stock Exchange. This issuance opened the country to foreign fixed income investors and set a benchmark for future foreign bond issuances by Uzbek companies. In November 2019, the President created the Council of Foreign Investors, a body where executives and representatives of foreign companies, banks, investment companies, international financial institutions and foreign government financial organisations will be given the opportunity to advise the Government on measures it could take to improve the investment climate. In November 2020, the Ministry of Economy and Finance of Uzbekistan issued further soum-

denominated bonds, the first, an inaugural, Eurobond with a five-year maturity and a principal amount of UZS 2 trillion and the second being ten-year bonds with a principal amount of U.S.\$555 million, both of which are listed on the London Stock Exchange. See “*Public Debt — External Debt Service*” below.

The new Tax Code came into effect on 1 January 2020. The tax reform led to a notable decrease of the tax burden to businesses and simplification of tax reporting. Key changes include (i) the 8% social security contributions and all mandatory payments to various state funds were abolished, (ii) corporate and individual income taxes were reduced from a progressive rate of up to 24% to a single flat rate of 12%, (iii) the income tax rate on dividends was reduced from 10% to 5%, (iv) the VAT tax rate also decreased from 20 to 15%, and (v) 13 forms of tax inspections were consolidated into two.

Further, effective from 1 January 2023, the VAT was reduced from 15% to 12% by the Law of the Republic of Uzbekistan No. RU-812 dated 30 December 2022 “On introducing of amendments and additions to some legislative acts of the Republic of Uzbekistan in connection with the adoption of the main directions of tax and budget policy for 2023”.

The top ten taxpayers in the six months ended 30 June 2023 together contributed UZS 10.2 trillion, or approximately 10% of the Government’s total revenue.

To support business starting from 1 January 2021, the licensing and permitting procedures for doing business were radically improved under the Decree of the President of the Republic of Uzbekistan No. PD-6044 “On measures for cardinal improvement of licensing and permitting procedures” dated 24 August 2020. This, in turn, paved the way for the expansion of sectors of the economy and the emergence of new production capacities. From 1 January 2021, a large number of licensing and permitting requirements were removed or consolidated.

As a consistent continuation of the reforms, the Law of the Republic of Uzbekistan “On licensing, permission and notification procedures” was adopted. By this Law, lists of 208 types of licences, permits and notifications were approved.

From 1 January 2021, the licensing, permitting and notification procedures have been carried out electronically on the information system of “License” developed by the Ministry of Justice.

The “License” information system, with a special mobile application, enables electronic cooperation between ministries including all the procedures related to licensing, permitting and notification. This information system is managed by the Ministry of Justice.

As of the date of this Base Offering Circular, a total of 115 types of licences, permits and notifications have been launched through the “License” information system.

In order to increase incomes, prevent unemployment and stimulate consumption, more than 400 thousand families in need of financial assistance were provided with one-time financial assistance from the national budget. From 1 June 2022, the amount of pensions and benefits has been increased by 12% for people with disabilities from childhood, or for the elderly and disabled citizens who do not have the required length of service.

In 2020, the Government set up the Anti-Crisis Fund to mitigate the adverse economic effects of the COVID-19 pandemic. The Government prepared lists of socially vulnerable and low-income families in order to prioritise such families for pandemic-related social assistance. The Government used the Anti-Crisis Fund to allocate UZS 300 billion to the Public Works Fund, UZS 224 billion to the Employment Promotion Fund, UZS 117 billion to the pension fund under the Ministry of Economy and Finance and UZS 100 billion by way of disbursements to women for purchasing groceries, medicines, house repair services, down-payments for home purchases and in employment assistance for women in need.

Uzbekistan’s Innovation Strategy

The implementation of the Innovative Development Strategy of the Republic of Uzbekistan for 2019-2021 has led to positive results in ensuring and stimulating innovative and technological progress in sectors of the economy and social sphere, including agriculture, energy, construction, education, and healthcare. Uzbekistan has risen by 36 positions compared to 2015 in the Global Innovation Index ranking, which is assessed based on 81 indicators. The volume of annual funds allocated from the state budget for the innovation and scientific spheres increased by 3 times compared to 2018 and increased to UZS 1.5 trillion.

On 6 July 2022, the Resolution of the President of the Republic of Uzbekistan “On Approval of the Strategy of Innovative Development of the Republic of Uzbekistan for 2022-2026” No. PR-307 (the “**Innovation Strategy**”) was adopted. The Innovation Strategy ascertains the main existing barriers to innovation in the Republic of Uzbekistan and provides for strategic goals aimed at further boosting the country’s innovation potential.

The main tasks of the Innovation Strategy are to:

- supporting start-up initiatives by forming a network of innovation infrastructure entities (innovation technology park, technology transfer centre, innovation cluster, etc.), as well as organising large-scale production (capital creation);
- increasing the share of innovatively active organisations by improving institutional mechanisms of state support for innovation activities;
- ensuring accelerated socio-economic growth of regions by increasing the innovative activity of small businesses;
- stimulating demand for innovation by providing a comprehensive system for creating new types of products and innovative technologies from the idea to the final consumer;
- formation of a system for reorienting created capital towards “disruptive” innovations; and
- further development of human capital in the management of innovation activities through the development of creativity skills, innovative entrepreneurship and innovation at all stages of education.

One of the main goals of the Innovation Strategy is for Uzbekistan to rank in the top 50 in the Global Innovation Index by 2030.

In the Global Innovation Index (“**GII**”) published on 29 September 2022, the Republic of Uzbekistan ranked 82nd among 132 countries, improving by four places, and third among the countries in Central and South Asia. Uzbekistan performs above the regional average in five out of the seven GII pillars, the five high-scoring pillars being Institutions, Human Capital & Research, Infrastructure, Market Sophistication and Business Sophistication. The GII ranked Uzbekistan 68th in innovation inputs and 91st in innovation outputs.

More than 60 laws and regulations, such as the Presidential Resolution No. PR-3855 “On additional measures to increase the effectiveness of commercialisation of the results of scientific and scientific-technical activities” dated 14 July 2018 and Presidential Resolution No. PR-3876 “On measures to further increase the wages of employees of the field of science and higher education, to support the implementation of the results of scientific and scientific-technical activities by the state” dated 20 July

2018 have been adopted. In order to regulate scientific activities in the country and provide quality and efficiency in research and innovation, the Laws of the Republic of Uzbekistan “On Science and Scientific Activity” No. LRU-576 dated 29 October 2019 and “On Innovative Activity” No. LRU-630 dated 24 July 2020 were adopted. The Global Innovation Index encourages development of a single database of innovative projects and start-ups. A special portal of innovative developments (<https://mininnovation.uz/en>) was launched in Uzbekistan according to the Resolution of the Cabinet of Ministers No. 276 dated 6 April 2018 “On Measures for organising the construction of the building of the Ministry of innovative development of the Republic of Uzbekistan, as well as the creation of an innovation park and a scientific and practical centre for implementation of innovation developments.

Pursuant to the Resolution of the Cabinet Ministers of the Republic of Uzbekistan “On measures to organise the activities of the National Venture Fund UzVC” No. 684 dated 3 November 2020, Uzbekistan created the National Venture Fund in December 2020 with a capital of UZS 15 billion. The National Venture Fund provides comprehensive financial support to innovative start-ups and to accelerate development of the private equity market in Uzbekistan.

Uzbekistan has gradually increased its budgetary allocations towards research and development. Between 2019 and 2023, Uzbekistan allocated UZS 445.6 billion (approximately U.S.\$136.4 million) from the state budget towards research and development. Additionally, Uzbekistan is implementing 101 research programmes worth approximately UZS 80.3 billion (U.S.\$7.4 million) in cooperation with various international partners, including Germany, Russia, Türkiye and Belarus.

By the end of 2023, the subjects of the infrastructure of innovative activity (technological parks, transfer centres, innovation clusters, venture funds, innovation centres, business incubators and accelerators) is set to reach 45. As of September 2023, a total of 36 innovative activity infrastructure entities have been established in the regions: six youth technological parks, six business incubators, six business accelerators, six coworking centres, eight innovation centres and four innovation clusters. Moreover, by the end of 2023, it is planned to establish three youth technoparks, three business incubators, two business accelerators and one innovation centre in the regions of Uzbekistan.

In 2023, a total of 67 commercialisation/pre-commercialisation projects were funded by the Agency for Innovative Development. The main spheres are considered to be agriculture, pharmaceutical, textile, fish industry, veterinary, medicine, chemical industry and social and construction sectors, which are also encouraged to start the production of import-substituting products in Uzbekistan.

“Uzbekistan - 2030” Strategy

On 11 September 2023, the President signed a Decree No. PD-158 for the implementation of the strategy “Uzbekistan - 2030”, which outlines the next step of the Republic’s development. Pursuant to the strategy, the Government shall prioritise its efforts to (i) become one of the upper-middle-income countries through sustainable economic development; (ii) create educational, medical, and social protection systems that fully meet the needs of the people and international standards; (iii) create favourable environmental conditions for the population; (iv) build a just and modern state in service of the people; (v) and guarantee sovereignty and security of the country.

The main tasks of the “Uzbekistan - 2030” Strategy are:

- To ensure the well-being of the population through sustainable economic growth. In particular, a two-fold increase in the economy was determined, bringing the volume of GDP to U.S.\$160 billion and the volume of GDP per capita from the current U.S.\$2,200 to U.S.\$4,000;
- Qualitative improvements of the system of social protection that has been formed by now. Measures will be taken to reduce poverty by 2 times by 2026 and to reduce it to 5% by 2030;

- Reducing the unemployment rate among young people from 14% to 6%. Measures will also be taken to ensure the employment of an additional one million young people by 2030 through the development of industries;
- To support exports with a doubling of its volume to U.S.\$45 billion, which will more than double the export volume achieved in 2022 of U.S.\$19 billion;
- Increasing productivity and profitability in agriculture with the use of modern water-saving technologies. It is expected to increase the level of provision with local vegetables, potatoes and potato seeds from the current 15% to 50%. To prevent losses in water supply, a programme will be developed to introduce a closed system of pipelines. In addition, in the next seven years, it is planned that water supply will cover an additional 1.2 million hectares of land;
- To carry out a number of works in the direction of the integrated development of the territories. In the next seven years, the level of urbanisation is planned to increase from the current 51% to 60%;
- The introduction of new approaches to infrastructure development. It is planned to provide all settlements with complete clean drinking water, as well as to increase the share of electrified railways from 43% in 2022 to 65% by 2030; and
- U.S.\$6 billion to be allocated for the construction and reconstruction of 56,000 km of roads with the participation of the private sector.

The Implementation of Key Performance Indicators and Public Service Reform in Uzbekistan

Uzbekistan has focused on establishing an effective and transparent system of public administration, which safeguards citizens' rights and enhances Uzbekistan's global economic competitiveness. President Mirziyoyev's initiatives have focused on improving the institutional, organisational, and legal framework of executive authorities, as well as establishing an efficient system of professional civil service. These efforts also involve implementing robust mechanisms to combat corruption.

In 2019, an authorised body responsible for the formation and development of the civil service institute, setting requirements for officials, their training, and the selection of candidates for vacant positions, was established under the President. This policy is outlined in the Decree of the President of the Republic Uzbekistan "On measures to fundamentally improve personnel policy and the civil service system in the Republic of Uzbekistan" No. PD-5843 dated 3 October 2019. Additionally, Presidential Resolution No. PR-4472 dated 3 October 2019 approved the regulation on the Agency for the Development of Public Service under the President.

As part of the implementation of the Development Strategy for 2017-2021, the Law of the Republic of Uzbekistan "On Public Service" No. LRU-788 was adopted on 8 August 2022, incorporating practices from Europe, Japan, Singapore, the Republic of Korea and other CIS countries. This law introduces the concept of meritocracy, which is expected to benefit individuals in a competitive job market.

Moreover, the law includes provisions for the development of Key Performance Indicators ("KPI") to evaluate the performance of state employees.

The successful implementation of the state's Development Strategy relies on enhancing management efficiency across all levels of government. To achieve this, the government emphasises the importance of establishing a system of balanced performance indicators for civil servants at khokimiyats, ministries and departments, as well as for individual officials (personal success criteria).

The use of KPIs is expected to serve as a strategic compass, guiding and accelerating improvement efforts within government entities. It will promote synergy and collaboration by aligning performance standards and metrics across different sectors. Furthermore, the adoption of KPIs will not only lead to

qualitative improvements in human resources, but also foster a healthy competitive environment and significantly enhance the transparency and accountability of government activities.

On 14 January 2021, the President issued Resolution No. PR-4951, “On measures to introduce an effective mechanism for determining the state of ensuring the rule of law in the Republic of Uzbekistan”.

This resolution established the creation and administration of a 'Rule of Law Index' to evaluate administrative efficiency Uzbekistan's administrative regions. The 'Rule of Law Index' is measured on the basis of statistical indicators and the results of social surveys conducted in compliance with legislative acts in the regions; ensuring the rights and freedoms of citizens; the state of administration of justice and execution of court decisions; establishing law and order and ensuring security; effective control over the activities of local executive bodies; effectiveness of combating corruption; and transparency of government institutions.

The 'Rule of Law Index' for 2022 was based on a survey conducted among more than 24,000 respondents (including judges, lawyers, journalists and representatives of civil society institutions) and 85,000 statistical surveys from ministries and departments. For 2022, the Surkhandarya region recorded the best index (72 points), while the Samarkand region and Fergana recorded the lowest (each 66 points).

In the context of the directions of the index, it was noted that while the average indicators of regions for compliance with legislation are higher than in other areas, the average indicators for effective control over the activities of local executive authorities are at a much lower level.

Gross Domestic Product

Between 2018 and 2022, the average annual increase of Uzbekistan's GDP in real terms was approximately 5.3%.

In 2022, the GDP in current prices amounted to UZS 888,341.7 billion, a growth in real terms of 5.7% compared with 2021. In the six months ended 30 June 2023, the GDP growth was 5.6% compared with the same period in 2022. In 2022, the index-deflator of GDP, in comparison with the prices in 2021, was 113.8%. GDP per capita amounted to UZS 12,973.4 thousand in the six months ended 30 June 2023 and UZS 24,919.7 thousand in 2022, representing a 3.5% nominal increase as compared to 2021.

The following table sets out information on Uzbekistan's GDP in nominal terms and in real terms for each of the periods indicated:

	Year ended 31 December ⁽²⁾					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
Nominal GDP, total	426,640.9	532,712.5	605,514.9	738,425.2	888,341.7	469,618.9
Real GDP, total	336,143.2	452,160.7	543,343.2	650,343.4	780,285.2	420,466.5
At current prices, soums billion.....	426,641.0	532,712.5	605,514.9	738,425.2	888,341.7	469,619.0
At current prices, U.S.\$ billion...	52.9	60.3	60.2	69.6	80.4	41.2
Real GDP growth, total (%).....	5.5	6.0	2.0	7.4	5.7	5.6
GDP, per capita						
At current prices, soums thousand	12,945.7	15,863.8	17,688.5	21,149.2	24,919.7	12,973.4
At current prices, U.S.\$ thousand	1.6	1.8	1.8	2.0	2.3	1.1
GDP per capita (PPP basis, U.S.\$ thousand).....	7.3	7.7	7.8	8.6	9.5	4.9
Real GDP growth per capita based on PPP, %.....	3.7	4.0	0.1	5.3	3.5	3.4

Source: The Statistics Agency under the President of the Republic of Uzbekistan. Based on average exchange table, see "Exchange Rates" above.

(1) Preliminary estimates.

- (2) GDP was revised for 2010-2021 by the Statistics Agency of Uzbekistan in order to improve the practice of assessing national accounts statistics indicators, including the structural components of GDP in accordance with international standards.

There was a sharp decline in nominal GDP (in U.S. dollar terms) in 2018, mainly due to the devaluation of the official exchange rate of the soum to the then prevailing market levels, which occurred as a result of currency liberalisation reforms. In 2018, the average annual exchange rate was UZS 8,068.9 per U.S. dollar, an average rate of UZS 8,839.0 in 2019, an average rate of 10,055.8 in 2020, an average rate of 10,610.0 in 2021, an average rate of 11,051.2 in 2022 and an average rate of 11,388.7 in the six months ended 30 June 2023.

Despite this continued depreciation, nominal GDP in U.S. dollar terms increased from U.S.\$52.9 billion in 2018 to U.S.\$60.3 billion in 2019, U.S.\$60.2 in 2020, U.S.\$69.6 in 2021 and U.S.\$80.4 in 2022. Nominal GDP in U.S. dollar terms was U.S.\$41.2 billion in the six months ended 30 June 2023. Economic growth during the periods under review was mainly driven by growth across Uzbekistan's main industries. In the six months ended 30 June 2023, the gross value added produced by all sectors of the national economy represented 94.6% of total nominal GDP and grew by 5.5% in real terms. The net taxes on products amounted to 5.4% as a percentage of total nominal GDP and increased by 6.9% in real terms compared to the corresponding period in 2022.

Real GDP growth (in soum terms) was 5.7% in 2022, primarily due to growth in the construction (by 6.6%) and industry (by 5.2%) sectors of the economy.

The following table sets out the breakdown of the public sector and private sector contributions to Uzbekistan's GDP, as percentages of the total GDP for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	(%)					
Public sector	14.9	17.3	17.4	19.0	19.5	22.6
Private sector	85.1	82.7	82.6	81.0	80.5	77.4
Total GDP.....	100	100	100	100	100	100

Source: The Statistics Agency under the President of the Republic of Uzbekistan.

- (1) Preliminary estimates.

The public sector contributed 22.6% of the total GDP in the six months ended 30 June 2023, as compared to 19.5% in 2022 as compared to 19.0% in 2021. The main reason for this increase was the allocation of subsidies from the state budget for energy resources and the increase of wages by 12% in June 2022 and 7% in May 2023.

At the same time, one of the sectors with the lowest share of the state, the share of agriculture in the gross added value was 20.1% in the six months ended 30 June 2023, and this indicator is expected to be around 25% at the end of 2023.

The following table sets out the breakdown of real GDP by sector for each of the periods indicated:

	Year ended 31 December										Six months ended 30 June	
	2018		2019		2020		2021		2022		2023 ⁽¹⁾	
	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)
Real GDP (previous year prices), total	336,143.2	100.0	452,160.7	100.0	543,343.2	100.0	650,343.4	100.0	780,285.2	100.0	419,599.0	100.0
<i>of which:</i>												
Gross Value Added by Industries (excluding net taxes on products)	299,299.7	89.0	404,453.4	89.4	497,334.6	91.5	603,920.9	92.9	728,715.3	93.4	384,615.7	91.7
<i>of which:</i>												
Agriculture, forestry and fisheries	90,981.2	27.1	116,813.0	25.8	133,592.0	24.6	156,445.0	24.1	188,258.0	24.1	78,837.5	18.8
Industry	64,670.2	19.2	98,949.2	21.9	135,350.3	24.9	163,436.9	25.1	196,712.0	25.2	107,946.6	25.7
Construction	17,276.2	5.1	26,978.1	6.0	33,331.9	6.1	39,862.5	6.1	48,573.2	6.2	26,649.5	6.4
Services	126,372.1	37.6	161,713.0	35.8	195,060.4	35.9	244,176.5	37.5	295,172.1	37.8	171,182.0	40.8
<i>of which:</i>												
trade, accommodation and food services	22,499.1	6.7	28,397.6	6.3	32,587.5	6.0	41,631.2	6.4	51,088.2	6.5	29,119.7	6.9

	Year ended 31 December										Six months ended 30 June	
	2018		2019		2020		2021		2022		2023 ⁽¹⁾	
	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)	(soums billion)	Structure in (%)
transportation and storage, information and communication....	26,585.4	7.9	32,073.1	7.1	36,003.5	6.6	45,129.8	6.9	54,985.9	7.0	29,762.3	7.1
other type of services	77,287.6	23.0	101,242.3	22.4	126,469.4	23.3	157,415.5	24.2	189,098.0	24.2	112,300.0	26.8
Net taxes on products.....	36,843.5	11.0	47,707.4	10.6	46,008.7	8.5	46,422.5	7.1	51,569.9	6.6	34,983.4	8.3

Source: The Statistics Agency under the President of the Republic of Uzbekistan

(1) Preliminary estimates.

Principal Sectors of the Economy

Agriculture forestry and fisheries

In the six months ended 30 June 2023, 3,438.7 thousand people, or 25.1% of the employed population, were engaged in the agriculture, forestry and fisheries sectors.

Since its independence from the USSR in 1991, the Republic of Uzbekistan has introduced market principles and changed the forms of ownership in the agricultural sector, which has resulted in the appearance of new farming methods and the development of the agrarian economy.

The main principles of the strategy for the development of agriculture included the shift from cotton monoculture to self-sufficiency in food products, primarily grains. Within this framework, the Government has implemented measures to diversify production, improve conditions for land reclamation, introduce modern, highly effective agricultural technologies and strengthen the material and technical basis of farms. In the six months ended 30 June 2023, the total value of agriculture, forestry and fishing products (services) amounted to UZS 154,467.4 billion, of which the value of farming and livestock breeding, hunting and services in these areas was UZS 149,662.7 billion, the value of forestry was UZS 3,828.1 billion and the value of fish farming was UZS 976.6 billion.

Between 2018 and 2022, the gross value added by agricultural production steadily increased, growing by an average of 2.7% annually.

According to preliminary data, in the six months ended 31 June 2023, 74.5% of the total volume of agricultural production came from dekhkan and subsidiary plots, in comparison to 61.7% in 2022 and 65.5% in 2021. The share of farms in agricultural production was 21.0% in the six months ended 2023, as compared to 31.4% in 2022 and 29.3% in 2021. The share of organisations engaged in agricultural activities was 4.5% in the six months ended 31 June 2023, in comparison to 6.9% in 2022 and 5.2% in 2021.

The table below shows distribution of agricultural production by type of farm in the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
			(%)			
Dekhkan (private) farms ⁽²⁾	26.0	27.9	28.2	29.3	31.4	21.0
Farm enterprises ⁽³⁾	71.2	68.3	67.4	65.5	61.7	74.5
Organisations engaged in agricultural activities ⁽⁴⁾	2.8	3.8	4.4	5.2	6.9	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: The Statistics Agency under the President of the Republic of Uzbekistan

(1) Preliminary estimates.

- (2) Dekhkan farms – farms that grow and sell agricultural products based on the personal labour of members of the dekhkan farm on a plot of land provided to the head of the dekhkan farm on the right of lifelong inheritable ownership or lease (sublease).
- (3) Farm enterprises - business entities engaged in the production of agricultural products and other types of activities not prohibited by law, using land plots provided for lease.
- (4) Organisations engaged in agricultural activities – large agricultural organisations, micro-firms and small enterprises carrying out agricultural activities with the formation of a legal entity, as well as non-agricultural organisations with subsidiary farming.

In 2022, as a result of good weather, timely planting of crops and the liberalisation of grain prices, farms of all types produced 7,990.5 thousand tonnes of grains (an increase of 4.7% as compared to the corresponding period in 2021), 3,443.2 thousand tonnes of potatoes (an increase of 4.8% as compared to the corresponding period in 2021), 11,162.9 thousand tonnes of vegetables (an increase of 2.9% as compared to the corresponding period in 2021) and 1,760.6 thousand tonnes of grapes (an increase of 3.9% as compared to the corresponding period in 2021).

The table below shows the values of agricultural output at farms of all categories for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billion soums)</i>					
Total value of agriculture, forestry and fishing	195,095.6	224,265.9	261,892.2	317,027.6	362,898.0	154,467.4
<i>Of which:</i>						
Crop production and livestock, hunting and provision of services in these areas.....	189,035.1	217,310.9	253,182.3	306,915.1	350,058.3	149,662.7
<i>Of which:</i>						
Agricultural products	187,425.6	216,283.1	250,250.6	303,415.5	345,191.7	148,197.7
<i>Of which:</i>						
crop production.....	98,406.4	111,904.8	123,858.8	152,130.4	177,962.7	58,992.7
livestock production.....	89,019.2	104,378.3	126,391.8	151,285.1	167,229.0	89,205.0
Forestry.....	5,098.6	5,486.4	6,820.8	7,539.6	9,624.7	3,828.1
Fishing and aquaculture	961.9	1,468.6	1,889.1	2,572.9	3,215.0	976.6
Cereals and legumes, total	6,535.5	7,437.8	7,636.0	7,634.6	7,990.5	5,443.4

	Year ended 31 December					Six months
	2018	2019	2020	2021		ended 30 June
						2023 ⁽¹⁾
<i>thousand</i>						
<i>tonnes.....</i>						

Source: The Statistics Agency under the President of the Republic of Uzbekistan.

(1) Preliminary estimates.

According to preliminary estimates, in the six months ended 30 June 2023, the gross value added by agriculture, forestry and fisheries accounted for 20.1% of gross value added by industries in nominal terms.

The increase in the gross value added by agricultural production in nominal terms since 2018, including crop production in 2018 to 2022, is largely due to the devaluation of the soum, which made imported chemical products used in agricultural production and therefore the agricultural products produced, more expensive. The gross value added by agricultural production increased in the six months ended 30 June 2023 by 3.8% compared to the same period of 2022.

Cotton Industry

The cotton industry occupies a central place in the economy of the Republic of Uzbekistan. Income from international market sales is an important source of foreign currency for the state budget of the Republic of Uzbekistan. Due to the large volumes of cotton fibre production, Uzbekistan is a leading participant in the global cotton industry as its cotton fibre is globally competitive.

According to the International Cotton Advisors Committee, Uzbekistan ranked 7th in cotton production globally in 2021/2022. However, the diversification of the export commodity structure in line with the Development Strategy of 2017-2022 and economic reforms has reduced Uzbekistan's dependence on the export of cotton fibres.

In 2022, all categories of farms in Uzbekistan harvested 3.5 million tonnes of raw cotton, an increase of 3.8% compared to 2021.

The key components of the economic shift in the cotton industry were the transition from the planning system to market management mechanisms and the transformation of inefficient producers into farms. The personal interest of landowners and farmers, as well as agro-technical measures carried out at the state level have affected the increase of cotton yields and the profitability of its production.

Industry

The industrial sector of Uzbekistan includes the manufacturing industry, mining and quarrying, the supply of electric power, gas, steam and air conditioning, water supply, sewerage, waste management and remediation activities. The manufacturing industry accounted for over 84% of the industrial sector in the six months ended 30 June 2023.

The table below shows the value of industrial production in each sector and percentage changes in the rates of industrial production for the periods indicated.

Year ended 31 December

	2018			2019			2020		
	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2017</i>	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2018</i>	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2019</i>
Total Industry	235,340.7	100.0	110.8	322,535.8	100.0	105.0	368,740.2	100.0	100.9
<i>of which:</i>									
Manufacturing	189,642.6	80.6	107.9	254,860.9	79.0	106.6	305,928.6	83.0	107.9
Food production	25,256.0	10.7	98.5	35,337.3	11.0	110.9	42,314.9	11.5	108.6
beverages	4,948.9	2.1	111.0	6,402.5	2.0	112.7	7,417.6	2.0	105.7
tobacco	1,490.8	0.6	110.6	1,743.8	0.5	105.4	1,951.2	0.5	99.5
textiles	24,835.2	10.6	107.4	29,946.6	9.3	105.3	36,713.9	10.0	117.4
wearing apparel	7,732.2	3.3	103.3	9,165.8	2.8	108.7	10,402.4	2.8	107.2
articles of leather and related products	1,647.9	0.7	94.6	1,588.8	0.5	78.0	1,616.9	0.4	97.4
repair, installation of machinery and equipment	1,353.1	0.6	94.0	1,385.8	0.4	101.2	1,379.4	0.4	100.9
motor vehicles, trailers and semi-trailers	26,631.3	11.3	168.1	33,091.2	10.3	121.0	33,594.9	9.1	99.4
fabricated metal products, except machinery and equipment	5,093.8	2.2	105.4	5,628.8	1.7	106.7	7,063.3	1.9	118.8

Year ended 31 December

	2018			2019			2020		
	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2017</i>	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2018</i>	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2019</i>
wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	1,600.6	0.7	156.0	1,596.0	0.5	85.3	1,563.8	0.4	88.1
Manufacture of paper and paper products	1,633.5	0.7	104.5	1,942.8	0.6	111.6	2,257.8	0.6	106.4
Manufacture of computer, electronic and optical products	1,040.5	0.4	118.8	2,001.6	0.6	142.8	3,457.7	0.9	172.0
Electrical equipment manufacturing	6,985.3	3.0	139.9	7,373.3	2.3	107.5	8,635.4	2.3	110.1
Manufacture of machinery and equipment n.e.c.	3,504.5	1.5	138.6	4,373.0	1.4	90.7	4,291.3	1.2	94.7
Manufacture of other transport equipment	504.8	0.2	115.4	818.3	0.3	120.7	879.3	0.2	102.5
Furniture manufacture	1,694.9	0.7	107.9	2,299.1	0.7	112.5	2,097.3	0.6	90.2
Other production	1,363.7	0.6	96.4	1,523.3	0.5	109.9	1,699.3	0.5	110.3
printing and reproduction of recorded media	1,260.3	0.5	96.2	1,361.9	0.4	98.1	1,081.5	0.3	76.3
coke and refined petroleum	5,589.3	2.4	104.0	9,964.2	3.1	91.8	11,003.3	3.0	98.3

products									
chemical products	15,078.4	6.4	97.2	18,974.3	5.9	102.3	21,213.5	5.8	107.6
rubber and plastics products	5,295.4	2.3	123.5	5,347.8	1.7	92.3	7,017.7	1.9	109.7
pharmaceuticals	1,612.4	0.7	103.3	1,945.8	0.6	108.5	2,543.5	0.7	118.9
Other non-metallic mineral products	12,190.3	5.2	111.6	13,721.8	4.3	104.5	16,287.7	4.4	105.9
Metallurgy	31,299.5	13.3	102.2	57,327.3	17.8	106.7	79,445.1	21.5	107.7
Mining and quarrying	29,087.9	12.4	126.5	43,438.9	13.5	99.4	33,106.9	9.0	78.0
Electricity, gas, steam and air conditioning supply	14,518.5	6.2	103.1	22,014.7	6.8	105.1	27,375.3	7.4	106.8
Water supply; sewerage, waste management and remediation activities	2,091.7	0.9	111.3	2,221.2	0.7	102.2	2,329.3	0.6	99.1

	Year ended 31 December						Six months ended 30 June		
	2021			2022			2023 ⁽¹⁾		
	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2020</i>	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2021</i>	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2Q 2022</i>
Total Industry	45,6056.1	100.0	108.8	55,3265.0	100.0	105.3	29,3614.3	100.0	105.6
<i>of which:</i>									
Manufacturing	378,186.4	82.9	108.3	460,491.8	83.2	105.4	246,645.5	84.0	106.3
Food production	48,643.3	10.7	104.2	57,547.3	10.4	106.0	31,446.7	10.7	106.4
beverages	10,135.4	2.2	118.0	16,111.3	2.9	115.7	7,825.6	2.7	112.7
tobacco	2,089.4	0.5	91.4	2,888.9	0.5	124.0	1,359.2	0.5	99.4
textiles	52,372.3	11.5	119.5	62,850.7	11.4	109.9	33,325.4	11.4	105.4
wearing apparel	13,592.8	118.7	118.7	17,264.8	3.1	105.8	9,960.9	3.4	111.8
articles of leather and related products	2,083.9	0.5	103.9	2,220.6	0.4	104.3	1,162.3	0.4	105.8
repair, installation of machinery and equipment	1,885.3	0.4	122.3	2,078.4	0.4	101.4	1,249.5	0.4	117.0
motor vehicles, trailers and semi-trailers	32,167.6	7.1	94.8	51,396.2	9.3	137.8	30,771.1	10.5	104.8
fabricated metal products, except machinery and equipment	11,064.1	2.4	120.5	12,584.3	2.3	102.2	5,823.9	2.0	105.4
wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	2,209.0	0.5	129.2	2,537.0	0.5	104.2	919.9	0.3	88.5
Manufacture of paper and paper products	2,896.2	0.6	115.4	4,275.6	0.8	114.6	2,490.4	0.8	112.2
Manufacture of computer, electronic and optical products	6,232.9	1.4	138.4	6,261.7	1.1	85.8	1,668.2	0.6	83.0
Electrical equipment manufacturing	11,212.0	2.5	93.0	14,388.0	2.6	106.0	7,850.9	2.7	150.4
Manufacture of machinery and equipment n.e.c.	4,353.3	1.0	97.0	5,448.7	1.0	106.0	3,072.6	1.0	107.6

	Year ended 31 December						Six months ended 30 June		
	2021			2022			2023 ⁽¹⁾		
	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2020</i>	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2021</i>	<i>Billion soums</i>	<i>(% of Total Industry)</i>	<i>Change against 2Q 2022</i>
Manufacture of other transport equipment	1,137.6	0.2	108.8	1,520.7	0.3	105.4	736.8	0.3	108.6
Furniture manufacture	3,059.8	0.7	114.0	3,996.7	0.7	101.8	1,439.9	0.5	106.6
Other production	2,049.5	0.4	109.7	2,499.1	0.5	95.5	1,638.4	0.6	121.3
printing and reproduction of recorded media	1,683.2	0.4	127.8	2,627.5	0.5	140.5	858.5	0.3	92.1
coke and refined petroleum products	11,371.5	2.5	71.0	16,095.9	2.9	104.2	11,586.6	3.9	142.1
chemical products	28,080.7	6.2	107.0	33,639.5	6.1	98.1	15,992.4	5.4	98.7
rubber and plastics products	8,463.3	1.9	101.3	9,342.7	1.7	98.8	4,509.4	1.5	109.9
pharmaceuticals	3,903.0	0.9	144.5	3,402.0	0.6	89.9	1,616.2	0.6	82.1
Other non-metallic mineral products	20,714.8	4.5	108.6	22,442.5	4.1	96.8	11,542.9	3.9	109.4
Metallurgy	96,785.5	21.2	108.1	107,071.9	19.4	104.4	57,797.8	19.7	103.2
Mining and quarrying	43,872.2	9.6	110.8	52,093.5	9.4	101.9	26,449.6	9.0	100.2
Electricity, gas, steam and air conditioning supply	30,815.5	6.8	111.8	37,653.7	6.8	113.5	19,158.3	6.5	109.9
Water supply; sewerage, waste management and remediation activities	3,182.0	0.7	85.8	3,026.1	0.5	94.7	1,360.9	0.5	103.6

Source: The Statistics Agency under the President of the Republic of Uzbekistan.

(1) Preliminary estimates.

The gross value added by industry in nominal terms accounted for 24.7%, 27.5%, 26.8%, 27.3%, 26.7% and 26.3% of gross value added by industries in 2018, 2019, 2020, 2021, 2022 and from the six months ended 30 June 2023.

The main factors that contributed to the growth of the total industrial output in the six months ended 30 June 2023 as compared to the same period in 2022 were the increases in the production of the manufacturing industry by approximately 6.3%, increases in electricity, gas, steam and air conditioning supply by 9.9%, textile by 5.4% and metallurgy by 3.2%.

In the six months ended 30 June 2023, the value of production of: tobacco decreased by 0.6%, for articles of leather and related products increased by 5.8%, for wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials decreased by 11.5%, in each case compared to the same period in 2022.

Small business growth also affects industrial development in Uzbekistan. In the industry sector, the share of small business and private entrepreneurship was 26.0% in the six months ended 30 June 2023.

In addition, the Government is in the process of implementing trade liberalisation reforms, which, among other things, provide for the development of an important SOE, JSC “Uzkimyosanoat” (a holding company for the chemical industry), which unites chemical-industrial technoparks (Chirchik and Jizzakh) and four large industrial enterprises (Maxam-Chirchiq JSC, Dekhkanabad potash plant JSC, Kungrad soda plant JV LLC, Ammofos-Maxam JSC), which provide chemical products to the agricultural sector, design and scientific-research institutions, and a transport-forwarding company. The chemical industry development programme for 2017–2021 implemented 15 investment projects. In this regard, in 2018, Uzbekistan began the supply of mineral fertilisers to consumers through commodity exchange trading.

Of these 43 projects, 15 projects (U.S.\$2 billion) have been completed as of August 2023. In addition, the Decree of the President of the Republic of Uzbekistan dated 13 February 2021, No. PR-4992 “On further reform and financial rehabilitation of enterprises of the chemical industry, the development of production of high value-added chemicals” was revised to a total of U.S.\$1.176 billion, of which U.S.\$700 million has been financed by foreign direct investment and loans. Between 2021 and 2025, the Government plans to implement 16 new investment projects aimed at diversifying production in chemical enterprises and the organisation of production of new types of high value-added chemical products through the efficient use of existing raw materials. The Decree also outlines the long-term priorities for the transformation of the chemical industry and the development of open cooperation programmes for the creation of technological clusters in the chemical and gas-chemical industries.

Mining and quarrying

Non-ferrous metallurgy

The Government of Uzbekistan wishes to see the mining sector make a more fulsome contribution to the economy and public finances, and has identified it as a priority area of focus for reform efforts. To achieve these objectives, the Government has committed to making significant changes to both the structure and governance of both the sector and its main state-owned participants.

The mining sector is one of the Republic of Uzbekistan’s most important and strategic industries, with the country being among the world’s top ten leaders by reserves and resources of some of the most important types of mineral resources, such as gold (5th place as of August 2023), uranium (12th place as of August 2023), copper (8th place as of August 2023), potassium salts (4th place as of August 2023), phosphorites and kaolin.

The Ministry of Mining Industry and Geology of the Republic of Uzbekistan is the regulative government body that provides state policy in the field of the mining industry, geological study and use of mineral resources. Key functions of the ministry are the implementation of mineral development strategy and mining policy, licensing of mineral rights (exploration and mining), introduction of a “one stop shop” principle, provision of geoinformation and geodata management, institutional settings and coordination of subsoil use.

“Almalyk MMC” JSC is the sole copper producer in Uzbekistan, processing 40 million tonnes of ore annually, resulting in the production of 148,500 tonnes of copper cathodes each year. The company has plans to increase its production of cathode copper to 500,000 tonnes, gold to 50 tonnes, and silver to 300 tonnes by 2030. In addition to copper, “Almalyk MMC” also produces refined copper, metallic zinc, molybdenum, lead concentrates, and other related products. As of the financial year 2022, the company reported a revenue of U.S.\$2.9 billion.

“Navoi MMC” JSC (“NMMC”) is a government-owned mining enterprise in Uzbekistan, ranked 5th in gold production globally, generating 1,425 koz. during the first half of 2023. This is a 2.1% increase compared to the same period in 2022. NMMC is responsible for running the Muruntau open pit mine, recognised as one of the world's major gold mining sites in terms of both production and available reserves/resources. As of the financial year 2022, the company reported a revenue of U.S.\$5.1 billion.

“Navoiyuran” SE is a company involved in the development of 18 uranium deposits in Uzbekistan and it is planned to develop four more deposits in the years 2022-2026. “Navoiyuran” SE is a member of the IAEA World Nuclear Association and currently supplies the finished product in the form of uranium oxide to Canada, Japan, Korea and China.

“Uzmetkombinat” JSC is the leading steel producer in Uzbekistan, with an annual steel production exceeding 1 million tonnes. The company has plans to expand its operations by constructing a new cast and rolling complex, which will enable the production of hot rolled steel starting from 2024. This expansion aims to diversify the product mix and is expected to double the annual production to reach 2.2 million tonnes. As of the financial year 2022, “Uzmetkombinat” JSC reported a revenue of U.S.\$794 million.

Reforms in the Mining and quarrying sector

The mining industry in Uzbekistan is currently undergoing significant changes as part of a broader socio-economic reform agenda. On 21 December 2022, the State Committee for Geology and Mineral Resources was reorganised into the Ministry of Mining Industry and Geology through Decree No. PF-269 by the President.

Starting from 1 January 2022, the tax rates for certain types of minerals that are attractive to investors have been adjusted in Uzbekistan. Specifically, for copper and gold, the tax rate has been reduced by 1.4 times, from 10% to 7%. Similarly, the tax rates for zinc and lead have decreased from 10% to 7% and from 8% to 7%, respectively. The tax rate for tungsten has significantly reduced, nearly 4 times, from 10.4% to 2.7%. The tax rate for uranium has been lowered from 10% to 8%, while for iron it has been reduced from 5% to 2%.

Furthermore, land plots that are allocated for geological exploration and/or exploration activities are exempt from land tax. This exemption provides an incentive for companies engaged in these activities.

It is expected that by the end of 2023, a new mining code will be adopted. The mining code will introduce several important provisions, including the implementation of a block system for exploration works based on the principle of “First come, first served”. Additionally, the code will

facilitate the transition to the JORC (Joint Ore Reserves Committee) code, which sets standards for reporting mineral resources and reserves.

The new mining code will also focus on supporting junior mining companies, providing property guarantees, and incorporating environmental, social, and governance (ESG) principles into mining operations. These measures aim to promote responsible and sustainable mining practices in Uzbekistan.

Construction

The gross value added by the construction sector accounted for 5.8%, 6.2%, 6.7%, 6.6%, 6.7% and 6.5% of the gross value added by industries in 2018, 2019, 2020, 2021, 2022 and the six months ended 30 June 2023. In the six months ended 30 June 2023, the total value of construction-assembly works fulfilled was UZS 68.1 billion, representing a 4.8% increase as compared to the corresponding period of 2022. The construction industry has been among the major drivers of Uzbekistan's economic growth over the past ten years. Over the last decade, the country's construction output surged in real terms. Strong growth in the construction industry in Uzbekistan has provided decisive support for domestic production of building materials, particularly in terms of cement.

The growth of large construction organisations has facilitated the construction of major investment projects, including, but not limited to:

- construction of 21 new metro stations (two new stations of the Yunusabad line, five new stations of Sergeli line and 14 new stations of the Elevated Circle line);
- construction of a number of business centres, including Tashkent City, Olmazor City, Yunusobod Business City, Mirzo-Ulugbek Business City;
- construction of a plant "Uzbekistan GTL" that produces synthetic liquid fuel in Kashkadarya region using gas-to-liquids ("GTL") technology;
- construction of facility on propane-butane mixture at Shortanneftegaz; and
- construction of the first three-level transport interchange in Tashkent.

According to preliminary data, as of 1 August 2023, 34.3 thousand enterprises and organisations were involved in the construction sector, a decrease of 24.8% as compared to the corresponding date as of 2022. The number of small enterprises in the construction sector have also decreased by 25.1%. In the construction sector, the share of small business and private entrepreneurship was 77.1% in the six months ended 30 June 2023.

A significant part of the construction work in January to July 2023 consisted of construction of new buildings and structures. Thus, 69.1% of the total volume of construction work, or UZS 55.6 billion were allocated for the creation of new production facilities in the economy, housing and other social facilities.

Uzbekistan's authorities are determined to continue to provide financial, infrastructure and legal incentives to investors willing to set up new plants to produce materials previously not manufactured in the country. In recent years, new production units capable of supplying over 30 new building materials not previously manufactured in Uzbekistan have been activated across the country, including dry-building mixtures, plasterboard, bitumen membrane and ceramic sanitary ware.

Services

The gross value added by the services sector accounted for 39.8%, 39.6%, 39.7%, 39.6%, 41.5% and 47.1% of total gross value added by industries in 2018, 2019, 2020, 2021, 2022 and in the six months

ended 30 June 2023, respectively. The total value of market services in the six months ended 30 June 2023 amounted to UZS 212,840.6 billion, representing an increase of 12.3% as compared to the corresponding period of 2022. As at 30 June 2023, approximately 270,500,000 small businesses were involved in the services sector, a decrease of 11.4% as compared to the corresponding period of 2022. The creation of new enterprises and organisations, as well as the use of innovative technologies and the expansion of the range of services provided by existing enterprises and organisations, has contributed to the increase of jobs and the improvement of the well-being of the population. The table below sets out the production of market services by types of economic activity in the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billion soums)</i>					
Services total (including net taxes)	150,889.8	193,697.8	219,978.5	284,388.1	366,891.0	212,840.6
<i>Of which:</i>						
Communication and information...	10,332.6	10,891.7	13,852.3	17,755.1	24,508.1	14,373.1
Financial services	21,296.3	34,036.6	45,783.0	59,733.3	80,849.1	50,014.4
Transport services	44,159.4	54,473.5	53,66.9	67,238.6	83,985.6	49,141.6
Accommodation and food service services	4,673.3	5,933.6	5,431.7	8,375.4	13,115.6	7,845.4
Trade services	39,743.4	48,748.2	57,572.7	72,483.2	89,816.2	50,023.6
Real estate services	4,949.2	5,950.7	6,016.9	8,081.1	9,581.7	5,337.5
Education services	5,416.5	7,164.9	8,539.4	12,102.6	15,858.4	9,107.4
Public health services	2,220.0	3,104.3	3,386.7	5,105.9	6,613.1	3,829.3
Renting and leasing services ...	3,297.4	3,733.5	4,149.0	5,351.0	6,471.7	3,307.0
Computer and household goods repair services	2,630.7	3,200.1	3,347.8	4,680.5	5,707.3	3,156.4
Personal	3,700.6	4,575.6	5,032.2	6,764.1	8,670.8	5,043.0

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
services						
Architectural and engineering activities, technical testing and analysis.....	2,953.6	4,543.1	4,907.5	6,306.8	7,284.2	3,428.4
Other service activities.....	5,516.8	7,342.0	8,296.4	10,410.5	14,429.2	8,233.5

Source: The Statistics Agency under the President of the Republic of Uzbekistan.

(1) Preliminary estimates.

In the six months ended 30 June 2023, as compared to the same period in 2022, the highest growth rates were achieved for educational services (119.5%), financial services (122.7%) and communication and information services (122.9%).

As a proportion of the total services sector in the six months ended 30 June 2023, the largest shares are those of trade services (23.5%), transport services (23.1%), financial services (23.5%) and communication and information services (6.8%). New construction of buildings and structures, industrial zones, expansion of the trading network and development of tourism activities contribute to the increase in demand for transport services and development of logistics infrastructure.

In the six months ended 30 June 2023, the share of those engaged in the services sector reached 46.8% of the total number of operating small businesses.

Transport

Currently, the Republic of Uzbekistan utilises all modern modes of transport except for seaborne transport. Uzbekistan has a network of railways, highways and international airports, and air routes that cross the territory of the state, as well as meet its international and transit traffic requirements. Uzbekistan's modern transport system is an important factor for the development of foreign economic relations and integration with other states.

According to the project of the strategy for the development of the roads of the Republic of Uzbekistan for 2020-2030, the Government plans to build and reconstruct 3,000 km of roads during the period of 2020-2030. In particular, the following reconstruction projects are planned: the reconstruction of the "Guzar-Bukhara-Nukus-Beyneu" road (with total budgeted capital expenditures of UZS 435.0 billion); the reconstruction of the "Samarkand-Bukhara-Turkmenbashi" highway (with total budgeted capital expenditures of UZS 139.8 billion) and the transfer of the four-lane highway at the "Guzar-Bukhara-Nukus-Beyneu" road project (with total budgeted capital expenditures of UZS 74.5 billion).

In addition, 64,053 km of roads and bridges, overpasses and interchanges will be constructed and reconstructed by allocating UZS 27.7 billion from the Republican Budget (as defined below at *Public Finance*).

Uzbekistan also plans to implement 25 projects with financing provided by international financial organisations. Within the scope of these projects, the Government has planned the following projects for the period of 2021-2030, to develop the region’s road and transport infrastructure to improve both the domestic transport network and international transport corridors:

- the construction and reconstruction of approximately 2,137.0 km of public roads of international importance, including highways as part of international transport corridors;
- the construction of Tashkent-Samarkand (305 km) and Tashkent-Andijan (340 km) toll roads;
- the construction and reconstruction of the “Navoi-Kukdala-Guzar” route, as an alternative direction to the existing route “Navoi-Bukhara-Karshi-Guzar”;
- the phased creation of a number of new international and interregional road routes, including: Navoi-Zarafshan-Uchkuduk-Kyzylorda, Djizak-Nurata-Tuprakkala and to Urgench and Nukus;
- the overhaul and reconstruction of about 1,788.7 thousand km of state roads of local significance with the transfer from black to asphalt concrete pavement; and
- the construction of about 32 km length of the “Tashkent-Nurafshon” express road.

Special attention will be paid to the further development of regional and local roads in order to increase the transit flow of vehicles.

During the six months ended 30 June 2023, 685.9 million tonnes of freight were transported through Uzbekistan’s transport system, an increase of 1.2% as compared to the corresponding period in 2022. During the six months ended 30 June 2023, the freight turnover amounted to 36.3 billion tonnes per km, an increase of 0.1% as compared to the corresponding period in 2022.

The table below shows freight and cargo turnover by type of transport in the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
Transported by freight	1,243.0	1,319.8	1,366.7	1,420.2	1,420.9	685.9
Railway, <i>million tonnes</i>	68.4	70.1	70.6	72.0	73.4	36.3
Automobile, <i>million tonnes</i>	1,102.2	1,177.7	1,238.2	1,282.0	1,284.1	619.3
Pipeline, <i>million tonnes</i>	72.4	72.0	57.9	66.2	63.5	30.3
Air, <i>thousand tonnes</i>	13.1	10.4	5.3	9.1	10.2	5.7

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
Freight turnover of transport.....	71.3	72.6	66.9	74.8	75.5	36.3
Railway, <i>billion tonnes/km.....</i>	22.9	23.4	23.6	24.6	25.0	12.6
Automotive, <i>billion tonnes/km.....</i>	14.6	15.9	16.2	19.1	20.5	9.7
Pipeline, <i>billion tonnes/km.....</i>	33.6	33.2	26.8	30.8	29.7	13.9
Air, <i>thousand tonnes/km.....</i>	123.5	119.0	219.0	303.5	322.8	117.9

Source: The Statistics Agency under the President of the Republic of Uzbekistan

(1) Preliminary estimates.

During the six months ended 30 June 2023, 90.3% of cargo transportation was carried by automotive transport, while transportation by other modes of transport was 9.7%.

Communication

The volume of communication and information services in the six months ended 30 June 2023 amounted to UZS 14.4 billion (an increase of 22.9% compared to the same period in 2022). In the six months ended 30 June 2023, telecommunication services (wired and mobile communication services, internet network, satellite communication services and others) consisted 57.8% of the total volume of communication and information services.

In the six months ended 30 June 2023, 84.4% of all mobile communication subscribers were individuals, while 15.6% were legal entities.

As of 30 June 2023, 33,225.4 thousand subscribers were provided with mobile communication, of which 28,035.6 thousand were individuals. The provision of the population with mobile communication was 77.4 units per 100 people. As of 30 June 2023, 299 economic entities were licensed to provide internet access services.

Fuel and Energy

Energy is one of the main sectors of Uzbekistan's economy. According to the State Committee of Uzbekistan for Geology and Mineral Resources, in 2020, Uzbekistan was ranked the 13th and 5th in the world in the production of natural gas and uranium, respectively (ranking 3rd and 2nd, respectively, among the CIS countries), and 16th and 12th in natural gas and uranium reserves, respectively.

The reduction in oil production due to depleting oil reserves means that natural gas is currently Uzbekistan’s main source of primary energy production, constituting nearly 91.3% of the total amount of energy produced by Uzbekistan.

At the end of 2022, natural gas production amounted to 51.7 billion cubic metres, 2.9 million tonnes of oil and gas condensate.

In addition to natural gas, Uzbekistan’s energy mix includes oil (3.1% of total energy production on 1 September 2023) coal (7.8%) and electricity by hydropower (9.9%).

Uzbekistan has favourable climatic conditions for the use of renewable energy sources. As of 1 September 2023, the potential capacity of Uzbekistan’s hydroelectric power stations was 2,225 megawatts (“**MW**”) and in 2022, hydroelectric power generation was 6.48-billion-kilowatt hours (“**kW/h**”) (an increase of 1.47 billion kW/h compared to the same period in 2021 due to extensive involvement of the private sector and the population for the production of electricity using natural water flows).

The table below sets out the production of primary fuel-energy resources in the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(thousands of tonnes)</i>					
Oil, including natural gas condensate	2,890.9	2,815.4	2,030.4	2,098.0	2,075.0	999.6
Natural gas, <i>billion m³</i>	61.6	60.5	49.8	53.8	51.7	23.6
Coal	4,174.0	4,055.0	4,132.0	5,056.0	5,356.0	2,492.0
Hydropower, <i>billion KW/h</i>	5.9	6.5	5.0	5.0	6.5	3.3

Source: The Ministry of Energy of the Republic of Uzbekistan

(1) Preliminary estimates.

Uzbekistan also serves as a natural gas transit territory, with pipelines transporting gas from Turkmenistan to China. To facilitate natural gas export from Uzbekistan through the pipeline, the Government has invested in the development of the internal gas pipeline framework, including the Gazli-Kagan and Gazli-Nukus pipelines, connecting distant regions of the country.

Uzbekistan’s total national electricity capacity is 18 gigawatts (“**GW**”) (as of 1 September 2023), of which 85.3% is provided by 17 thermal power plants and 12.3% by 54 hydropower plants. On 31 December 2022, the electricity production capacity was 74.3 billion kW/h. The electricity is transmitted through a 252,000-km network of transmission lines, with a voltage range of 0.4 kilowatts (“**KW**”) to 500 KW. The national electrification rate is 100%, but electrical supply to consumers is

unreliable. There are often blackouts, prompting renovation of the power transmission networks as one of the energy sector priorities. A National Energy Efficiency Strategy has been in place since 2001.

In addition to international initiatives, a campaign led by Khududgaztaminot JSC and Khududiy Elektr Tarmoqlar JSC was launched in 2020 to install natural gas and electricity meters for consumers.

As of 1 January 2023, 3,562.5 thousand meters with the possibility of connecting to the automated system of Natural Gas Control and 7.4 million modern electronic meters with the possibility of connection to the automated system of Electricity Control were installed.

The table below shows the electric energy, production, consumption and exports for the indicated periods:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billion kW/h, besides the percentage)</i>					
Domestic production.....	62.8	63.6	66.4	71.3	74.3	79.4
Domestic consumption	62.8	65.0	69.0	68.6	71.6	77.3
% of total production.....	100.0	102.3	103.9	96.2	96.4	97.4
Exports from Uzbekistan (including transit)	2.6	2.1	2.7	2.7	2.7	2.1
Import from other countries	2.2	3.4	5.2	6.2	4.8	5.6

Source: The Ministry of Energy of the Republic of Uzbekistan

(1) Preliminary estimates.

The Ministry of Energy and the IFC conducted a competitive selection of potential companies for the implementation of a pilot investment project of a solar photovoltaic station with a capacity of 100 MW on the basis of PPP and “Abu Dhabi Future Energy Company - Masdar” (UAE) was recognised as the winner with the lowest tariff of 2.679 US cents per kW/h.

Nuclear Power

On 7 September 2018, following the meeting of Intergovernmental Commission for Economic Cooperation in Moscow, the Prime Ministers of Uzbekistan and Russia signed an agreement on the construction of a nuclear power plant in Uzbekistan, which entered into force on 19 October 2018.

The agreement envisages cooperation in designing, constructing, commissioning, operating and decommissioning a nuclear power plant in the territory of Uzbekistan. The plant consists of two power units, each with a power capacity unit up to 1.2 gigawatts, based on a water-cooled power

reactor. Uzbekistan and Russia have also agreed to cooperate in improving Uzbekistan's infrastructure necessary for the construction and operation of the nuclear power plant's power unit.

On 19 October 2018, the President of Russia, Vladimir Putin, and the President of Uzbekistan held a ceremony for construction of the first nuclear power plant in Uzbekistan and for the engineering surveys to select the site for the construction of the nuclear power plant.

The Agency for the Development of Nuclear Energy under the Ministry of Energy of the Republic of Uzbekistan is responsible for implementing the nuclear plant.

On 13 July 2022, a Memorandum of Understanding between Rosenergoatom JSC, Rosatom Technical Academy Independent Non-Profit Organisation for Continuing Professional Education and the Agency for the Development of Nuclear Energy under the Ministry of Energy of the Republic of Uzbekistan was signed.

Any civil liability for nuclear damage that may arise in connection with the implementation of cooperation will be governed by Uzbekistan and Russia in accordance with the Vienna Convention on Civil Liability for Nuclear Damage of 21 May 1963.

Reforms and Projects in the Energy and Fuel Sector

The electricity and oil and gas sectors of the Republic of Uzbekistan are undergoing an important restructuring and reform process. The Government of Uzbekistan is preparing to reform its oil and gas and electricity sectors from a vertical market to a competitive one, so that market players can purchase and sell oil, gas, and electricity at competitive prices.

The Ministry of Energy of the Republic of Uzbekistan was established in 2019, followed by the power, oil, and gas sector reform office in 2020. UzbekEnergo JSC was reorganised into thermal, hydro, transmission and distribution companies in 2019, namely, JSC "Thermal Power Plants", JSC "National Electric Networks of Uzbekistan" and JSC "Regional Electric Networks". Uzbekneftegaz JSC was reorganised into oil and gas production and refining, transportation and distribution companies in 2019.

Other reforms in the power sector include:

- installing smart meters with billing and data centres by August 2021;
- PPP tenders and direct negotiations with independent power producers;
- a new draft law "On Electricity Power" was prepared with the consultation of EBRD and the World Bank;
- a draft of the new Grid Code was prepared with the consultation of the World Bank;
- supervisory control and data acquisition energy management system, which is expected to be operational by 2023-2024;
- the splitting of the transmission and distribution companies into companies owning and operating the physical grid and companies doing business in the electricity trade. The trading companies will be replaced with wholesale market and independent retailers; and
- the Ministry of Energy has published the Concept Note for Ensuring Electricity Supply in 2020-2030.

An independent Electricity Market Regulator will be established and shall receive the authority to regulate and control electricity tariffs by 1 January 2025.

The main objectives of the Electricity Sector Strategy are as follows:

- security of supply through optimal and efficient utilisation of domestic electricity generation resources and capacities;
- transparent and competitive wholesale and retail markets through commercialisation of the sector and investment by foreign investors; and
- availability and affordability of electricity for all consumer categories through prudent regulatory practices.

Further, the Ministry of Energy has announced plans to increase electricity and gas tariffs for the population of Uzbekistan from 1 May 2024. Planned tariff increases for fuel and energy resources for legal entities are currently expected to take effect on 1 October 2023.

Energy Investment Projects

Uzbekistan is currently undertaking a number of investment projects for processing natural gas and the production of petrochemical products, for example, the production of synthetic liquid fuels based on purified methane from Shurtan gas-chemical complex.

The following table gives information about the major on-going fuel and energy projects in Uzbekistan.

Company in charge of a project	Sector	Commercial Operation Date	Investment volume (U.S.\$ million)	Project outline
“ACWA Power” (Saudi Arabia)	Combined cycle power plant	2023	1,200.0	Construction of a combined cycle power plant with a capacity of 1500 MW in the Sirdarya region
“Aksa Energy” (Turkey)	Combined cycle power plant	2021	150.0	Construction of a combined cycle power plant with a capacity of 240 MW in the Tashkent region
«Masdar» (United Arab Emirates)	Solar photovoltaic power plant	2021	110.0	Construction of a solar photovoltaic power plant with a capacity of 100 MW in the Navoi region
«Total Eren» (France)	Solar photovoltaic power plant	2021	100.0	Construction of a solar photovoltaic power plant with a capacity of 100 MW in the Samarkand region
“Aksa Energy” (Turkey)	Combined cycle power plant	2021	150.0	Construction of a combined cycle power plant with a capacity of 230 MW in the Tashkent region
“Aksa Energy” (Turkey)	Combined cycle power plant	2021	150.0	Construction of a combined cycle power plant with a capacity of 270 MW in the Bukhara region

Company in charge of a project	Sector	Commercial Operation Date	Investment volume (U.S.\$ million)	Project outline
Cenergo LLC (Turkey)	Combined cycle power plant	2021	150.0	Construction of a combined cycle power plant with a capacity of 240 MW in the Tashkent region
Odas Energy (Turkey)	Combined cycle power plant	2021	105.0	Construction of a combined cycle power plant with a capacity of 174 MW in the Khorazm region
«Masdar» (United Arab Emirates)	Wind power plant	2024	600.0	Construction of a wind power plant with a capacity of 500 MW in the Navoi region
“ACWA Power” (Saudi Arabia)	Wind power plants	2024	1,300.0	Construction of a wind power plants with the overall capacity of 1000 MW in Bukhara regions
Stone City Energy (Netherlands)	Combined cycle power plant	2024	1,200.0	Construction of combined cycle power plant with a capacity of 1560 MW in Surkhandarya region
IFC SCALING SOLAR 2 (Winner of the tender “Masdar” (United Arab Emirates))	Solar photovoltaic power plants	2023	300.0	Construction of a solar photovoltaic power plants with the overall capacity of 440 MW in Jizzakh and Samarkand regions
IFC CCGT (initiator – by tender)	Combined cycle power plant	2025	1,200.0	Tender for the selection of an investor for the construction of a combined cycle power plant with a capacity of 1 250 – 1 500 MW in the Sirdarya region
EBRD WIND (initiator – by tender)	Wind power plant	2023	120.0	Tender for the selection of an investor for the construction of a wind power plant with a capacity of 100 MW in Karakalpakstan
ADB SOLAR SHERABAD (Winner of the tender “Masdar” (United Arab Emirates))	Solar photovoltaic power plant	2023	260.0	Construction of a solar photovoltaic power plant with a capacity of 457 MW in Surkhandarya region

The CAREC programme, which has been in place for more than 20 years, plays an important role in the development of regional economic cooperation for energy transportation, logistics, trade and others. One of the goals of this organisation is to ensure reliable, uninterrupted, cleaner and more affordable energy supply in Central Asia. Uzbekistan is an important link in the implementation of this task, as a country with a concentration of significant energy resources.

In 2019, the Central Asian countries signed a Joint Declaration on regional cooperation in the field of energy reforms and the creation of a unified electricity market. The operation of the Unified Energy Ring in Central Asia resumed in 2017. Uzbekistan plans to connect Afghanistan to the unified energy ring via the new Surkhan Puli Khumri power transmission line. Currently, the Uzbek section of this power line is being built, which will connect Kabul to the unified energy system of Central Asia. Importantly, it can become an integral part of the Central Asia South Asia Electricity Transmission and Trade Project and contribute to the supply of electricity to Pakistan and other South Asian countries.

Uzbekistan and Tajikistan are discussing joint construction and operation of hydroelectric power stations in the Zarafshan river basin. During the official high-level visit to the Republic of Tajikistan on 10 June 2021, the Agreement between the Government of the Republic of Tajikistan and the Government of the Republic of Uzbekistan on “Organisation of a joint-stock company, construction of two hydroelectric power stations in the Zarafshan River basin and technical -economic evaluation of their use” was signed and the work began. JSC “TAUZ Hydro” has been established for the project implementation and the project-research works have started in the project area.

Regional transit of energy resources, their purchase and sale are expanding. The regional capitals of Central Asian countries are in discussions regarding creation of a Regional Energy Centre that would create conditions for international investors to consider Central Asia as a single promising market for the benefit of all partners.

Currently, Turkmen natural gas is being transmitted through the territory of the Republic of Uzbekistan to the People’s Republic of China under Asia Trans Gas JV LLC. In addition, Kazakh, Uzbek and Kyrgyz Republics have the unified transmission system of electricity. They can transmit the electricity to each other whenever is needed.

Employment, Wages, Pensions and Social Security

Employment

According to preliminary data, labour resources in Uzbekistan amounted to 19,644,000 people, or 55% of the total population, as of the three months ended 31 March 2023. The economically active population was 15,035,200 people, equating to 77% of the total labour force.

The following table sets employment statistics as at the dates indicated:

	As of 31 December					As of 31 March
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
Average annual number of permanent population, <i>thousand people</i>	32,956.1	33,580.4	34,231.7	34,915.1	35,668.6	36,198.6
Labour resources, <i>thousand people</i>	18,829.6	18,949.0	19,158.2	19,334.9	19,494.6	19,644.0
Economically active population, <i>thousand people</i>	14,641.7	14,876.4	14,797.9	14,980.7	15,071.3	15,034.2
Employed, <i>thousand people</i>	13,273.1	13,541.1	13,236.4	13,538.9	13,737.3	13,712.1
Unemployment rate, %	9.3	9.0	10.5	9.6	8.9	8.8

Source: The Statistics Agency under the President of the Republic of Uzbekistan and Ministry of Labour of Employment and Poverty Reduction of the Republic of Uzbekistan

(1) Preliminary estimates.

As of 31 March 2023, the average number of employed people in the economy amounted to 13,712.1 thousand people, an increase of 0.04% as compared to 2022. The private sector accounted for 81.6% of the total employed population in the nine months ended 30 September 2022, as compared to 80.8% in the same period in 2021. In the nine months ended 30 September 2022, the agriculture, forestry and fisheries sector (representing 24.9% of the total employed population), the industrial sector (13.4%), the trade sector (9.9%), the construction sector (11.4%) and the education sector (9.0%) contributed the most to total employment.

As of 31 March 2023, the total number of employed people in the formal sector amounted to 6,298.2 thousand, representing an increase of 2.2% (or 132.8 thousand people) compared to the same period in 2022. The number of people employed in the informal sector (excluding labour migrants working abroad), 5,619.9 thousand people, made up 40.9% of the overall population of employed people as of 31 March 2023.

The unemployment rate among young people aged 16-30 (14.4% as of 2022 year ended) and the unemployment rate among women of all age groups (13.3%) is relatively high.

The following table sets out the distribution of employment by economic activity as at the dates indicated:

	As of 31 December					As of 31 March
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(thousand people)</i>					
Employed, total	13,273.1	13,541.1	13,239.6	13,538.9	1,3706.2	13,712.1
Agriculture, forestry and fisheries.....	3,537.2	3,544.6	3,560.0	3,414.7	3,438.7	3,524.6
Industry.....	1,802.9	1,821.5	1,789.9	1,863.2	1,810.6	1,837.2
Construction	1,205.5	1,324.6	1,267.8	1,350.8	1,314.3	1,332.6
Trade.....	1,401.8	1,436.4	1,364.4	1,535.6	1,525.2	1,571.4
Transportation and storage	645.2	646.1	623.0	654.2	633.1	638.9
Accommodation and food services	301.9	315.3	304.9	341.1	348.8	355.1
Information and communication	62.7	62.2	58.2	70.5	77.3	80.1
Finance and insurance activities.....	73.5	75.8	79.5	70.4	69.6	71.0
Education.....	1,111.7	1,134.4	1,160.0	1,220.5	1,268.7	1,285.3
Health and social services.....	604.0	616.7	652.1	650.8	671.3	704.9

	As of 31 December					As of 31 March
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
Art and recreation	65.6	66.0	68.2	70.2	71.7	72.5
Mortgage operations	66.7	62.4	58.2	63.2	62.2	63.5
Professional, scientific and technical activities	141.5	140.9	144.5	138.0	135.7	136.5
Management activities and assistance services	76.1	95.4	101.4	100.2	108.1	100.5
State management and defence; obligatory social provision	631.7	636.6	644.7	637.3	636.8	644.9
Membership organisations' activity, computers, materials for personal use, repair of household goods and other personal services	1,545.1	1,562.2	1,362.8	1,358.2	1,534.1	1,293.0

Source: The Statistics Agency under the President of the Republic of Uzbekistan

(1) Preliminary estimates.

Unemployment

Unemployment benefits are limited in the Republic of Uzbekistan. The Law of the Republic of Uzbekistan “On Employment of Population” No. LRU-642 (the “Employment Law”) which replaced the old Law No 510-XII was adopted on 20 October 2020. The Employment Law regulates the arrangements and financing of unemployment payments and benefits and sets out the criteria for such entitlements.

Under the Employment Law, all categories of unemployed people are paid unemployment benefits for a period for 26 calendar weeks over a 12-month period, as compared to the old law as of 1 May 1998 where the benefit was paid only to those who had never been employed and were looking for work for the first time for 13 calendar weeks over a 12-month period.

Unemployment benefits are paid in the following amounts:

- to persons deprived of work and employment for the last 12 months – 50% of the person’s average monthly salary at the person’s previous workplace, but not less than the minimum wage (UZS 980,000 per month) and not more than the average salary at the time of calculation of benefits. Under the 1998 law, 35.2% of the minimum wage (UZS 239,124) were paid in small amounts as benefits;
- to persons who have been made redundant and are resuming work after a long break (more than one year) – in the amount of one time the minimum wage (UZS 980,000). Under the 1998 law, persons with specialisation received not less than 35.2% of the minimum wage (UZS 239,124) and non-specialists received 26.5% (UZS 180,022); and

- to persons who have not previously worked and are looking for a job for the first time – in the amount of at least 75% of the minimum wage (UZS 735,000). Under the 1998 law, benefits were paid in the amount of at least 26.5% of the minimum wage (UZS 180,022).

Further to the introduction, and within the scope of, the Employment Law, the Government expects that unemployment benefits will be provided in the amount of UZS 48,865.2 billion.

During the six months ended 30 June 2023, 43,315 people were registered as jobseekers through labour agencies, which is 5,639 less people than at the end of 2022 (48,954 people). This decrease is mainly explained by the implementation of economic reforms in Uzbekistan, the creation of a foundation for the establishment of businesses through training the unemployed population in professions and entrepreneurship, and the formation of sources of family income by providing permanent jobs to the citizens applying for work.

Reforms and Improvements in Labour Practices in Uzbekistan

In February 2018, the ILO published its report on child labour and forced labour during the 2017 cotton harvest in Uzbekistan. The report was based on an analysis of more than 3,000 interviews with cotton pickers among 2.6 million workers across the country. The results of the study suggested that a number of significant changes had been observed in the cotton industry, which were aimed at protecting fundamental labour rights. In addition, the report showed that the majority of the 2.6 million cotton pickers had worked voluntarily. The document also confirmed that the systematic use of child labour in cotton harvesting was no longer observed, but the ILO noted that the situation must be controlled so that children continue to go to school.

In November 2018, the ILO announced its preliminary results of monitoring the cotton harvest in 2018. It found that 93% of the cotton pickers worked in cotton fields voluntarily. The Government has increased the punishment of officials for forced labour. During the cotton harvest, five local officials in 2021 were fined for violations related to forced labour. There were no violations related to forced labour during the cotton harvest in 2022.

In January 2020, the Republic of Uzbekistan became a member of the international association “WorldSkills International” and has started issuing qualification certificates for skills that are recognised worldwide.

In January 2021, Uzbekistan assumed a seat on the United Nations Human Rights Council for the period 2021-2023.

On 28 October 2022, the President signed Law No. LRU-798 “On Approval of the Labour Code of the Republic of Uzbekistan”. In connection therewith, since 1 April 2023, the Labour Code has been effective in the Republic of Uzbekistan in a new edition.

Wages

The following table sets out data on wage levels during the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023⁽¹⁾
	<i>thousands of soums</i>					
Nominal growth of average	25.0	28.0	15.0	20.0	21.0	22.0

annual nominal wage rate

Average monthly nominal wage, <i>thousand soums</i>	1,822.7	2,324.6	2,673.3	3,214.8	3,882.2	4,332.7
Average monthly nominal wage, U.S.\$.....	225.9	263.0	265.8	303.0	351.3	380.5

Source: The Statistics Agency under the President of the Republic of Uzbekistan

(1) Preliminary estimates.

The average monthly wage in Uzbekistan has grown significantly in recent years. In the six months ended 30 June 2023, the average monthly nominal accrued wage was UZS 4,332.7 thousand, representing an increase of 22.0% compared to the corresponding period in 2022.

The following table sets out the average monthly nominal accrued wages of employees by types of economic activity for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>thousands of soums</i>					
Average in the Republic	1,822.7	2,324.6	2,673.3	3,214.8	3,882.2	4,332.7
Industry.....	2,730.0	3,311.3	3,679.2	4,278.3	4,904.1	5,400.7
Construction	2,292.4	2,751.3	3,311.8	3,960.1	4,677.6	5,273.0
Trade.....	1,980.8	2,462.8	2,766.9	3,183.2	3,917.6	4,783.5
Transportation and storage	2,505.0	2,966.0	3,409.8	4,240.7	5,123.8	6,438.7
Accommodation and food services	1,251.5	1,749.2	1,839.5	2,402.9	3,046.1	3,878.4
Information and communication	3,329.6	3,968.8	4,390.5	5,577.2	7,560.8	9,518.6
Finance and insurance ...	3,497.1	4,804.8	6,270.7	8,309.8	10,799.9	12,446.6
Education.....	1,381.5	1,843.0	1,980.3	2,309.0	2,688.3	3,042.8
Healthcare and Social Services.....	1,171.6	1,534.5	1,811.2	2,153.6	2,602.3	2,862.4

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
Art, entrainment and rest	1,669.2	2,046.6	2,262.5	2,744.6	3,096.5	3,630.8
Other activities.....	1,742.0	2,300.6	2,729.6	3,530.1	4,424.1	5,015.9

Source: The Statistics Agency under the President of the Republic of Uzbekistan

(1) Preliminary estimates.

In the six months ended 30 June 2023, the average monthly nominal wage of employees in several sectors was above the total average wage in the country, particularly in the following sectors: finance and insurance – UZS 12,446.6 thousand (187.3% higher than the average salary in the Republic of Uzbekistan), information and communication – UZS 9,518.6 thousand (119.7% higher), industry – UZS 5,400.7 thousand (24.7% higher), transportation and storage – UZS 6,438.7 thousand (48.6% higher) and construction – UZS 5,273.0 thousand (21.7% higher). In the field of education, in addition to healthcare and the provision of social services, there is a low level of average monthly wages, being UZS 3,042.8 thousand and UZS 2,862.4 thousand, respectively.

Tariff System

The wages in Uzbekistan are determined by the tariff system. The tariff applied is dependent on the complexity of the job, working conditions, the natural and climatic conditions and the intensity of labour. The main elements, which form the tariff, include tariff rates and grids, tariff coefficients, tariff qualification directories and surcharges.

The Decree of the President of the Republic of Uzbekistan No. PD-6038 “On Additional Measures for Material Support of the Population in need of help and Social Protection During the Coronavirus Pandemic” dated 30 July 2020 was adopted. While the minimum payments for pensions and disability have increased, the base calculated quantity remained unchanged, as established by the Decree of the President of the Republic of Uzbekistan No. PD-5765 dated 12 July 2019:

- Minimum labour remuneration – UZS 822,000.0; and
- Base calculated quantity – UZS 223,000.0.

According to the Presidential Resolution No. PR-4938 “On measures to ensure the enforcement of the Law of the Republic of Uzbekistan “On the State budget of the Republic of Uzbekistan for 2021”” dated 31 December 2020, from 1 February 2021:

- Minimum labour remuneration – UZS 747,300.0; and
- Base calculated quantity – UZS 245,000.0.

According to the Decree of the President of the Republic of Uzbekistan No.6279 dated 17 August 2021, from 1 September 2021:

- Minimum labour remuneration – UZS 822,000.0; and

- Base calculated quantity – UZS 270,000.0.

According to Decree of the President of the Republic of Uzbekistan No.138 dated 20 May 2022, from 1 June 2022:

- Minimum labour remuneration – UZS 920,000.0; and
- Base calculated quantity – UZS 300,000.0.

According to Decree of the President of the Republic of Uzbekistan No.48 dated 28 March 2023, from 1 May 2023:

- Minimum labour remuneration – UZS 980,000.0; and
- Base calculated quantity – UZS 330,000.0.

The use of the Single Tariff System for labour remuneration is mandatory for all institutions and organisations financed by the budget. Other enterprises, organisations and institutions (including foreign companies and multinational corporations) are recommended to establish the tariff-qualifying category of workers based on the UTS. Moreover, private enterprises and organisations that use the UTS as a basis for labour remuneration are entitled to set increased UTS tariff coefficients depending on their financial capabilities and business results. When applying a tariff-free system, the size of the employee's salary always depends on the final results of the unit or enterprise as a whole, according to which the total salary fund is determined, including the fund on the tariff-free system.

Social Protection and Assistance

In 2017, Uzbekistan embarked on an ambitious economic modernisation programme aiming at high rates of economic growth. The government reform programme includes five priority areas, one of which is the strengthening of the social protection (“**SP**”) system.

The main objectives of the social policy in Uzbekistan are to increase the level and quality of life of the population, create conditions for better satisfaction of material and spiritual needs for all social groups through stimulating the labour and economic activity of citizens, strengthening social justice, improving the mechanism of social guarantees and social protection. The main directions of state social policy of Uzbekistan in the period of economic transition to market relations are:

- the regulation of household income;
- social protection of the population and provision of social guarantees;
- solving employment problems;
- investment in human capital;
- promotion of sustainable development;
- the elimination of environmentally hazardous industries;
- the reorganisation of financing of health care, education and culture; and
- the improvement of the demographic situation in the Republic, including life expectancy and population growth.

The main strategic goals of the state in the social field are aimed primarily at:

- improving the quality of life of the population and the wellbeing of the family of each individual person;
- creating the necessary conditions for the self-expression of each person and the fulfilment of his/her capabilities and talents;
- strengthening the social protection of families in need of state support;
- ensuring reliable sources of protection of motherhood and childhood, the harmonious development of the younger generation; and
- increased care for the older generation and retirees.

Beginning in 2019, Uzbekistan introduced an information system known as the 'Single Registry of Social Protection' (the “**SRSP**”) to simplify its state social protection system and enhance operational transparency through automation of the benefits assignment and payment procedures. The pilot project of the SRSP was successfully rolled out in the Syrdarya region in 2019. Encouraged by the pilot project, the Government deployed the SRSP across all 14 regions in Uzbekistan by the end of 2020.

COVID-19 and the Anti-Crisis Fund

In 2020, the Government set up the Anti-Crisis Fund to mitigate the adverse economic effects of the COVID-19 pandemic. The Government prepared lists of socially vulnerable and low-income families in order to prioritise such families for pandemic-related social assistance. The Government used the Anti-Crisis Fund to allocate UZS 300 billion to the Public Works Fund, UZS 224 billion to the Employment Promotion Fund, UZS 117 billion to the pension fund under the Ministry of Economy and Finance and UZS 100 billion by way of disbursements to women for purchasing groceries, medicines, house repair services, down-payments for home purchases and in employment assistance for women in need.

Additionally, the Ministry of Economy and Finance provided a one-time benefit to low-income families in the aggregate amount of UZS 224 billion (UZS 220,000 per family), a one-time financial assistance during the Kurban Eid in the aggregate amount of UZS 154 billion and a one-time benefit to children in need in the aggregate amount of UZS 423 billion.

National Policy for Social Protection

Uzbekistan is developing a National Strategy for Social Protection 2021-2030 (the “**NSSP**”) which aims to create a long-term policy in social protection. The NSSP will include measures such as the introduction of a social insurance system and a system for the provision of benefits to the unemployed population in the following areas:

- State Social Assistance – by developing a clear and unified criteria for defining socially vulnerable and low-income groups and preparing a unified database;
- State Social Services - by revising the criteria for defining disabled individuals and providing rehabilitative therapy;
- Social Insurance and Pensions – by creating a social insurance fund which will provide insurance coverage for maternity and loss-of-income due to disability events; and
- Labour market reform – by introducing a system for the provision of grants, benefits and other payments for the unemployed population in Uzbekistan.

Pension system and pension reforms

In recent years, fundamental reforms have been carried out in the pension system of Uzbekistan. In 2005, a funded pension system was introduced to create conditions for improving the wellbeing of the retired population.

The Law of the Republic of Uzbekistan “On State Pension Benefits of Citizens” dated 3 September 1993 determines the manner in which citizens in Uzbekistan are entitled to a state pension provision. From 1 January 2010, the Pension Fund under the Ministry of Economy and Finance of the Republic of Uzbekistan carries out the assignment, recalculation, financing, accounting and monitoring of the payment of pensions and benefits.

Pension security for citizens of Uzbekistan living outside its borders is made on the basis of interstate agreements (contracts). Foreign citizens and stateless people permanently residing in the Republic of Uzbekistan have an equal right to pensions as citizens of the Republic of Uzbekistan, unless otherwise provided by interstate agreements (treaties). Citizens who do not have work experience and their families are not entitled to state pensions under this law. The Cabinet of Ministers of the Republic of Uzbekistan determines the order of their social security.

In order to improve the pension system of citizens, increase the level of provision for pensioners, as well as achieve a balanced pension system, the Pension Fund under the Ministry of Economy and Finance of the Republic of Uzbekistan has developed draft reforms to the state pension system. As of 1 August 2023, the pension system covered more than 3,867,005 citizens, approximately 10.6% of the country’s population. 3,204,775 people receive pensions on retirement age, while 430,173 people receive disability payments and 232,057 families receive survivor benefits.

There is a risk of imbalance in the income and expenses of the Pension Fund, which is expected to be subsidised from the state budget. In 2020, the Pension Fund recorded a deficit of 1.0% of GDP as a result of on-going tax and general market reforms.

The average retirement age in Uzbekistan is 57.5 years (55 for women and 60 for men) while the global average retirement age is 62 years. Uzbekistan has the lowest retirement age in the CIS and in the world.

Currently, a person who has been in employment for at least seven years and who has made a minimum contribution to the Pension Fund system is granted a pension proportional to existing work experience. The average duration of employment (that gives the right to a pension) among CIS countries is 10-15 years.

Poverty Assessment

Poverty reduction in Uzbekistan became a matter of public policy in 2020. The President set a number of tasks, such as the introduction of effective tools for poverty reduction, the development of criteria and methods of calculating the poverty line, as well as a long-term strategy for poverty reduction, based on successful international experience.

The Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan was established on 26 March 2020 to reduce poverty and ensure economic reforms in the country to improve the living standards of the population in Uzbekistan. In addition, a vertical system for poverty reduction at the district and city levels has been introduced.

The Ministry of Economic Development and Poverty Reduction introduced methodology for determining the amount of basic consumption expenditures as an alternative method of calculating the poverty line and the subsistence minimum, to reduce poverty in the country. In 2021, the limit of minimum consumption expenditure was set at UZS 440,000 and in 2022, this figure was increased to UZS 498,000. Further, the poverty rate fell from 17% in 2021 to 14% in 2022.

According to the Decree of the President of the Republic of Uzbekistan dated 21 December 2022, No. PD-269 “On Measures for the Implementation of Administrative Reforms of New Uzbekistan”, the Ministry of Employment and Poverty Reduction was established. Decree of the President of the Republic of Uzbekistan dated 25 January 2023, No. PD-14 specifies that newly established ministries are the legal successors of the ministries liquidated or reorganised.

In order to ensure transparency, efficiency and targeting of the process of social protection and poverty reduction, the “Single Register of Social Protection” information system was developed.

From 2021 to 2023, social benefits amounted to UZS 25.6 trillion.

The calculation methodology for “Living subsistence and Minimum consumer basket, developed by the Ministry of Employment and Poverty Reduction” has been developed in consultation with the UNDP, the World Bank and the ADB, as well as local experts.

In Uzbekistan, systematic work is underway to implement a poverty reduction model. In particular, according to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 544 dated 27 August 2021, “On the implementation of the procedure for calculating the value of minimum consumption expenses”, the indicator of minimum consumer expenses is used as a criterion (or threshold) for poverty. Since 2022, the criterion of average per capita income per month, used when recognising a family as low-income through the information system “Unified Register of Social Protection”, is equal to minimum consumer expenses.

Uzbekistan has developed a National Strategy for Social Protection 2021-2030 which aims to create a long-term policy relating to social protection. This long-term policy includes measures such as the introduction of a social insurance system and a system for the provision of benefits to the unemployed population.

In addition, according to the Decree of the President of the Republic of Uzbekistan dated 25 July 2022, “On approval of the strategy of social protection of the population of the Republic of Uzbekistan” No. PD-175, indicators of efficiency of the strategy of social protection of the population of the Republic of Uzbekistan are being regularly monitored.

One of the goals of the new Development Strategy for 2022-2026 is to reduce poverty by at least half by the end of 2026 (from 17% to 8.5%). In this process, special attention is paid to targeted support of the population, expansion of international cooperation on poverty reduction, and improvement of the institutional base of poverty reduction.

Foreign Investment

Foreign investment into Uzbekistan can be made in various forms, including:

- equity participations in statutory funds and other property of commercial companies and partnerships, banks, insurance organisations and other enterprises established together with legal entities and/or individuals of the Republic of Uzbekistan;
- the creation and development of economic societies and partnerships, banks, insurance organisations and other enterprises fully owned by foreign investors;
- the acquisition of property, shares and other securities, including debt instruments issued by residents of the Republic of Uzbekistan;
- investments in intellectual property rights, including copyrights, patents, trademarks, utility models, industrial designs, trade names and know-how, as well as business reputation (goodwill);

- the acquisition of concessions, including concessions for the exploration, development, extraction or use of natural resources;
- the acquisition of the objects of trade and services, land and any fixtures on the property and the use of land (including on the basis of rent) and natural resources.

There are no restrictions on the form of investment in Uzbekistan. Foreign investors can create enterprises in the territory of Uzbekistan in any legal form permitted by law. Potential foreign investors may make investments in a variety of forms, such as the creation of a joint venture and an enterprise with 100% foreign capital, or the acquisition of part or full package of shares of privatised enterprises.

The following table sets out the amount of foreign investment into Uzbekistan for the periods indicated:

	Year ended 31 December				Six months ended 30 June
	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(U.S.\$ million)</i>				
Total amount of foreign investment and loans.....	12,986.3	10,104.0	11,126.7	11,870.4	7,357.4
IFIs	3,987.87	2,797.9	2,092.8	1,806.1	824.0
Foreign direct investment and loans	8,998.4	7,306.2	9,033.9	10,064.3	6,533.3

Source: Ministry of Investments, Industry and Trade of the Republic of Uzbekistan

(1) Preliminary estimates.

In addition, the Government is further developing the legislative base for foreign investment. On 25 December 2019, the Government adopted the Law of the Republic of Uzbekistan “On Investments and Investment Activities”. The law entered into force on 27 January 2020 with the purpose of improving the fragmented investment legislation, ensuring the unity of the investment space, equality of the legal regime of domestic and foreign investors, freedom of economic activity of investment entities in Uzbekistan and creating conditions for the effective functioning of the investment market of Uzbekistan. The law also secures rights and guarantees of investors, especially guarantees for the free repatriation of income, free conversion of funds and protection against privatisation and nationalisation.

The following table sets out the amount of foreign investment into Uzbekistan for the periods indicated:

	2022	Change against 2021	Six months ended 30 June 2023⁽¹⁾	Change against the same period of 2022
	<i>(U.S.\$ million)</i>	<i>(%)</i>	<i>(U.S.\$ million)</i>	<i>(%)</i>
Foreign investments and loans to fixed assets	10,303.0	108	5,180.0	104.0
<i>including:</i>				
IFIs	1,361.0	80	602.6	112.2
Foreign direct investment and loans	8,943.0	114	4,577.2	103.3
Total volume of foreign investments and loans in U.S. dollar term	11,870.4	107	7,357.4	146
<i>including:</i>				
IFIs	1,806.1	86	824.0	136
Foreign direct investment and loans	10,064.3	111	6,533.3	147

Source: Ministry of Investments, Industry and Trade of the Republic of Uzbekistan

(1) Preliminary estimates.

For the six months ended 30 June 2023, the volume of foreign investments and loans to fixed assets amounted to UZS 58,990.3 billion, an increase of 18.8% as compared to the same period of 2022. For the six months ended 30 June 2023, foreign direct investments and loans to fixed assets accounted for 85.4% of the total volume of disbursed foreign investments and loans to fixed assets, and 7.5% of GDP. The total volume of disbursed foreign investments and loans in dollar terms amounted to U.S.\$7.5 billion, of which U.S.\$6.4 was direct foreign investment and loans, U.S.\$1,095 was other foreign investment and loans.

The following major investment projects were funded by direct and other foreign investments and loans:

- the development of the Kandym group of fields with the construction of a modern gas processing plant, development of the Khauzak and Shady fields, as well as geological exploration at the Kunrad site under the agreement with LUKOIL, which is expected to be implemented in 2004-2046. The total cost of the project is estimated at U.S.\$6.3 billion;
- field development and hydrocarbon production in the territories of the Gissar investments block and Ustyurt region with LUKOIL, which is expected to be implemented in 2007-2042. The total cost of the project is estimated at U.S.\$1.8 billion;
- construction of the GTL Plant for the production of synthetic liquid fuels on the basis of purified methane of Shurtan Gas Chemical Complex with 100% participation of Uzbekneftegaz JSC, which was launched in December 2021. The total cost of the project was U.S.\$2.3 billion;

- supplementary exploration and development of the Mustakillikning 25 yilligi field with the construction of a gas chemical complex in the Surkhandarya region under the agreement with Gas Project Development Central Asia AG and ALTMAX Holding Ltd, which is expected to be implemented in 2017-2052. The total cost of the project is estimated at U.S.\$ 2.9 billion;
- construction of 100 MW solar photovoltaic (PV) plant in Samarkand region on the basis of a public-private partnership with Total Eren, which started operation on 27 August 2021. The total cost of the project is estimated at U.S.\$166 million; and
- construction of a solar photovoltaic (PV) station with a capacity of 100 MW renewable energy in the Navoi region on the basis of a public-private partnership with Masdar, which started operation on 24 May 2022. The total project cost is estimated at U.S.\$111 million.

Obod Qishloq and Obod Makhalla

The ‘Obod qishloq’, or ‘Prosperous Village’ programme, was adopted in accordance with the Presidential Decree No. PD-3630 dated 29 March 2018. The purpose of the programme is to radically renew and alter the appearance of rural settlements in villages, develop the village sights and road transportation infrastructure, build public facilities and enhance engineering communications. Special attention is being paid to improving the supply of drinking water. It is of utmost importance to accelerate the construction and repair of water supply systems, as well as to repair roads, power lines and gas pipelines. Activities relating to construction of educational and medical institutions, trade points, consumer services, and small shops in rural areas are also within the scope of the programme.

The ‘Obod Makhalla’, or ‘Prosperous Neighbourhood’ programme was adopted in accordance with the Decree of the President of the Republic of Uzbekistan No. PD-5467 dated 27 June 2018 and has been implemented, with approximately UZS 12,848.3 having been allocated. The programme’s primary aim is to enhance the living conditions of people by construction and landscaping activities within villages, building roads and developing existing road infrastructure, enhancing engineering communications and constructing public facilities.

In 2022, within the framework of the ‘Obod qishloq’ and ‘Obod Makhalla’ programmes, the following was completed:

- construction and landscaping activities in a total of 413 villages and neighbourhoods;
- the building and repair of 4,708 km internal roads (809 km of cement concrete, 1,520 km of asphalt concrete and 2,379 km of sand and gravel roads);
- construction and repair works in 255 schools, 137 kindergartens, 131 medical centres and two cultural and sports facilities;
- the laying of 3,837.5 km of drinking water networks;
- the building of 427 water structures; and
- 2,992.4 km of power lines and 1,114 transformer points were newly installed and repaired.

Resolution No. 183 of the Cabinet of Ministers of 4 May 2023, “On the approval of the regulation on the procedure for the implementation of the “Obod Qishloq” and “Obod Makhalla” programmes through initiative budgeting processes based on public opinion” was adopted.

The following procedures were established:

- from 2023, the activities financed within the framework of the “Obod Qishloq” and “Obod Makhalla” programmes will be determined by public voting through the "Open Budget" information portal based on public opinion;
- within the framework of the “Obod Qishloq” and “Obod Makhalla” programmes, the process of determining events for 2024 and voting on them through the “Open Budget” information portal based on public opinion – is held annually in November-December; and
- the development of the “Obod Qishloq” and “Obod Makhalla” programmes for 2023 through initiative budgeting processes, the limited amount of funds allocated for a number of projects is set at UZS 8 billion, at least UZS 4 trillion are allocated annually from the State budget to finance the “Obod Qishloq” and “Obod Makhalla” programmes.

Privatisation

Following independence from the USSR, Uzbekistan has transitioned from a fully state-owned economy to an economy where the private sector generated 77.4% of GDP in the six months ended 30 June 2023. According to the methodology of the State Committee of the Republic of Uzbekistan on Statistics, goods and services produced by enterprises with a state share of less than 100% are considered to be goods and services produced by the private sector.

Pursuant to the Presidential Decree No. PD-6096 dated 27 October 2020, five different categories of SOEs shall undergo transformation by the Ministry of Economy and Finance of the Republic of Uzbekistan. The first category comprises 32 companies forming 25% of the total GDP of Uzbekistan, belonging to the metals and mining, oil and gas, energy and other sectors. The Second category comprises 39 companies in the oil and gas, mining, hotel services, food and beverages, transportation and logistics sectors, which are important for the GDP of the Republic of Uzbekistan, but smaller in size than the companies belonging to the first category. These companies could be sold to strategic investors or through an initial public offering. The third category comprises 62 companies in the construction, chemicals, financial and lease services, information technologies, beverages and other sectors, which will be sold by the State Asset Management Agency and regional governors and will not require international consultants. The fourth category comprises smaller companies in the transportation, oil and gas and other sectors. All of the state’s share in the companies belonging to the fourth category will be sold to the private sector via electronic bidding platforms. The fifth category comprises companies in the real estate sector and the properties belonging to these companies will be sold to the private sector.

Between January 2021 and August 2023, the following work was carried out to transform large enterprises with state participation:

- “Road maps” for the transformation of each large state-owned enterprises have been developed and approved by the Cabinet of Ministers.
- Draft budgets of enterprises for 2021 have been developed.
- An action plan was developed and approved for obtaining international corporate credit ratings by enterprises.
- In order to attract qualified international experts to the Supervisory Board, an announcement was posted on the official website of the Ministry of Economy and Finance and on the LinkedIn social network.
- Cooperation with leading foreign consulting companies and international financial institutions has been established at 18 enterprises to coordinate transformation processes, financial

recovery, improve operational efficiency and develop medium and long-term development strategies.

- In order to have direct access to international financial markets, JSC UzAuto Motors (BB-), Uzbekhydroenergo JSC (BB-), Uzagrosugurta JSC (BB-) and JSC Uzbekneftegaz (BB-) received international credit ratings. Uzbektelecom JSC is also expected to receive international credit ratings in 2023.
- In April 2021, UzAuto Motors successfully placed bonds worth U.S.\$300 million in the international capital markets on with a tenor of five years.
- Nine companies prepared financial statements for 2020 based on international standards (IFRS) and are being audited by reputable companies. Relevant consulting and auditing companies are involved in the preparation and audit of financial statements in accordance with international standards (IFRS) at 14 additional large state-owned enterprises.
- Foreign experts were hired by eight companies (including Uzairways, Uzairports, geological companies), proposals of candidates for tenders were announced by 12 companies (Uzbekneftegaz, Uztransgaz, Khududgaztaminot, energy companies, Toshshahartrانشizmat, Uzsuvtaminot, Uzbek Railways), and Uzbekistan Railways' tender proposals are being studied by Deutsche Bank AG and World Bank and Uzbekistan Airways' tender proposals are being studied by Deloitte.
- Presidential Resolutions No. PR-5083 dated 21 April 2021 “On additional measures for active attraction of investments in the sphere of geology, transformation of the industry enterprises and expanding the mineral resources base of the Republic”, No. PD-4992 dated 13 February 2021 “On further reforming and financial recovery of enterprises in the chemical industry and the Resolution of the Cabinet of Ministers No. 170 dated 30 March 2021 “On the organisation of the activities of the state-owned enterprise “Navoiuran”, Joint Stock Company “Navoi Mining And Metallurgical Combinate” and the state-owned institution “Fund of Navoi Mining And Metallurgical Combinate”” were adopted.
- Relevant draft resolutions have been developed to reform the activities of Uzbekneftegaz, Uztransgaz, Uzdonmakhsulot, Uzbekiston Temir Yullari and the national energy system of Uzbekistan.
- The State Tender Commission agreed to privatise the following state assets through a tender auction process:
 - The construction of a newspaper production complex at the intersection of Bukhara and Nuroniylar streets in Tashkent, Mirabad district at a tender purchase price of UZS 78.0 billion;
 - The sale of the “Ichan Qala” hotel complex located at Yusuf Khos Hojib Street, Yakkasaray District, Tashkent at the purchase price of UZS 74.2 billion; and
 - The sale of the former “Central building” located at Sayilgoh Street, Tashkent at the purchase price of UZS 210.0 billion.
- The State Assets Management Agency is working with the winners of the tender auction process to complete the aforementioned transactions.
- The investment company, “UzAssets” under the State Asset Management Agency in accordance with the Decree of the President of the Republic of Uzbekistan “On measures to further accelerate the processes of privatization of state assets” No. PD-6167 dated 11

February 2021, divided 18 enterprises into nine lots in order to organise the process of selling state-owned shares in the authorised capital, the State Assets Management Agency and UzAssets published an announcement on 22 February 2021 in order to receive bids on the nine lots from privatisation consultants. After considering bids from 17 globally and locally recognised organisations, the consulting contracts were awarded to Deloitte (four lots), KPMG (two lots) and Grant Thornton (three lots).

- As of 31 March 2021, 207 state-owned assets (including 81 state-owned shares (shares) and 126 buildings and structures) were put out for sale at an aggregate purchase price of approximately UZS 1.0 trillion, on the condition of investment in the amount of UZS 725.5 billion and the creation of 4,400,000 new jobs.
- As of June 2021, auctions for more than 420 state-owned assets worth UZS 3.1 trillion were organised in open and transparent way.
- On 11 May 2021, a Memorandum of understanding was signed between Lazard Investment Bank and the Ministry of Economy and Finance of the Republic of Uzbekistan. The memorandum provides for assistance in the transformation of state-owned enterprises, public debt management, capital market development, and the acceleration of public-private partnership projects.
- 99.7% of the state-owned share package of "Kokand biochemistry" JSC was sold on 23 January 2023 to First Premium Alliance LLC for UZS 277 billion.
- 100% state share in "First Rubber Engineering Plant" LLC was sold on 20 January 2023 to Russian oil company Tatneft for UZS 843 billion.

As part of the banking reforms, the Republic of Uzbekistan intends to sell the majority of the 10 state-owned banks, keeping only four banks under government control: the National Bank of Uzbekistan (a key bank to finance public projects, large enterprises, exports and retail services), Halk bank, Agrobank (a key bank for funding the agricultural sector) and Mikrocreditbank (a microfinance bank). The remaining banks are planned to be privatised in two stages. In the first stage, the six following banks will be transformed with financial assistance from international financial institutions: Asakabank, Qishloq Qurilish banki, Turonbank, Uzpromstroybank and Alokabank. In the second stage, after successful transformation, state-ownership in those banks is to be sold to strategic investors.

The Decree of the President of the Republic of Uzbekistan No. PD-168 "On additional measures to further reduce state participation in the economy and accelerate privatisation" was adopted on 18 March 2022. According to the Decree, the Ministry of Economy and Finance was instructed to ensure that the following had been implemented:

- by 1 March 2024, a public offering of shares of Qishloq Qurilish Bank JSCB;
- by the end of 2024, putting up for auction state shares in Uzsanoatkurilishbank JSCB and by the end of 2025, putting up for auction state shares in Asakabank JSCB, with the involvement of the International Finance Corporation, the European Bank for Reconstruction and Development and the Asian Development Bank; and
- by 1 January 2025, organising the work for a public offering of shares of the following:
 - Halk Bank JSC (People's Bank);
 - Microcreditbank JSCB;

- Aloqabank JSC;
- Agrobank JSCB; and
- Uzmilliybank JSC (National Bank for Foreign Economic Affairs of the Republic of Uzbekistan).

As of June 2023, Hungarian OTP Bank had purchased 73.7% of Ipoteka Bank's common shares from the Government, with the remaining stake to be acquired within three years. The sale of Ipoteka Bank marks the first major deal under the Government's banking sector reform to privatise all state-owned banks without a policy role by end-2025. Uzbek Industrial and Construction Bank is scheduled to be privatised by the end of 2024. Asaka bank is scheduled to be privatised by the end of 2025.

Under the Decree of the President No. PD-168, the key indicators for 2020-2025 reforms are as follows:

- The total share of private assets in the banking sector is expected to increase from 15% as of 31 December 2020 to 16% in 2025;
- The share of private sector liabilities is expected to increase from 15% as of 31 December 2020 to 60% in 2025;
- The ratio of banks deposit to liabilities is expected to increase from 37% as of 31 December 2020 to 60% in 2025;
- The share of foreign exchange liabilities is expected to decrease from 60% as of 31 December 2020 to 40% in 2025; and
- The total share of assets of non-banking credit organisations will increase from 0.36% as of 31 December 2020 to 4% in 2025.

In accordance with the Law of the Republic of Uzbekistan "On banks and banking activities" No. LRU-580 dated 5 November 2019, in order to reduce the negative impact of the ongoing COVID-19 crisis on the financial condition of the banks and ensure the formation of macroprudential buffers in the banks, payment of dividends to the bank's shareholders is temporarily suspended by the CBU until further notice.

The main goal of privatisation in Uzbekistan is to attract private sector investment for the modernisation, technical and technological re-equipment of privatised enterprises, the production of import-substituting and export-oriented products and the creation of new jobs.

Privatisation in Uzbekistan is based on the following principles:

- all state assets are sold exclusively through open bidding and on a competitive basis;
- the privatisation process is as transparent and simplified as possible;
- all investors, regardless of their jurisdiction, have equal rights and access to information on the realisable objects (entities); and
- the safety of investments made is guaranteed by legislation.

Further to Appendix 1 to the Decree of the President of the Republic of Uzbekistan No. PD-6096 dated 27 October 2020 the Navoi mining and Metallurgical Combinat has been transformed.

According to Appendix 2 of the same decree, corporate governance and financial auditing have been conducted in relation to Almalyk mining and metallurgical complex in order to increase operational efficiency.

Details of certain sales are provided below:

- 60.35% of the state-owned shares of Samarkandkimyo JSC and 39.65% of shares of Uzkiyosanoat JSC were sold to Ferkenesco Management Limited at a “zero” purchase price on the condition of investment in the amount of U.S.\$200 million and creation of 500 new jobs.
- 88.8 % of the state-owned shares of SINO JSC were sold to repay the company’s debt to its creditors at a “zero” purchase price on the condition of an investment of U.S.\$30 million by the end of 2022, which envisages the production of several types of household appliances and LED lamps and the creation of 1,250 jobs.
- As of 31 December 2020, 1,192 state-owned assets (including 187 state-owned shares (shares) and 1,005 buildings and structures) were out for sale at a purchase price of UZS 5.2 trillion, on the condition of investment in the amount of UZS 4.9 trillion and creation of 19,800 new jobs.
- As of 31 December 2020, 791 state assets (including 94 state shares (shares) and 697 buildings and structures) amounting to UZS 1.1 trillion were sold. Assets were sold on the condition of investing UZS 4.9 trillion and creating 15.6 thousand new jobs.
- 99.02% of the state share package of "Fergonazot" JSC - in the value of UZS 1.58 trillion.
- 88.78% of the state-owned share package of "Kvarts" JSC - it was sold to the private sector in the amount of UZS 265 billion.

The following table sets out privatisation results for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
Collected funds, billion soums.....	55.3	464.0	1,099.2	3,700	6,600	6,000

Source: State Assets Management Agency of the Republic of Uzbekistan

(1) Preliminary estimates.

Tax Break Privilege

A new edition of the Tax Code of the Republic of Uzbekistan adopted with the Law of the Republic of Uzbekistan No. 599 “On introduction of changes and additions to the tax code of the Republic of Uzbekistan” dated 30 December 2019 significantly altered the tax environment in the country. Tax benefits and other mandatory payments provided for by acts of tax legislation, including decisions of the President and the Cabinet of Ministers, adopted before 1 January 2020 are valid until their expiration date. From 1 January 2020, only the Tax Code provides for tax benefits. Tax exceptions may include reductions in taxes such as VAT, excise tax and subsoil use tax, which can be provided

by a decision of the President in the amount not more than 50% and for not more than three years. For a separate category of taxpayers, i.e. exporters, foreign diplomatic missions, participants in production sharing agreements, participants in tax monitoring and an accelerated procedure for VAT refunds has been designed. According to this procedure, the recipients will be able to receive refunds within seven days.

In addition, according to the Law of the Republic of Uzbekistan dated 30 December 2022 "On Amendments and Additions to Certain Legislations of the Republic of Uzbekistan in Connection with the Adoption of the Main Directions of Tax and Budget Policy for 2023", the rate of value added tax that was 15% from 1 January 2023 was lowered to 12%.

Generally, categories of taxes were reduced from thirteen to nine. Effective from 1 January 2023, rate for VAT was reduced from 20% to 12% according to the Law of the Republic of Uzbekistan No. LRU-812 dated 30 December 2022. Compulsory contributions to state trust funds were eliminated from 1 January 2019 with the adoption of the new edition of the Tax Code.

The Law of the Republic of Uzbekistan No. LRU-783 "On introduction of amendments to the Tax Code of the Republic of Uzbekistan" dated 12 July 2022 further amended the Tax Code of the Republic of Uzbekistan. Participants of special economic zones have been exempted from payment of corporate income tax for specific periods depending on the amount of their investment.

The Law of the Republic of Uzbekistan No. LRU-785 "On introduction of amendments to some legislative acts of the Republic of Uzbekistan aimed on improvement of tax and customs legislation" was adopted on 26 July 2022, further amending the Tax Code of the Republic of Uzbekistan. Personal Income Tax deduction in the amount of UZS 3 million per month per child was introduced on expenses for education in private schools and/or preschool educational organisations, effective retrospectively from 1 April 2022. Further, the rate of Personal Income Tax on income received by non-resident individuals under employment and civil contracts was reduced to 12% from 1 May 2022, from 20%. For the period from 1 April 2022 to 1 January 2025, there is an exemption from VAT on importation of spare parts for medical equipment and products, in addition to consumables used for medical purposes based on pre-approved list.

Public-Private Partnership ("PPP")

The Government has adopted a number of regulatory legal acts on the organisation of entrepreneurial activity on the terms of a public-private partnership. In particular, in accordance with the Decree of the President of the Republic of Uzbekistan "On additional measures to simplify the sale of state-owned assets and land rights to business entities" No. PD-5552 dated 11 October 2018, the state-owned enterprises in the education, healthcare and sports, cultural and social sectors are to be transferred to business entities solely on the basis of public-private partnership.

In addition, the Resolution of the President of the Republic of Uzbekistan No. PR-3980 dated 20 October 2018 established the Agency for the Development of Public-Private Partnerships under the Ministry of Economy and Finance of the Republic of Uzbekistan. The agency's main duties are (i) participating in the development of sectoral programmes and specific PPP projects; (ii) developing methods for evaluating the effectiveness, implementation and monitoring of PPP projects, (iii) ensuring interagency coordination in the implementation of PPP projects, (iv) publication of the information about PPP projects, (v) interaction with investors, international financial and donor organisations, as well as the scientific and expert community and others on the development of PPP market participants, and (vi) providing comprehensive assistance in protecting the rights and legitimate interests of participants in PPP projects.

On 22 January 2021, the new edition of the Law of the Republic of Uzbekistan "On public-private partnership" No. LRU-660 was adopted and replaced the Law No. ZRU-537 dated 10 May 2019. The Law introduced new procedures on the allocation of land by local municipalities without an auction

and permission to link prices for goods and services sold on the territory of the Republic of Uzbekistan to foreign currencies and conventional units. In addition, the relevant ministries and departments, together with international financial institutions, are working towards improving capacity building of PPP Department to facilitate planning and implementation of PPPs in Uzbekistan.

In 2022, work was carried out on 212 PPP projects, with a total value of more than U.S.\$4.5 billion. Projects have been implemented in the following various spheres: energy (eight projects), healthcare (20 projects), water management (52 projects), ecology (53 projects), education (48 projects), culture (24 projects), employment and labour relations (two) and transport communal services, taxing, craft industry and law enforcement (five).

The Development Strategy for 2022 – 2026 lists 171 potential PPP projects worth approximately U.S.\$14 billion to be implemented in sectors including energy, transport, healthcare, education, ecology, communal services and water management.

Third Party Management

The transfer of state-owned shares to trustee management is governed by a number of current members, including the Resolution of the Cabinet of Ministers No. 215 “On measures to ensure the effective management of state-owned enterprises and the proper accounting of the state property” dated 16 October 2006. In addition, the Regulation on Trust Managers of Investment Assets was approved by the Resolution of the Cabinet of Ministers No. 189 “On measures to improve the corporate governance of privatised companies” dated 19 April 2003.

In accordance with the Presidential Resolution PR-4077 “On measures to accelerate the modernisation process of production facilities, technical equipment and industrial technology” dated 25 December 2018, transfer of shares owned by the state or economic management bodies into trust management by a trustee of investment assets in the prescribed manner is carried out on a competitive basis for a period of up to five years, subject to:

- availability of an appropriate license to carry out professional activities on the securities market in the Republic of Uzbekistan;
- submission by the trustee to the relevant competition commission of a business plan to further improve the efficiency of the enterprise;
- inclusion of state representatives in the supervisory board of enterprises in an amount of at least 40% of the number appointed according to the share transferred to trust management; and
- payment for the services of the trustee in the form of a monthly remuneration to reimburse his administrative expenses and a bonus calculated at the end of the financial year depending on the fulfilment of the parameters of the business plan.

At the same time, if the trustee attracts his own funds in the form of cash, equipment, software products for the implementation of the approved business plan, these funds are subject to reimbursement in the prescribed manner from the enterprise according to reasonable calculations and the conclusion of an independent auditor in accordance with a separate schedule between the trustee manager and the enterprise.

In accordance with the Resolution of the Cabinet of the Ministers “On approval of the strategy for management and reforming of enterprises with state participation for 2021 - 2025” No. 166 dated 29 March 2021 the following actions are being taken:

- Where the main operations of the entities (i) fully match with natural monopoly, (ii) are non-profit, and (iii) are of strategic importance or play important systematic role in the economy of Uzbekistan, the entities (or shares in those entities) will be sold, re-established or ended by 2025 further to legal documents. Until they are sold, such entities will be under trust management; and
- The Law of the Republic of Uzbekistan “On management of state property” No. LRU-821 has been adopted on 9 March 2023, and includes procedures for attributing state assets to trustee management.

Further, the Decree of the Cabinet of Ministers “On measures for ensuring the effective participation of state representatives in the management bodies of state-owned enterprises” No. 373 dated 16 August 2023 (shall enter into force in November 2023) specifies the procedure for the implementation of the activities of state representatives in state-owned companies. Among others, the Decree:

- establishes the requirement for the general meeting of shareholders (participants) of state-owned company to be attended by the authorised representative of the State and voted on the agenda;
- specifies the procedure for agreeing the amount of dividend from the net profit of state-owned companies with Agency on Management of State Assets; and
- sets the procedure and deadlines for submission of notices and documents on issues to be included in the agenda of the general meeting of shareholders (participants) of companies with state participation.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The balance of payments statistics for Uzbekistan are collected and presented by the CBU in accordance with the sixth edition of the IMF Balance of Payments and International Investment Position Manual.

According to preliminary data, during the six months ended 30 June 2023, Uzbekistan's current account amounted to a deficit of U.S.\$3.2 billion (*expected*), as compared to a deficit of U.S.\$637.7 million for the same period in 2022.

The following tables set out Uzbekistan's balance of payments for each of the periods indicated:

	For the year ended 31 December					Six months ended 30 June	
	2018	2019	2020	2021	2022	2022	2023 ⁽¹⁾
	<i>(U.S.\$ million)</i>						
Net investment position.....	22,071.0	19,792.8	20,279.4	16,818.1	18,944.8	17,708.6	16,152.9
Current account (excludes reserves and related items)	(3,593.2)	(3,371.2)	(3,027.9)	(4,895.1)	(618.7)	(637.7)	(3,174.5)
Goods, credit (exports)	11,385.6	13,898.6	12,832.2	14,142.0	17,110.2	8,607.4	9,955.2
Goods, debit (imports)	18,252.4	21,189.9	19,048.3	22,908.7	28,309.2	12,888.6	16,267.1
Balance on goods	(6,866.9)	(7,291.3)	(6,216.1)	(8,766.7)	(11,199.0)	(4,281.2)	(6,311.9)
Services, credit (exports)	2,749.5	3,127.1	1,704.3	2,300.0	4,815.4	1,850.9	2,135.6
Services, debit (imports)	5,191.1	5,397.8	3,589.8	5,027.2	7,301.1	3,305.8	3,518.5
Balance on goods and services	(9,308.4)	(9,562.0)	(8,101.6)	(11,493.9)	(13,684.7)	(5,736.1)	(7,694.8)
Primary income, credit	3,205.2	2,957.2	1,938.9	2,554.0	4,211.3	2,038.8	1,975.7
Primary income, debit	1,697.6	2,221.0	1,778.8	2,194.2	3,308.8	1,292.4	1,876.8
Balance on goods, services, and primary income	(7,800.9)	(8,825.8)	(7,941.5)	(11,134.0)	(12,782.1)	(4,989.8)	(7,595.9)
Secondary income, credit	4,822.9	6,040.3	5,395.9	6,892.3	13,017.7	4,801.9	4,800.3
Secondary income, debit	615.2	585.7	482.3	653.4	854.3	449.9	378.9

	For the year ended 31 December					Six months ended 30 June	
	2018	2019	2020	2021	2022	2022	2023 ⁽¹⁾
Capital account (excludes reserves and related items)	143.0	254.0	25.1	32.2	22.2	9.4	3.4
Capital account, credit	145.6	254.0	25.1	32.2	22.2	9.4	3.4
Capital account, debit	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Balance on current and capital account	(3,450.1)	(3,117.2)	(3,002.7)	(4,862.9)	(596.4)	(628.3)	(3,171.1)
Financial account (excluding reserve assets)	(1,316.8)	(6,468.6)	(5,527.9)	(5,918.6)	(248.9)	(994.2)	(1,231.2)
Direct investment: assets	1.8	3.4	11.3	2.5	4.1	2.7	10.4
Direct investment: liabilities	624.7	2,316.5	1,728.3	2,274.8	2,498.3	880.0	951.7
Portfolio investment: assets	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Equity and investment fund shares	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio investment: liabilities	13.0	1,345.7	1,389.6	2,001.2	27.1	7.7	3.1
Equity and investment fund shares	13.0	29.2	32.5	21.4	25.6	7.3	3.6
Debt securities	0.0	1,316.5	1,357.1	1,979.8	1.5	0.3	(0.5)
Financial derivatives (other than reserves)	1.3	4.3	6.4	12.7	9.9	5.8	1.3
Financial derivatives: assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial derivatives: liabilities	(1.3)	(4.3)	(6.4)	(12.7)	(9.9)	(5.8)	(1.3)
Other investment: assets	1,547.9	2,630.0	5,266.2	4,255.8	11,264.2	3,569.8	1,218.6
Other equity instruments	0.0	0.3	0.3	0.6	0.4	0.0	0.4
Debt instruments	1,547.9	2,626.9	5,265.2	4,255.8	11,263.9	3,569.4	1,218.2

	For the year ended 31 December					Six months ended 30 June	
	2018	2019	2020	2021	2022	2022	2023 ⁽¹⁾
Central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit (taking corporations (except the central bank)	(750.8)	(1,058.2)	620.2	222.9	1,645.7	1,496.5	(1,646.4)
General government	(6.8)	(7.8)	(21.8)	(20.2)	(21.1)	(10.7)	(10.5)
Other sectors	2,305.5	3,695.7	4,667.4	4,052.5	9,639.2	2,083.7	2,875.0
Other financial corporations	0.0	(9.5)	(0.6)	0.0	0.0	0.0	0.0
Nonfinancial corporations, households, and NPISHs	2,305.5	3,705.2	4,668.0	4,052.5	9,639.2	2,083.7	2,875.0
Other investment: liabilities	2,230.1	5,444.0	7,693.9	5,916.5	9,001.7	3,684.8	1,506.9
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	0.2	(0.2)	(0.4)	749.4	4.8	1.1	1.8
Debt instruments	2,229.8	5,444.2	7,694.3	5,164.2	8,996.9	3,683.7	1,505.1
Central bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit (taking corporations (except the central bank)	396.9	1,785.8	2,743.1	1,340.8	3,859.9	2,189.1	444.2
General government	1,839.4	2,842.4	2,919.0	1,404.1	3,134.2	339.1	664.3
Other sectors	(6.4)	816.0	2,032.2	2,419.3	2,002.8	1,155.5	396.6
Other financial corporations	5.4	3.3	1.8	30.8	29.4	23.8	13.9
Nonfinancial corporations, households, and NPISHs	(11.8)	812.7	2,030.4	2,388.5	1,973.4	1,131.7	382.7
Net Errors and Omissions	569.6	(1,944.8)	(1,128.6)	(1,522.2)	(976.6)	(81.0)	(82.3)
Overall Balance	1,563.7	(1,406.6)	(1,396.6)	466.4	1,324.2	(284.9)	2,022.2
Reserves and Related Items	(1,563.7)	1,406.6	1,396.6	(466.4)	(1,324.2)	284.9	(2,022.2)
Reserve assets	(1,563.7)	1,406.6	1,771.4	(466.4)	(1,323.0)	285.2	(2,021.8)
Net credits from the IMF (other than	0.0	0.0	374.8	0.0	1.1	0.2	0.4

	For the year ended 31 December					Six months ended 30 June	
	2018	2019	2020	2021	2022	2022	2023 ⁽¹⁾
reserves)							
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Central Bank of the Republic of Uzbekistan

(1) Preliminary estimates.

(2) The data presented is relevant as of 30 June 2023. Previously published historical series are adjusted when accounting methodology is changed and/or additional data is received. Reports received on transactions between residents and non-residents, information provided by business entities, detected statistical discrepancies and foreign trade data refinement are the sources for an update of previously published series.

Current Account

During the six months ended 30 June 2023, the current account had a deficit of U.S.\$3.2 billion, as compared to a deficit of U.S.\$0.6 billion for the same period in 2022. An increase in the negative trade balance and a decrease in the volume of remittance inflow was the main cause of the current account deficit.

During the six months ended on ended 30 June 2023, foreign trade in goods (including trade of precious metals (gold) and adjustments) amounted to U.S.\$26.2 billion (U.S.\$21.5 billion for the same period of 2022). The volume of exports and imports amounted to U.S.\$10.0 billion and U.S.\$16.3 billion, respectively. Thus, the negative trade balance of goods amounted to U.S.\$6.3 billion.

The deficit in international trade with services decreases by 5% compared to the same period in 2022 and amounted to U.S.\$1.4 billion, mainly due to a higher growth rate of export of services (15%) compared to the import growth rate (6%).

The positive balance of primary income for the six months ended 30 June 2023 was equal to U.S.\$98.9 million (compared to U.S.\$746.4 million in the corresponding period in 2022). A decrease in the balance of primary income is associated with a reduction in the volume of compensation of resident employees as well as a rise in investment income of non-residents.

The positive balance of secondary income amounted to U.S.\$4.4 billion for the six months ended 30 June 2023 (compared to U.S.\$4.3 billion for the corresponding period in 2022). The positive balance remained stable mainly because approximately the same amount of personal transfers were received by residents in the first six months of both 2022 and 2023.

Capital Account

The positive balance of the capital account, for the six months ended 30 June 2023, amounted to U.S.\$3.4 million (as compared to U.S.\$9.4 million for the same period in 2022). A decrease in the balance of the capital account was due to a lower volume of capital transfers received in the first half of 2023 compared to the same period in 2022.

Financial Account and International Investment Position

According to the results for the six months ended 30 June 2023, the negative balance of the financial account amounted to U.S.\$3.2 billion, compared to a deficit of U.S.\$709.3 million in the same period in 2022. The financial account had a deficit of U.S.\$1.6 billion in 2022, a deficit of U.S.\$6.4 billion in 2021, a deficit of U.S.\$4.1 billion in 2020 and a deficit of U.S.\$5.1 billion in 2019.

The below table sets out the international net investment position for the dates indicated according to the CBU based on IMF methodology:

	As at 31 December					Six months ended 30 June	
	2018	2019	2020	2021	2022	2022	2023 ⁽¹⁾
	<i>(U.S.\$ million)</i>						
Net investment position	22,071.0	19,792.8	20,279.4	16,818.1	18,944.8	17,708.6	16,152.9
Assets	49,139.7	54,877.1	65,920.6	70,404.0	82,293.7	74,520.2	81,405.5
Reserve assets	27,081.4	29,172.1	34,904.0	35,139.2	35,767.5	35,155.5	35,437.5
Currency and deposits	18,193.9	19,794.2	22,979.9	26,252.1	35,095.1	29,672.0	35,447.4
Other investments	21,873.9	25,516.9	30,819.0	35,064.6	46,321.7	38,729.4	47,472.9
Liabilities	27,069.6	35,084.3	45,641.2	53,586.0	63,349.0	56,811.6	65,252.6
Loans and credits	16,436.4	22,333.4	29,901.3	33,233.7	37,172.7	32,973.3	38,198.4
Direct investments	8,993.4	9,581.8	10,288.1	11,594.1	13,649.5	12,555.6	14,205.5
Other investments	18,028.0	24,032.3	32,401.5	37,259.9	45,505.4	40,210.5	46,816.7

Source: Central Bank of Uzbekistan

(1) Preliminary estimates.

(2) The data presented is relevant as of 30 June 2023. Previously published historical series are adjusted when accounting methodology is changed and/or additional data is received. Reports received on transactions between residents and non-residents, information provided by business entities, detected statistical discrepancies and foreign trade data refinement are the sources for an update of previously published series.

As at 30 June 2023, the total volume of foreign assets and external liabilities of Uzbekistan amounted to U.S.\$81.4 billion and U.S.\$65.2 billion, respectively. In this regard, the net investment position of the Republic of Uzbekistan decreased by U.S.\$2.8 billion compared to 31 December 2022 and as at 30 June 2023 amounted to U.S.\$16.2 billion. An analysis of Uzbekistan's international investment position by economic shows that the government and other sectors have retained "net creditor" status while the banking sector is "net debtor", as illustrated by the table below.

	Net investment position		
	1 January 2023	1 July 2023 ⁽¹⁾	Change
	<i>(U.S.\$ million)</i>		
General government			
Assets	35,772.8	33,726.3	(2,046.5)
Monetary gold	20,949.7	23,087.1	2,137.4
Special drawing rights	1,111.9	1,056.7	(55.2)
Reserve position in IMF	0.0	0.0	0.0
Currency and deposits	13,077.6	9,576.5	(3,501.1)
Other assets	5.3	6.0	0.7
Liabilities	21,440.4	21,991.6	551.2

Portfolio investments	2,375.0	2,353.0	(22.0)
Loans and credits	18,007.8	18,579.7	571.9
Special drawing rights	1,057.6	1,058.9	1.3
Banking.....			
Assets	4,578.5	2,855.0	(1,723.5)
Direct investments	20.5	19.0	(1.5)
Portfolio investments	1.1	1.1	0.0
Currency and deposits	4,546.9	2,827.3	(1,719.5)
Loans and credits	10.0	7.5	(2.5)
Liabilities	11,830.4	12,567.8	746.4
Direct investments	446.5	764.0	317.6
Portfolio investments	942.3	969.8	27.5
Financial derivatives	2.0	1.0	(0.9)
Currency and deposits	4,622.7	4,462.8	(159.9)
Loans and credits	5,817.0	6,379.1	562.1
Others			
Assets	41,942.4	44,824.2	2,881.7
Direct investments	181.5	190.6	9.1
Portfolio investments	1.4	1.5	0.1
Currency and deposits	30,544.5	32,616.1	2,071.6
Loans	1.1	1.1	-
Trade credits and advances	11,213.9	12,014.8	800.9
Liabilities	30,078.1	30,684.2	606.1
Direct investments	13,203.0	13,441.5	238.4
Portfolio investments	874.8	906.5	31.8
Loans and credits	13,347.4	13,239.6	107.8
Trade credits and advances	1,517.3	1,906.3	389.0
Other accounts payable	1,135.7	1,190.3	54.6

Source: Central Bank of Uzbekistan

- (1) Preliminary estimates.
- (2) The data presented is relevant as of 1 July 2023. Previously published historical series are adjusted when accounting methodology is changed and/or additional data is received. Reports received on transactions between residents and non-residents, information provided by business entities, detected statistical discrepancies and foreign trade data refinement are the sources for an update of previously published series.

As of 1 July 2023, the total assets of the general government sector decreased by U.S.\$2.0 billion compared to 1 January 2023 due to the decrease in currency and deposits in international reserves. As of 1 July 2023, the total liabilities of the general government increased by U.S.\$551.2 million compared to 1 January 2023, mainly due to newly incurred loans.

As of 1 July 2023, the external assets of commercial banks decreased by U.S.\$1.7 billion compared to 1 January 2023 due to a decrease in currency and deposits. As of 1 July 2023, the external liabilities of the banking sector increased by U.S.\$746.4 million compared to 1 January 2023, primarily due to a rise in the volumes of foreign direct investment and external borrowings.

Foreign assets of other sectors as at 1 July 2023 increased by U.S.\$2.9 billion compared to 1 January 2023 to U.S.\$44.8 billion, mainly due to an increase in currency and deposits, and trade credits and advances. During the six months ended 30 June 2023, foreign liabilities of other sectors increased by U.S.\$606.1 million, mainly due to growth in the volume of operations related to foreign direct investment and trade credits and advances and, amounted to U.S.\$ 30.7 billion as of 1 July 2023.

During the six months ended 30 June 2023:

- the net inflow of foreign direct investment amounted to U.S.\$951.7 million, increasing by 8% compared to the same period in 2022;
- the net increase of foreign direct investment's share capital to the country amounted to U.S.\$454.6 million, increasing by 23% compared to the same period in 2022;
- the net decrease of foreign direct investment made under production sharing agreements ("PSA") was equal to U.S.\$163.3 million (U.S.\$369.2 million in the same period in 2022);
- the net increase of liabilities through loans from head companies amounted to U.S.\$274.9 million, decreasing by 44% compared to the same period in 2022; and
- reinvestigation income by foreign investors increased by 12% compared to the corresponding period in 2022, amounting to U.S.\$385.5 million.

Foreign Trade

The strategy for the development of the economy of Uzbekistan aims to create a diversified and competitive economy, the maximum use of national resources with the involvement of innovative technologies and new methods of market management. An important role in this process is played by the development of foreign economic activity as the result of the policy implemented in the country, which directly affects the standard of living of the population.

Uzbekistan ranked 87th of 153 countries in the United Nations Industrial Development Organisation's Competitive Industrial Performance Index 2023.

As of 31 December 2022, the Republic of Uzbekistan maintained trade relations with more than 183 countries globally. The largest volume of foreign trade turnover was recorded with the People's Republic of China (18.1%), the Russian Federation (15.1%), Kazakhstan (7.5%), Türkiye (5.1%), The Republic of Korea (3.6%), Germany (3.2%) and Kyrgyzstan (1.7%).

The Republic of Uzbekistan has achieved significant results in the structure of exports because of an increase in the production of products that replaced imported goods and the diversification of industrial production. In particular, in recent years there have been significant changes in the financial transaction tax with neighbouring states, such as Kazakhstan and Kyrgyzstan. The trade deficit in the six months ended 30 June 2023 amounted to U.S.\$4.9 billion, marking an increase of 4.4% compared to corresponding period in 2022.

Amongst the 20 large partner countries in foreign economic activity for the year ended 31 December 2022, the Republic of Uzbekistan also has an active foreign trade balance with three other countries, in particular with Kyrgyzstan (U.S.\$979.3 million), Turkmenistan (U.S.\$926.3 million) and Afghanistan (U.S.\$750.6 million). The remaining 17 countries maintain a passive balance of foreign trade turnover.

In 2022, Uzbekistan's foreign trade turnover amounted to U.S.\$50 billion, a 19% increase as compared to U.S.\$42.1 billion for 2021. The volume of exports amounted to U.S.\$16.7 billion and that of imports to U.S.\$5.5 billion in 2021, resulting in a balance of foreign trade of a deficit of U.S.\$8.8 billion in 2021.

According to preliminary data for the six months ended 30 June 2023, Uzbekistan's foreign trade turnover amounted to U.S.\$29.2 billion, an increase of 19.4% compared to the same period in 2022, of which exports amounted to U.S.\$12.1 billion, an increase of 23.0% compared to the same period in 2022, and imports amounted to U.S.\$17.0 billion, an increase of 17.0% compared to the same period in 2022. The balance of trade deficit for the six months ended 30 June 2023 amounted to U.S.\$4.9 billion.

The table below sets out a breakdown in external trade turnover for the periods indicated:

	For the year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(U.S.\$ million)</i>					
Foreign trade turnover of goods and services.....	33,429.9	41,751.0	36,256.1	42,170.5	50,061.5	29,170.5
Exports of Goods and Services, commodity-wise.....	13,990.7	17,458.7	15,102.3	16,662.8	19,293.7	12,140.0
Imports of Goods and Services	19,439.2	24,292.3	21,153.8	25,507.7	30,767.8	17,030.5
Balance of Foreign Trade in Goods and Services.....	(5,448.5)	(6,833.6)	(6,051.5)	(8,844.9)	(11,474.1)	(4,890.5)
Balance of Foreign Trade in Goods.....	(6,391.5)	(7,842.6)	(6,835.1)	(9,659.3)	(12,944.4)	10,535.6
Balance of Foreign Trade in Services	943.0	1,009.0	783.6	814.4	1,470.4	1,269.5

Source: Statistics Agency under the President of the Republic of Uzbekistan

(1) Preliminary estimates.

Composition of Trade

The table below sets out a breakdown of exports by industry sector for the periods indicated:

	For the year ended 31 December										Six months ended 30 June	
	2018		2019		2020		2021		2022		2023 ⁽¹⁾	
	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)
Exports of Goods and Services, commodity-wise	13,990.7	100.0	17,458.7	100.0	15,102.3	100.0	16,662.8	100.0	19,293.7	100.0	12,140.0	100.0
Export of Goods (in FOB Prices)	10,920.7	78.1	14,023.8	80.3	13,097.3	86.7	14,081.1	84.5	15,275.9	79.2	9,854.9	81.2
Cotton	222.1	1.6	281.6	1.6	1,46.9	1.0	136.6	0.8	3.5	0.0	0.0	0.0
Chemical Products and articles thereof	905.3	6.5	878.1	5.0	873.2	5.8	1,225.3	7.4	1,426.2	7.4	633.0	5.2
Ferrous Metals	320.3	2.3	302.7	1.7	317.5	2.1	184.6	1.1	215.1	1.1	137.9	1.1
Non-ferrous Metals	851.5	6.1	951.3	5.4	924.4	6.1	1467.0	8.8	1,442.9	7.5	694.9	5.7

	For the year ended 31 December										Six months ended 30 June	
	2018		2019		2020		2021		2022		2023 ⁽¹⁾	
Energy and Oil products	2,666.8	19.1	2,528.9	14.5	659.0	4.4	914.8	5.5	1,215.2	6.3	440.3	3.6
Machines and equipment	212.8	1.5	427.1	2.4	442.0	2.9	702.5	4.2	989.3	5.1	610.1	5.0
Gold	2,909.5	20.8	4,918.3	28.2	5,804.4	38.4	4,109.8	24.7	4,110.3	21.3	4,375.5	36.0
Food products	1,097.8	7.8	1,529.9	8.8	1,443.7	9.6	1,471.8	8.8	1,823.5	9.5	962.6	7.9
Other	1,734.5	12.4	2,206.0	12.6	2,486.2	19.0	3,868.7	23.2	4,049.8	21	2,000.6	16.5
Export of Services	3,070.0	21.9	3,434.8	19.7	2,005.0	13.3	2,581.7	15.5	4,017.8	20.8	2,285.1	18.8

Source: Statistics Agency under the President of the Republic of Uzbekistan (the enhanced General Data Dissemination System)

(1) Preliminary estimates.

Gold is one of Uzbekistan's main export trading commodities. According to GlobalData, Uzbekistan was the world's 12th largest producer of gold in 2022. The share of Uzbekistan's gold exports against total exports amounted to 21.3% in 2022 and 36% in the six months ended 30 June 2023.

During the six months ended 30 June 2023, exports of energy and oil products amounted to U.S.\$0.44 billion, compared to U.S.\$0.55 billion for the corresponding period in 2022, exports of food products amounted to U.S.\$0.96 billion, compared to U.S.\$0.74 billion for the corresponding period in 2022, and exports of services amounted to U.S.\$2.29 billion, compared to U.S.\$1.62 billion for the corresponding period in 2022. Exports of other goods (of which 16.4% were textile products) amounted to approximately U.S.\$9.8 billion during the six months ended 30 June 2023, compared to U.S.\$8.2 billion for the corresponding period in 2022 (there was a 3.3% decrease in the six months ended 30 June 2023 compared to the same period in 2022). The export of food products and live animals in the six months ended 30 June 2023 amounted to U.S.\$871.6 billion, marking an increase of 33.4% when compared to the corresponding period in 2022. The export of non-monetary gold in the six months ended 30 June 2023 amounted to U.S.\$4,375.5 million, marking an increase of 147.3% when compared to the corresponding period in 2022.

The table below sets out a breakdown of imports by industry sector for the periods indicated:

	For the year ended 31 December										Six months ended 30 June	
	2018		2019		2020		2021		2022		2023 ⁽¹⁾	
	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)
Imports of Goods and Services	19,439.2	100.0	24,292.3	100.0	21,153.8	100.0	25,507.7	100.0	30,767.8	100.0	17,030.5	100.0
Imports of Goods (in CIF prices)	17,312.2	89.1	21,866.5	90.0	19,932.4	94.2	23,740.4	93.1	28,220.3	91.7	16,015.0	94.0
Chemical Products and articles thereof	2,527.6	13.0	3,201.7	13.2	3,436.7	16.2	4,259.6	16.7	5,046.5	16.4	2,670.7	15.7
Ferrous Metals	1,579.8	8.1	1,843.4	7.6	1,473.6	7.0	1,986.3	7.8	2,345.0	7.6	1,075.0	6.3
Non-ferrous Metals	193.5	1.0	273.5	1.1	277.7	1.3	328.4	1.3	476.1	1.5	192.2	1.1
Energy and Oil Products	879.5	4.5	940.6	3.9	1,106.9	5.2	1,556.8	6.1	1,795.1	5.8	1,279.5	7.5

	For the year ended 31 December										Six months ended 30 June	
	2018		2019		2020		2021		2022		2023 ⁽¹⁾	
Machines and Equipment	8,366.1	43.0	10,633.4	43.8	8,904.2	42.1	9,454.0	37.1	11,018.4	35.8	7,105.9	41.7
Food Products	1,581.6	8.1	1,885.0	7.8	2,159.6	10.2	2,925.8	11.5	3,953.2	12.8	2,037.1	12.0
Other	2,184.1	11.2	3,088.9	12.7	2,573.7	12.2	3,229.4	12.7	3,586.0	11.7	0.0	0.0
Import of Services	2,127.0	10.9	2,425.9	10.0	1,221.4	5.8	1,767.3	6.9	2,547.5	8.3	1,015.6	6.0

Source: Statistics Agency under the President of the Republic of Uzbekistan

(1) Preliminary estimates.

Import of goods (in CIF prices) constituted the main component of total imports in the six months ended 30 June 2023, accounting for 94% of total imports, while chemical products accounted for 15.7%, and machines and equipment accounted for 41.7%, of total imports in the six months ended 30 June 2023. Uzbekistan predominantly imports machinery and equipment from the People's Republic of China.

In the six months ended 30 June 2023, goods and services from 166 countries were imported to Uzbekistan and the major partner countries were the People's Republic of China, the Russian Federation, Kazakhstan, the Republic of Korea, Germany, Türkiye and Turkmenistan who together accounted for 70.5% (or U.S.\$12.0 billion) of total imports. Imports in the six months ended 30 June 2023 of machinery and equipment amounted to U.S.\$7.1 billion (41.7% of total imports), imports of chemical products and articles thereof amounted to U.S.\$2.6 billion (15.7% of total imports), and imports of ferrous and non-ferrous metals together amounted to U.S.\$1.3 billion (7.4% of total imports).

Direction of Trade

Among the CIS countries, the main export partners of Uzbekistan are the Russian Federation, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan, which collectively accounted for 21.6% of Uzbekistan's total exports in the six months ended 30 June 2023. Collectively, China, Türkiye, Afghanistan, France and the UAE accounted for 35.8% of Uzbekistan's total exports during the six months ended 30 June 2023.

In 2022, exports to Russia amounted to U.S.\$3.1 billion, an increase of 49% compared to 2021, and exports to Kazakhstan amounted to U.S.\$1.4 billion, an increase of 17% compared to 2021.

In 2022, exports to Iran decreased by 21%, exports to Afghanistan increased by 12.4%, exports to Türkiye decreased by 11% and exports to China increased by 19.7%, in each case compared to 2021.

Among the CIS countries, the main import partners of Uzbekistan are Russia, Kazakhstan and Turkmenistan, which collectively accounted for 29.3% of Uzbekistan's total imports in the six months ended 30 June 2023.

In 2022, imports from China amounted to U.S.\$6.4 billion, an increase of 30% compared to 2021, imports from the Republic of Korea amounted to U.S.\$2.3 billion, an increase of 24.5% compared to 2021, imports from Türkiye amounted to U.S.\$1.7 billion, a decrease of 0.01% compared to 2021, imports from Germany amounted to U.S.\$1.1 billion, an increase of 54.3% compared to 2021 and imports from Lithuania amounted to U.S.\$0.4 billion, a decrease of 0.09% compared to 2021.

The tables below provide a geographical breakdown for foreign trade for the periods indicated:

	For the year ended 31 December												Six months ended 30 June	
	2017		2018		2019		2020		2021		2022		2023 ⁽¹⁾	
	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)
Total Export	12,553.7	100.0	13,990.7	100.0	17,458.7	100.0	15,102.3	100.0	16,662.8	100.0	19,293.7	100.0	12,140.0	100.0
CIS countries	4,080.1	32.5	5,003.1	35.8	6,234.0	35.7	4,106.4	27.2	4,559.6	27.4	5,945.8	30.8	2,616.2	21.6
<i>Of which:</i>														
Russian Federation	2,019.2	16.1	2,117.3	15.1	2,531.9	14.5	1,485.8	9.8	2,088.2	12.5	3,099.1	16.1	1,279.7	10.5
Kazakhstan	1,057.6	8.4	1,352.2	9.7	1,393.0	8.0	908.4	6.0	1,178.4	7.1	1,393.1	7.2	699.3	5.8
Kyrgyzstan	178.3	1.4	269.7	1.9	669.6	3.8	760.5	5.0	792.0	4.8	978.4	5.1	349.7	2.9
Tajikistan	186.1	1.5	237.5	1.7	327.6	1.9	405.1	2.7	501.9	3.0	521.0	2.7	287.5	2.4
Non-CIS countries	8,473.6	67.5	8,987.6	64.2	11,224.7	64.3	10,995.8	72.8	12,103.2	72.6	13,363.3	69.3	9,523.8	78.4
<i>Of which:</i>														
China	2,025.5	16.1	2,875.4	20.6	2,528.7	14.5	1,937.1	12.8	2,529.1	15.2	2,511.2	13.0	1,038.3	8.6
Türkiye	877.8	7.0	944.8	6.8	1,217.6	7.0	1,019.0	6.7	1,692.4	10.2	1,512.1	7.8	616.9	5.1
Afghanistan	615.6	4.9	602.5	4.3	617.0	3.5	776.7	5.1	667.5	4.0	750.7	3.9	367.4	3.0
Iran	267.2	2.1	172.9	1.2	219.9	1.3	141.8	0.9	177.1	1.1	139.8	0.7	95.5	0.8
France	148.9	0.0	196.3	0.0	214.7	0.0	89.7	0.6	21.3	0.1	70.8	0.4	195.3	1.6

(1) Preliminary estimates

	For the year ended 31 December												Six months ended 30 June	
	2017		2018		2019		2020		2021		2022		2023 ⁽¹⁾	
UAE	46.0	0.4	67.5	0.5	152.6	0.9	102.7	0.7	55.9	0.3	122.9	0.6	112.8	0.9
Total Import	14,012.4	100.0	19,439.3	100.0	24,292.3	100.0	21,153.8	100.0	25,507.7	100.0	30,767.8	100.0	17,030.5	100.0
CIS countries	5,004.5	35.7	7,141.3	36.7	8,227.8	73.3	7 720.0	36.5	8,088.4	31.8	10,210.2	33.3	5,772.7	33.9
<i>Of which:</i>														
Russian Federation	2,709.5	19.3	3,538.6	18.2	4,137.7	17.0	4,173.8	19.7	5,462.2	21.4	6,230.7	20.3	3,133.2	18.4
Kazakhstan	998.2	7.1	1,567.4	8.1	1,942.0	8.0	2,097.3	9.9	2,742.2	10.8	3,243.5	10.5	1,496.2	8.8
Belarus	155.0	1.1	377.2	1.9	283.9	1.2	219.5	1.0	319.2	1.3	411.6	1.3	228.5	1.3
Tajikistan	51.8	0.4	153.0	0.8	152.9	0.6	88.0	0.4	103.6	0.4	154.5	0.5	66.8	0.4
Non-CIS countries	9,007.9	64.3	12,297.9	63.3	16,064.5	66.1	13,433.8	63.5	17,419.3	68.3	20,459.1	66.5	11,257.8	66.1
<i>Of which:</i>														
China	2,728.7	19.5	3,558.1	18.3	5,108.6	21.0	4,501.2	21.3	4,923.4	19.3	6,427.7	20.9	4,237.8	24.9
The Republic of Korea	1,244.3	8.9	2,050.5	10.5	2,664.8	11.0	2,099.4	9.9	1,841.1	17.2	2,299.8	7.5	1,015.8	6.0
Türkiye	674.7	4.8	1,112.8	5.7	1,326.4	5.5	1,087.3	5.1	1,717.6	6.7	1,738.5	5.6	875.4	5.1
Germany	587.5	4.2	725.0	3.7	927.5	3.8	759.4	3.6	693.5	2.7	1,071.3	3.5	892.3	5.2
Latvia	212.7	1.5	392.4	2.0	328.3	1.4	335.1	1.6	177.5	0.7	175.7	0.6	151.2	0.9

Source: Statistics Agency under the President of the Republic of Uzbekistan, Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Preliminary estimates

There is a difference in the direction of export of goods and services between the CIS countries and other foreign countries. During the six months ended 30 June 2023, Uzbekistan's foreign trade turnover with the CIS countries reached U.S.\$9,630.7 million, of which the volume of exports amounted to U.S.\$3,858.1 million and the volume of imports amounted to U.S.\$5,772.7 million.

During the six months ended 30 June 2023, exports of machinery and transport equipment, various finished products, food products and live animals and beverages and tobacco increased by 58.8%, 24.6%, 33.3% and 36.0% respectively compared to the same period in 2022. However, the exports of non-food raw materials (except fuel), mineral fuels, and lubricating oils and similar materials and animal and vegetable oils, fats and wax have declined by 27%, 21%, and 71% respectively.

Imports to Uzbekistan mainly include machinery and transport equipment, industrial goods, chemicals and similar products, food and live animals, various finished goods, mineral fuels and non-food raw materials.

MONETARY AND FINANCIAL SYSTEM

The Central Bank of the Republic of Uzbekistan

The CBU regulates the banking system for the Republic of Uzbekistan under Article 151 of the Constitution. The Constitution of the Republic of Uzbekistan, the Law of the Republic of Uzbekistan “On the Central Bank of the Republic of Uzbekistan” dated 11 November 2019, and other legislative acts, determine the legal status, powers, principles of organisation and activities of the CBU.

The CBU is a legal entity and is the exclusive property of the state, but carries out financial activities and makes decisions within its authority, independently. The CBU issues banknotes in circulation, acts as a bank, advisor 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. The banking sector makes up 97% of the total financial sector assets. Therefore, it licenses, regulates and supervises banking activities, microcredit organisations and pawn shops, mortgage refinance companies of Uzbekistan and credit bureaus. 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 stability 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 monetary instruments, open market operations and setting reserve requirements, (ii) conducts intermarket communication policy, (iii) ensures the stability and development of the banking and payment systems and (iv) sets foreign currency regulation.

The CBU is prohibited from providing financial assistance and carrying out commercial activities.

Monetary and Exchange Rate Policy

The CBU is responsible for implementing monetary policy, ensuring macroeconomic stability and reducing monetary factors influencing inflation.

In 2018, the CBU created and used 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 prioritised raising the efficiency of monetary policy through minimising the impact of monetary factors on inflation, ensuring price stability, and subjecting liquidity to monetary instruments to reduce inflationary pressure.

The CBU also focused on implementing several measures to ensure the financial stability of the banking system of the country, including through increasing the banks’ resilience to risk, improving assessment of banks’ risks in line with international practices and introducing modern regulation mechanisms for commercial banks including the stress-testing of the banking system based on a “top-down” and “bottom-up” models. The CBU is also implementing a risk-based oversight of the banking industry, as well as stress-testing methods directly with banks.

Starting in June 2018, the CBU made alterations to the policy of mandatory reserve requirements for depositary institutions in order to retrench the dollarisation levels in the banking sector, as well as to increase the attractiveness of the deposits placed in the national currency. Accordingly, the formation of mandatory reserves has been carried out in the national currency regardless of the placement currency, reserve requirements are reduced for deposits in the national currency and relatively high norms are set in terms of deposits placed in foreign currencies.

In accordance with the Decree of the President of the Republic of Uzbekistan No. PD-5877 “On improving the monetary policy through gradual transition to inflation targeting” dated 18 November 2019, Inflation Targeting (“IT”) Roadmap and targets for medium-term inflation were approved and accordingly, the CBU began an active phase of transition to an inflation targeting regime. The intermediate target was to bring down inflation to below 10% in 2021, and permanent target is achieving 5% in 2023. However, due to the unexpected external shocks that occurred in 2022, inflationary pressures increased and the CBU enhanced the target reaching horizon to the second half of 2024.

Implementing the measures under the IT Roadmap, the CBU ran a tight monetary policy during 2019 and the three months ended 31 March 2020 to reduce the effect of monetary factors on the stability of domestic prices and to reduce the inflationary pressure in the economy. However, due to COVID-19 and the global economic crisis, the CBU moderately tempered the tight monetary conditions and decreased the policy rate two times (in April and in September 2020) by 1 percentage point up to 14% annually. The decision was based on a downward revision of inflation forecast and aimed to balance the objectives of decreasing inflation and supporting economic growth, without influencing inflation dynamics. In response to temporary external shocks, the CBU increased the policy rate from 14% to 17% on March 2022, but after the normalisation of conditions it cut the policy rate back to 15% during June-July 2023 and with easing inflationary conditions, to 14% on March 2023.

From 1 January 2020, the CBU introduced policy rate and interest rate corridor. From January 2020, in order to develop the monetary policy instruments and efficient regulation of banking liquidity, the CBU has begun issuing CBU notes. The total volume of CBU note issuance reached UZS 21.5 trillion in August 2022 before decreasing to zero currently due to the significant decline in structural excess liquidity. On 24 February 2020, the CBU introduced short-term liquidity management tools, including (i) two-week REPO and SWAP auctions, overnight REPO and SWAP operations for liquidity provision and (ii) two-week deposit auctions and overnight deposit operations for liquidity absorption. In 2022, the CBU made some changes in its operational framework and cut the tenor of deposit auctions to one-week and the frequency to once-a-week.

The introduction and active use of money market instruments for the absorption and provision of liquidity resulted in significant improvements in the management of bank liquidity and money market rates. In particular, the CBU intensified operations to provide liquidity to banks through REPO and SWAP auctions during the pandemic. The CBU’s deposit auctions for the absorption of excess liquidity, as well as auctions for the placement of government securities, were actively used. Also, the CBU initiated the development and introduction of an interbank REPO platform in March 2022, which aims to help mitigate the credit risks for interbank liquidity redistribution. The market activity is increasing significantly, reaching a 24% share of the total interbank money market operations in August 2023.

To transition into an inflation targeting regime, the CBU considered modernisation of the interbank foreign exchange market and corresponding improvements in its intervention strategy. Changes to the trades of domestic foreign exchange market was active from 15 February 2021. Such changes include: the transition from the previous ‘fixing’ method to the current ‘call auction’ and continuous auction ‘matching’ methods; the expansion of foreign currency trading hours on online platforms and trading sessions to 10 am up to 3 pm; the implementation of changes in settlement operations with foreign currency trades from T+0 to T+1; and allowances for banks to purchase foreign currency on their own account within the open foreign currency position limits and accomplish foreign currency trading operations with their clients directly.

Following the amendments to the reserve requirements ratios on 5 August 2021, the ratio has been 4% for deposits in soums and 18% for deposits in foreign currency. However, to provide more flexibility to banks in respect of liquidity management, the CBU increased the averaging ratio of reserve requirements from 75% as of 15 June 2020 to 80% from 5 August 2021.

The CBU is a major buyer of domestically produced monetary gold and exercises interventions in the domestic foreign exchange market only for sterilising the liquidity, which occurs during purchases of gold. In other words, the CBU is following the “foreign exchange reserves neutrality principle” from 2018 and not using foreign exchange reserves in order to maintain the exchange rate at a certain level or influencing its fundamental trends.

Exchange Rate

	For the year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
soum per U.S. Dollar, End of Period.....	8,340	9,508	10,477	10,838	11,225	11,488
soum per U.S. Dollar, Period Average.....	8,069	8,839	10,056	10,610	11,051	11,389

Source: Central Bank of Uzbekistan

(1) Preliminary estimates

In 2019, the dynamics of the exchange rate were formed based on supply and demand forces, as well as influential internal and external factors in the foreign exchange market. Overall, in 2019, the UZS/U.S. dollar exchange rate depreciated by 14% (from UZS 8,340 to 9,508 per U.S. Dollar).

In 2020 and 2021, the UZS/U.S. dollar exchange rate depreciated by 10% (from 9,508 to 10,477 per U.S. Dollar) and 3.44% (from 10,477 to 10,837.7 per U.S. Dollar) respectively. In 2022, the UZS/U.S. dollar exchange rate depreciated further by 3.58% (from 10,837.7 to 11,225.5 per U.S. Dollar). During the six months ended 30 June 2023, the exchange rate was stable (from UZS 11,225.5 to 11,488.1 per U.S. Dollar).

The CBU will continue its “FX reserves neutrality principle” in 2023 and onwards, as well as to accomplish its interventions to domestic foreign exchange market and try not to influence the fundamental trend of exchange rate dynamics and smooth the excess fluctuations.

In February 2021, the CBU launched a new interventions strategy according to which operations of the CBU in the domestic foreign exchange market are conducted. In addition, the following changes were made to enhance the domestic foreign exchange market:

- Trading sessions at the Republican Currency Exchange of Uzbekistan were transferred from the method of “fixing” to a more modern one which is composed of “call auction” and bilateral continuous “matching” auctions;
- The duration of trade sessions was widened, with trades now held from 10:00 to 15:00 on the “Online Platform”;
- The settlement date of transactions was also changed from the current “T+0” to “T+1”; and
- Official exchange rates for foreign currencies started to be announced by the CBU on a daily basis.

Liquidity and Money Supply

In order to mitigate the impact of COVID-19, the Government expanded various programmes and grew lending, growing money supply in 2020. As at 31 December 2020, broad money liabilities totalled UZS 112.0 trillion, representing a 17.7% increase as compared to the same period in 2019. In 2021 and 2022, broad money liabilities totalled 145.3 and 189.1 respectively, representing an increase

of 29.7% and 30.2% respectively. In the six months ended 30 June 2023, broad money liabilities increased by 0.6% to UZS 190.1 trillion as at 30 June 2023.

National currency deposits totalled UZS 96.6 trillion as at 31 December 2022, marking an increase of approximately 36% when compared to the corresponding date in 2021. The total volume of deposits in national currency was UZS 102.0 trillion in the six months ended 30 June 2023. Foreign currency deposits totalled UZS 50.3 trillion as at 31 December 2022, marking an increase of approximately 11% when compared to the corresponding date in 2021.

The following table sets forth certain information regarding Uzbekistan's money supply as at each of the dates indicated:

	As at 31 December					Six months ended
	2018	2019	2020	2021	2022	30 June 2023 ⁽¹⁾
	<i>(billion soums)</i>					
Net foreign assets ⁽²⁾	206,161.8	232,008.7	285,284.1	275,805.8	276,352.9	239,822.1
Domestic claims	(18,184.0)	36,646.6	67,562.5	119,055.2	177,065.8	239,108.5
Net claims on central government ⁽³⁾	(186,742.3)	(172,010.6)	(212,803.9)	(212,879.4)	(226,030.4)	(202,913.8)
Claims on other sectors ⁽⁴⁾	168,558.2	208,657.3	280,366.4	331,934.6	403,096.2	442,022.3
Broad money liabilities	83,565.5	95,166.9	112,012.1	145,254.6	189,085.1	190,134.0
Currency outside depository corporations	22,164.2	24,246.0	24,920.3	28,656.9	42,206.2	47,068.2
Total deposits	61,401.3	70,920.9	87,091.7	116,597.7	146,878.9	143,065.8
National currency deposits	36,132.4	42,440.6	52,586.1	71,232.9	96,625.9	101,955.4
Foreign currency deposits	25,268.9	28,480.3	34,505.6	45,364.8	50,253.0	41,110.4
Other items (net) ⁽⁵⁾	104,412.2	173,488.4	240,834.6	249,606.4	264,333.6	288,796.6
Monetary base	34,483.3	40,607.1	46,876.8	60,132.6	78,985.5	72,112.7
Money multiplier	2.4	2.3	2.4	2.4	2.4	2.6
Velocity of M2	5.6	6.2	6.1	5.8	5.3	-(6)

Source: Central Bank of Uzbekistan

- (1) Preliminary estimates.
- (2) Data on net foreign assets included in the depository corporations survey differ from that of respective sectors in international investment position due to differences in accounting for government sector liabilities which are accrued in state owned commercial banks' balance sheets. Therefore, in the international investment position, part of state banks' liabilities is attributed to the government sector. Net foreign assets of financial sector accounts for assets and liabilities of the CBU and commercial banks. The net international investment position accounts for assets and liabilities of financial institutions, non-financial institutions and government.
- (3) Net claims on government are derived by subtracting liabilities of depository corporations to Central government from claims of depository corporations on Central government.
- (4) By the end of 2019, UFRD had financed nonfinancial organisations through commercial banks. From 2019, UFRD has been providing loans to nonfinancial organisations directly by itself. For that reason, UFRD loans were not included from 2019.
- (5) Other items (net) are derived by subtracting unclassified liabilities from unclassified assets.
- (6) Information not calculated.

Interest Rates

During 2020, owing to domestic and external economic conditions, namely inflation and changes in economic activity, the CBU transitioned from "tight" to "moderately tight" monetary policy. The

CBU also undertook macroprudential measures in order to limit credit risks, especially interest rate risks, in order to ensure financial stability in the event of the COVID-19 pandemic.

The CBU reduced its policy rate twice in 2020, from 16% to 15% in April and from 15% to 14% in September. Additionally, macroprudential norms were implemented during the six months ended 31 December 2020. The CBU continued its “moderately tight” monetary policy between 2021 and 2023. Consequently, positive real interest rates were stable during the period depicted in the table below.

As a result of these measures, there was an increase on the interest rate of deposits in national currency in December 2022 compared to the corresponding month in 2021. For example, time deposits up to one year increased, by 2.6% while time deposits over one year increased by 1.3%. Similarly, there was an increase in the rates of deposits in foreign currency between December 2021 and December 2022. Time deposits up to one-year experienced marginal growth of 1.6% and time deposits over one year also increased from 2.9% in December 2021 to 4.2% in December 2022. Furthermore, the interbank market rate slightly increased and reached 14.1% in December 2022.

The interest rates for time deposits in national currency up to one year and over one year indicated a relative increase in the six months ended 30 June 2023, the former rate growing by 1.3% and the latter by 0.4%. The average interest rate on the interbank money market levelled off, remaining at 13.9% in June 2023. Throughout December 2022 and the six months ended 30 June 2023, the interest rates for deposits in foreign currency over one year increased by 1.1% up to 5.3%.

The current interest rate policy aims to ensure positive real interest rates and contributes to reducing dollarisation observed in the banking system.

The table below shows the average policy rate, the average interbank market annual rate and the average rate on new deposits as a rate per annum for each of the periods indicated:

	Average of last month (December) of the year					Six months
	2018	2019	2020	2021	2022	ended 30 June 2023 ⁽¹⁾
			(% per annum)			
Index						
Key rate (end of period) ⁽²⁾	16.0	16.0	14.0	14.0	15.0	14.0
Average interbank market rate	14.8	17.5	14.4	14.0	14.1	13.9
Average rate for new term deposits:						
in national currency						
time deposits up to one year.....	14.0	17.3	14.6	15.0	17.6	18.9
time deposits over one year.....	16.1	17.5	15.0	18.3	19.6	20.0
in foreign currency						
time deposits up to one year.....	3.9	3.0	3.3	2.8	4.4	3.7
time deposits over one year.....	4.6	5.3	4.4	2.9	4.2	5.3

Source: Central Bank of Uzbekistan

(1) Preliminary estimates.

(2) Defined as “Refinancing rate” until 31 December 2019.

Inflation

A consumer price index (“CPI”) is one of the most important indicators of inflation in Uzbekistan. The State Committee of the Republic of Uzbekistan on Statistics collects and calculates CPI statistics on a monthly basis, which are published on its website every month.

The annual CPI inflation for the six months ended 30 June 2023 is equal to 9.0%, including:

- for food products – 10.5%;
- for non-food products – 7.9%; and

- for services – 8.0%.

The annual headline CPI inflation declined significantly compared to 2022 (being 12.3%), mainly due to the seasonal factors in agriculture, the effects of the high base effect in 2022 having been removed, import prices being kept stable, monetary conditions that have been forming since the beginning of 2023, and regulated prices remaining unchanged.

The following table sets out past inflation rates for the periods indicated across specific sectors:

	As at 31 December, year-on-year change					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	(%)					
Consumer Price Inflation.....	14.3	15.2	11.1	10.0	12.3	9.0
Food products	14.9	18.6	15.3	13.0	15.6	10.5
Non-food products	12.5	10.9	8.8	7.8	10.7	7.9
Services	15.8	15.2	7.1	7.7	8.3	8.0
Industrial producer price inflation	39.6	28.2	7.1	13.0	17.4	8.1

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary estimates.

From 31 December 2022 and in the six months ended 30 June 2023, the average monthly price for goods increased by 0.6%. In the six months ended 30 June 2023, the price of goods increased most significantly in March (1.0%).

The monthly average inflation rate in the six months ended 30 June 2023 was:

- for food products – 0.7%;
- for non-food products – 0.5%; and
- for services – 0.5%.

Banking Sector

Despite the economic crisis and resulting economic stress caused by COVID-19 in 2020, including to the banking system, the immediate measures taken by the CBU, along with the formation of capital and liquidity reserves in banks, enabled Uzbekistan's banking system to meet financial stability indicators at adequate levels.

As of 1 July 2023, the banking sector of Uzbekistan consisted of 35 active banks, comprising four wholly state-owned banks, 11 partly state-owned joint stock commercial banks, five banks with foreign capital and 15 private banks. The level of credit concentration in the banking sector has traditionally been high, with the wholly and partly state-owned banks holding:

- 69% of all of the banking sector's total assets;
- 73% of the banking sector's total loans;
- 69% of the banking sector's liabilities; and
- 52% of the banking sector's total deposits.

A large share of the banking sector's loans consists of state-guaranteed loans to state-owned companies, however this trend has been decreasing since 2019. The share of assets of state-owned banks decreased from 78% from the same period of 2022 down to 69% as of 30 June 2023, due to the full completion of the privatisation process of the fourth largest state-owned bank, "Ipoteka-Bank", by the Hungarian OTP Group and the privatisation of "Uzagroexportbank" (currently – "AVO bank") to a local investor.

There is interest amongst foreign investors in the banking sector of Uzbekistan due to its profitability in positive real interest rates. Thus, the CBU approved the issuance of licences for two new banks with foreign capital in 2021, being Tenge bank from Kazakhstan and TBC bank from Georgia. In 2020, Anor bank commenced its banking operations. During 2021-2023, the number of active banks increased to 35 because five new banks (Uzum bank, Apex bank, Hayot bank, Smart bank and Yangi bank) have had their banking licences issued. In addition, seven digital banks are operating in Uzbekistan which mainly conduct lending operations to the household sector with retail loans.

As of 1 June 2023, the banking sector's capitalisation was valued at U.S.\$7.5 billion and the value of total bank assets within the whole country was equivalent to U.S.\$50.2 billion.

The total assets of the banking system have increased by U.S.\$4.6 billion (or 16%) since the same period of 2022 and reached U.S.\$50.2 billion on 1 July 2023. As at the same date, the share of state-owned banks from the total banking sector assets accounted for 69%, of which the five largest state-owned banks together comprised 56%. The share of state-owned banks in the banking sector has historically been high, above 80%. However, starting from the end of 2019, the share of state-owned banks assets in total banking system assets and loan portfolio decreased by nine and four percentage points, respectively. Within the loan portfolio, as of 1 July 2023, the share of state-owned banks accounted for 73%, of which the share of the five largest state owned banks comprised 59%.

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

	As of 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
Total number of banks.....	29	30	32	33	31	35
Total equity of banks, (soums billion).....	26,578.9	51,031.0	58,351.3	70,917.6	79,565.4	86,089.5
of which:						
in national currency	26,312.1	50,726.0	58,016.0	70,570.8	79,206.2	85,721.9
in foreign currency.....	266.9	305	335.3	346.8	359.2	367.6
Total assets of banks, (soums billion).....	214,319.6	272,727.0	366,121.1	444,922.5	556,746.3	576,654.9
of which:						
in national currency	95,490.9	143,650.0	182,193.9	229,507.8	292,195.6	320,055.7
in foreign currency.....	118,828.7	129,077.0	183,927.2	215,414.6	264,550.7	256,599.2
Total loans to customers, (soums billion).....	167,390.6	211,581.0	276,974.8	326,385.6	390,048.9	423,772.5
of which:						
in national currency	73,863.6	110,633.0	138,868.5	163,722.9	204,930.7	230,221.3
in foreign currency.....	93,527.0	100,947.0	138,106.4	162,662.7	185,118.3	193,551.2
Total provisions for impairment, (soums billion).....	2,720.6	1,795.0	3,686.6	7,787.9	6,525.6	7,378.5
Total deposits, (soums billion).....	70,001.4	91,009.0	114,746.9	156,189.8	216,737.5	202,893.7
of which:						
in national currency	43,323.5	51,040.0	65,318.3	95,578.2	131,794.8	140,015.6
in foreign currency.....	26,677.9	39,969.0	49,428.5	60,611.7	84,942.7	62,878.2
Capital adequacy ratio, %	15.6	23.5	18.4	17.5	17.8	16.4

Source: Central Bank of Uzbekistan

(1) Preliminary estimates.

The total equity of Uzbekistan's banking sector increased by 15% on average per annum from 2020 until 2023, along with a single year increase of 130% in 2017, which occurred due to the transfer of UFRD's assets from the balance sheet of state-owned banks into its own balance sheet and the conversion of bank liabilities to UFRD into capital.

The total loans to customers increased by 50.4%, 26.4%, 30.9%, 17.8%, 19.5% and 8.6% (of which 77.0%, 49.8%, 25.5%, 17.9%, 25.2% and 12.3% were denominated in national currency, whereas 35.9%, 7.9%, 36.8%, 17.8%, 13.8% and 4.6% were denominated in foreign currencies) in 2018, 2019, 2020, 2021, 2022 and the six months ended 30 June 2023, respectively. In the first six months ended on 30 June 2023, the total loan portfolio of the banking sector increased by 8.6%, which was primarily due to an increase in loans issued to the household sector (individuals) by 54%. However, total deposits decreased by 6.4% over the same six-month period, whereas deposits in national currency increased by 6.2%. Since the beginning of 2023, total deposits declined slightly due to outflow of the foreign currency deposit of one client.

The following table sets out information regarding deposits in the Uzbek banking sector by the type of customer as at the dates indicated:

	As of 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(soums billion)</i>					
Deposits by public sector	22,848	35,029	42,116	54,207	62,087	61,997
Deposits by private sector	27,349	29,621	39,169	60,241	86,846	60,915
Deposits by individuals	14,704	21,052	27,404	37,306	63,124	74,417
Deposits by non-banking credit and finance institutions	5,100	5,307	6,058	5,035	4,682	5,565
Total deposits.....	70,001	91,009	114,747	156,189	216,738	202,894

Source: Central Bank of Uzbekistan

(1) Preliminary estimates.

The deposits in the public sector increased, when compared to the preceding periods, by 26%, 53.3%, 20%, 28.7% and 14.5% in 2018, 2019, 2020, 2021 and 2022, respectively. However, they slightly decreased by 0.1% during the six-month period due to outflow of foreign currency deposits. In the same period, deposits in the private sector increased by 15.2%, 8.3%, 32.2%, 53.8%, 44.2%, respectively, when compared to the preceding periods. In the six months ended 30 June 2023, deposits in the public sector comprised UZS 62 trillion while private sector deposits accounted for UZS 61 trillion. In the same period, savings of individuals increased by 39% on average annually and reached UZS 74.4 trillion in outstanding amount or 37% of the total deposit portfolio.

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

	As of Period End											
	2018				2019				2020			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Return on total assets, %	2.0	1.8	1.6	2.0	2.0	2.0	2.2	2.2	2.4	2.3	2.2	2.2
Return on total equity, %	15.6	13.9	12.3	16.2	16.4	16.7	18.2	16.7	10.7	9.9	10.0	10.3
Net Profit before tax, (<i>soums billion</i>)	855.0	1,558.5	2,131.1	3,858.4	1,123.5	2,363.5	4,062.1	5,693.2	1,695	3,314	5,019	6,961
Net interest margin,% ⁽²⁾	41.9	45.5	49.8	48.4	53.1	53.1	51.1	50.7	46.6	51.4	54.8	54.3

	As of Period End								
	2021				2022				2023
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	Six Months Ended 30 June ⁽¹⁾
Return on total assets, %.	2.0	2.0	2.0	1.3	2.3	2.7	2.6	2.5	2.7
Return on total equity, %	9.9	10.0	10.0	6.1	10.6	13.1	12.9	13.3	14.7
Net Profit before tax, (<i>soums billion</i>)	1,829	3,806	5,842	5,351	2,557	6,157	9,298	12,579	6,101
Net interest margin,% ⁽²⁾ ..	41.7	44.0	48.3	49.0	39.8	38.6	41.5	42.1	40.2

Source: Central Bank of Uzbekistan

(1) Preliminary estimates.

(2) Net interest margin as calculated as a ratio of interest rate margin to gross revenue.

Return on Assets (ROA) increased from 2.05% in 2018, to 2.70% in 2019 and 2.21% in 2020, but declined to 2.0% at the end of 2021 due to creating additional amount of provisioning from the net profit of the banking sector. Hence, it increased to 2.6% in 2022, remaining stable at 2.6% in the six months ended 30 June 2023. Return on Equity (ROE) was 14.1% during the six months ended 30 June 2023 which is higher than the inflation rate of Uzbekistan. While return on total assets increased gradually by 30 June 2023, return on total equity increased mainly due to net higher dynamics of net profit and lower operating costs because of banking digitalisations and automation of manual process. Net profit of the banking sector during 2022 reached U.S.\$ 890 million which was more than two times larger (172%) as compared to 2020-2021. Increase in profitability indicators of the banking system can be explained by large increases in non-interest income by five times and interest margin by 46% as compared to the same periods of previous years.

The following table sets out certain data regarding the loan portfolio of the Uzbek banking sector and NPL ratio as at the dates indicated:

	As of Period End											
	2018				2019				2020			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Total loan portfolio	121,040	134,616	151,313	167,391	184,393	209,020	234,673	211,581	221,934	244,906	260,712	276,975
of which: NPLs, (soums billion)	1,414	1,773	2,005	2,140	2,666	3,083	3,084	3,169	5,021	7,087	6,839	5,785
NPLs as a percentage of total loans, %	1.2	1.3	1.3	1.3	1.4	1.5	1.3	1.5	2.3	2.9	2.6	2.1

	As of Period End									
	2021				2022				2023	
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	Six months ended 30 June 2023 ⁽¹⁾	
Total loan portfolio	408,167	300,459	311,591	326,386	340,259	343,572	362,933	390,049	423,773	
of which: NPLs, (soums billion)	14,302	14,742	18,126	16,974	16,831	16,795	17,112	13,992	14,303	
NPLs as a percentage of total loans, %	3.5	4.9	5.8	5.2	4.9	4.9	4.7	3.6	3.4	

Source: Central Bank of Uzbekistan

(1) Preliminary estimates

The following table sets out certain data regarding the loan portfolio of the Uzbek banking sector by the type of borrower as at the dates indicated:

	As of 31 December					As of 30
	2018	2019	2020	2021	2022	June
	<i>(soums billion)</i>					2023 ⁽¹⁾
Total loan portfolio.....	167,391	211,581	276,975	326,386	390,049	423,773
loans to public sector	69,879	57,960	72 412	70,692	76,739	71,467
loans to private sector	66,888	105,515	141,211	179,543	205,960	220,866
loans to household sector (individuals)	24,427	39,934	54,888	69,496	100,949	123,974
loans to non-banking credit and finance institutions	6,196	8,171	8,464	6,655	6,401	7,466

Source: Central Bank of Uzbekistan

(1) Preliminary estimates.

During 2017-2019, the annual growth rate of total loan portfolio had been higher than 50%. The loan portfolio growth of the banking sector amounted to 51.4%, 26.4%, 30.9%, 17.8% and 19.5% in 2018, 2019, 2020, 2021 and 2022, respectively. Since 31 December 2022 and as of 30 June 2023, the total loan portfolio of the banking system increased by 8.6%. In order to conduct an appropriate fiscal consolidation and simultaneously to achieve monetary policy targets and to avoid the overheating of the economy, it is important to keep the annual growth rate of loan portfolio in line with the nominal GDP growth rate (15-20% per annum). In 2023, the main drivers of loan portfolio growth were increased lending activities to household sector which have been unusually higher in terms of several loan products, such as car loans, microloans, student loans and other consumer loans as compared to the same period of 2022. Banks have actively started to issue car loans, microloans, student loans and also other consumer loans more actively than mortgage loans and other entrepreneurial loans.

However, the significant growth rates of total outstanding loans during 2017-2020 (especially in the public sector) can be explained by the lending activities of state-owned banks which finance strategically important sectors of the domestic economy, including infrastructure, oil and gas projects and other investment loans. For example, the share of the top ten borrowers in the total loan portfolio of state-owned banks is 8%, and the share of the largest five state-owned banks' loans in the total loan portfolio is 59%. Due to their business models, privately owned banks, unlike state-owned banks, provide commercial loans mainly to their corporate clients.

Lending activities of banks.

During the six months ended 30 June 2023, banks have issued loans totalling U.S.\$10.1 billion (32% more as compared to the same period as of 2022), of which U.S.\$6.9 billion is issued in national currency and U.S.\$3.2 billion is issued in foreign currency. In terms of customers, U.S.\$ 4 billion of these loans (100% in national currency because foreign currency lending to the household sector is prohibited) were issued to individuals and U.S.\$6.1 billion were issued to legal entities. 48% of loans which were issued to legal entities were issued in national currency and 52% in foreign currency. The amount of repaid loans since the beginning of 2023 has reached U.S.\$7.4 billion, and the rate of repayment (amortisation) as of 1 July 2023 increased to 73%.

As of 1 July 2023, the dollarisation level of the loan portfolio is 46% or U.S.\$16.8 billion, and the deposit portfolio is 31% or U.S.\$5.5 billion. The dollarisation level dynamics of total loans remained around 46-48% since the same period of 2022, while the share of total deposits in foreign currency,

when compared to the same period in 2022, decreased from 41% to 31%. As of 1 July 2023, total deposits amounted to U.S.\$18 billion, of which the share of long-term deposits accounted for 32% or U.S.\$5.7 billion.

Financial Performance of the Banking Sector

Banking system soundness in terms of asset quality is characterised by the dynamics of non-performing loans (“NPLs” overdue 90 days). As of 1 July 2023, NPLs overdue by 90 days accounted for 3.4% (or U.S.\$1.2 billion) of total loans in the banking sector. This marks a decrease of 0.2% since 1 January 2023. As of 1 July 2023, the banking system’s loan portfolio is classified as 81% standard, 16% substandard, 1.1% unsatisfactory, 1.0% doubtful and 1.3% bad loans. The specific provisions for NPLs as of 1 July 2023 reached U.S.\$642 million, which is equal to 52% of the total NPLs. The volume of NPLs of the ten largest borrowers in the structure of the total banking sector’s NPLs is U.S.\$93 million or 7% of total NPLs.

The current NPL provisioning amount (U.S.\$642 million) created by banks can fully cover the net amount of non-performing loans (U.S.\$603 million). As of 1 July 2023, non-performing loans of state-owned banks reached 3.9% and for private banks it reached 2.1%. The share of loans to individuals (household sector) in non-performing loans is 27% (U.S.\$339 million), and the share of legal entities (corporate sector) is 73% (U.S.\$906 million). In term of currency, 33% of NPLs are in foreign currency and 67% are in national currency.

The banking system of Uzbekistan accumulated sufficient capital and liquidity buffers through the periods of 2018-2019. These acted as a protective shield in 2020 during the economic downturn because of COVID-19 pandemic. In the three months ended 31 March 2021, the volume of NPLs increased three times due to the share of NPL reaching 6.0% in total loan portfolio. This was the result of delays in the full normalisation of business processes of some enterprises and entities, and because the deadline for the end of individually-deferred loans had passed even though quarantine restrictions had been lifted. However, the CBU addressed the concerns of the banking system to the President, and after collective and immediate measures were undertaken by responsible ministries and government organisations, state-owned banks were assigned a number of serious tasks and obligations on collecting and decreasing non-performing loans. As a result, the share of NPLs decreased from 6.2% in August 2021 to 3.4% as of 1 July 2023.

Moreover, the CBU conducted Board meetings regarding credit risks and measures to resolve NPLs and improve the asset quality of loans in the banking sector. Banks are regularly assigned tasks to prevent an excessive build-up of credit risks and to improve their loan portfolio quality, as well as construct a well-planned strategy on further actions, which also involves a bank resolution scheme and asset-quality evolution.

As of 1 July 2023, the U.S.\$1.6 billion existing capital buffer of the banking sector can three times cover the amount of net NPLs excluding provisions (totalling U.S.\$603 million). The banking sector’s capital buffer can create additional reserves of another 5% of total loan portfolio.

Compliance with prudential requirements of the Central Bank

The capital adequacy ratio of the banking system comprised 16.4% as of 1 July 2023, whereas the minimum requirement is 13%. Liquidity indicators of the banking system meet the minimum prudential requirements (minimum requirement of 100% for every single currency) of the CBU. In particular, as of 1 July 2023, the LCR (liquidity coverage ratio) which shows the short-term liquidity

indicator of the banking system levelled at 149% (of which, 165% was in national currency and 131% in foreign currency) and the NSFR (net stable financing ratio) levelled at 110% (of which, 113% was in national currency and 107% in foreign currency). The share of HQLA (high quality liquid assets) in total assets reached 13.6% (minimum requirement is 10%). Currently, U.S.\$6.8 billion of high-quality liquid assets serve as a liquidity buffer for the banking sector in case of potential external and internal shocks.

As of 1 July 2023, the breakdown in composition of the total loan portfolio to various industries was:

- 30% to the general industry;
- 10% to the agricultural industry;
- 7% to the transportation and communication sectors;
- 7% to trade and public services;
- 3% to construction;
- 0.5% to housing and communal services;
- 29% of loans to the household sector (individuals); and
- 13% to other sectors of the economy.

As of 1 July 2023, none of the banks were designated as a 'problem bank'. However, in October 2022, the CBU withdrew the banking licences of two privately-owned banks, Turkiston bank and Hi-tech bank, which had violated numerous prudential requirements.

As of 1 July 2023, the interest margin of the banking system was U.S.\$1.2 billion (as compared to U.S.\$1 billion at the same date of 2022) and net profit reached U.S.\$529 million (as compared to U.S.\$438 million at the same date of 2022). Income generating assets represented approximately 86% of the total assets, and cost-to-income ratio, which illustrates the level of operational efficiency of banks, decreased to 30% from 36% during 2023. On 1 July 2023, the return on assets was 2.7% and the return on equity was 14.7%. Return on assets of state-owned banks was 1.9% and of other banks was 4.1%. Return on equity of state-owned banks was 10% and other banks was 23%. The banking system throughout 2022 has remained profitable (twice more) despite the external shocks from the geopolitical situation in the region and post-pandemic recovery. The reason for higher profitability levels of the banking sector can be explained by huge growth in remittances sent to Uzbekistan and large inflow of foreign currency resources from abroad.

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(soums billion)</i>					
Interest Income	14,517	25,500	37,067	47,392	61,728	39,749
Interest Expense.....	8,355	15,602	23,019	30796	37566	26,032
Net profit margin	6,162	9,898	14,048	16,595	24,162	13,717
Fee and commission income.....	3,391	4,205	11,801	17,251	33,182	20,427
Fee and commission expense.....	821	1,205	3,516	4,944	11,812	5,130
Operating expense	5,583	6,814	8,145	10,998	14,877	8,683
Non-interest gain (loss)	6,564	9,619	140	1,309	6,494	6,614
Provision for impairment of loans and leases to customers.....	1,746	3,858	6,354	12,1221	13,863	10,087
Provision for losses other than loans.....	195	299	873	333	4,213	2,614
Profit before tax	3,858	5,693	6,961	5351	12,579	7,629
Income tax expense	659	1,012	1,318	1,465	2,587	1,551
Return adjustments	-	-	-	-	1.2	-
Net profit	3,200	4,681	5,642	3,885	9,993	6,078

Source: Central Bank of Uzbekistan

(1) Preliminary estimates.

Liabilities

The following table sets forth a breakdown of the banking system's liabilities by currency for the periods indicated:

	As of 31 December					As of 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(soums million)</i>					
Total liability of the banking system.....	187,841	221,696	307,770	374,004.9	477,180.8	490,565.4
<i>of which:</i>						
in national currency.....	69,279	92,924	124,178	158,937	212,989	234,334
in foreign currency.....	118,562	128,772	183,592	215,068	264,191	256,232

Source: Central Bank of Uzbekistan

(1) Preliminary estimates.

Since 31 December 2022, total liabilities have increased by U.S.\$3.9 billion (or 17%), amounting to U.S.\$42.7 billion. Deposits accounted for 42% of liabilities, marking an increase of U.S.\$621 million, or 10%, since the second quarter of 2022. As of 30 June 2023, 41% of all liabilities of banks were comprised of loans and 42% were comprised of deposits, while the remaining 17% consisted of other liabilities. High concentrations of borrowed loans are more prevalent in state-owned banks due to the fact that they engage in state investment projects and other development programmes, as well as other infrastructure projects in order to assist the government in financing the key strategic sectors of the economy.

As of 30 June 2023, the ratio of loans to deposits in the banking system levelled at 209% while for state-owned banks it remained at 289% and for privately-owned banks it decreased to 120%. Besides lending deposits to Uzbek nationals, state-owned banks primarily attract financial resources for lending from abroad with mostly long-term maturity. Accordingly, the share of external borrowings to the banking system from abroad increased by 7% and, as of 30 June 2023, the share of external debt of banks reached 17% in total liabilities.

Banking system stability indicators of the Republic of Uzbekistan

The following table sets out certain banking system stability indicators of the Republic of Uzbekistan as at the dates indicated:

	As of Period End											
	2018				2019				2020			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
	<i>(soums billion, except percentages)</i>											
Regulatory capital to risk-weighted assets	19.6%	16.4%	15.8%	15.6%	15.4%	15.3%	15.6%	23.5%	22.2%	20.5%	19.3%	18.4%
Total regulatory capital	22,542	21,426	22,796	24,231	26,304	30,330	34,053	52,467	53,824	55,342	56,582	58,159
Risk weighted assets	115,291	130,705	144,385	154,966	170,799	197,675	218,817	223,041	242,178	270,274	293,660	316,818
Regulatory Tier 1 capital to risk-weighted assets	17.9%	15.4%	14.7%	14.3%	14.5%	12.8%	13.0%	19.6%	19.7%	17.8%	16.4%	15.2%
Regulatory tier I capital	20,620	20,148	21,289	22,146	24,789	25,278	28,446	43,659	47,745	48,130	48,073	48,139
Risk weighted assets	115,291	130,705	144,385	154,966	170,799	197,675	218,817	223,041	242,178	270,274	293,660	316,818
Nonperforming loans net of provisions to capital	2.9%	4.2%	4.6%	4.3%	5.0%	5.0%	4.6%	2.7%	4.4%	6.6%	5.0%	3.6%
Nonperforming loans net of provisions	673	990	1,159	1,140	1,420	1,508	1,563	1,374	2,361	3,607	2 804	2,098
Capital at the end of the period	23,248	23,524	25,054	26,679	28,292	30,003	34,192	51,031	53,329	54,926	56,462	58,351

Nonperforming loans to total gross loans	1.2%	1.3%	1.3%	1.3%	1.4%	1.5%	1.3%	1.5%	2.3%	2.9%	2.6%	2.1%
Nonperforming loans	1,414	1,773	2,005	2,140	2,666	3,083	3,084	3,169	5,021	7,087	6,839	5,785
Total gross loans	121,040	134,616	151,313	167,391	184,393	209,020	234,673	211,581	221,934	244,906	260,712	276,975
Return on assets (ROA)	2.0%	1.8%	1.6%	2.0%	2.0%	2.0%	2.2%	2.2%	2.4%	2.5%	2.2%	2.2%
Net income (before tax)	3,420	3,117	2,841	3,858	4,494	4,727	5,416	5,693	6,780	6,690	6,693	6,961
Total assets (average for the period)	170,503	175,367	182,103	188,566	223,255	237,016	250,497	254,943	278,754	267,743	302,942	315,773
Return on equity (ROE)	15.6%	13.9%	12.3%	16.2%	16.4%	16.7%	18.2%	16.7%	10.6%	10.9%	10.0%	10.3%
Net profit	3,420	3,117	2,841	3,858	4,494	4,727	5,416	5,693	5,566	5,293	5,370	5,642
Aggregate capital (average for the period)	21,962	22,483	23,125	23,836	27,485	28,325	29,791	34,039	52,441	48,671	53,984	54,914
Interest margin to gross income	41.9%	45.5%	49.8%	48.4%	53.1%	53.1%	51.1%	50.7%	46.6%	51.4%	54.8%	54.4%
Interest margin	1,182	2,582	4,213	6,162	2,013	4,297	6,964	9,898	3,161	6,509	10,176	14,048
Gross income	2,818	5,672	8,464	12,726	3,789	8,092	13,617	19,518	6,783	12,667	18,577	25,850
Noninterest expenses to gross income	48.5%	54.4%	56.9%	54.4%	42.8%	44.2%	47.8%	49.5%	38.5%	40.5%	42.5%	45.1%
Noninterest expenses	1,367	3,088	4,819	6,926	1,620	3,576	6,504	9,670	2,613	5,130	7,897	11,662
Gross income	2,818	5,672	8,464	12,726	3,789	8,092	13,617	19,518	6,783	12,667	18,577	25,850
Liquid assets to total assets	21.7%	18.6%	16.0%	13.6%	12.1%	12.7%	11.4%	13.9%	14.3%	12.6%	12.3%	15.4%
Liquid assets	37,866	34,368	32,350	29,253	28,062	33,513	33,224	37,887	41,139	39,656	41,003	56,264
Total assets	174,374	185,096	202,309	214,420	232,090	264,540	290,937	272,727	288,396	315,976	333,390	366,121

Liquid assets to short-term liabilities	53.2%	46.9%	40.6%	41.2%	37.8%	40.0%	41.2%	40.3%	39.8%	33.4%	31.4%	39.9%
Liquid assets	37,866	34,368	32,350	29,253	28,062	33,513	37,608	37,887	41,139	39,656	41,003	56,264
Short-term liabilities	71,201	73,255	79,755	71,051	74,167	83,695	91,200	93,962	103,341	118,828	130,763	141,169
Liquidity Coverage Ratio	205.8	177.4	160.7	170.7	195.5	187.7	182.4	208.5	189.8	211.9	201.0	224.5
Capital to total assets	13.3%	12.7%	12.4%	12.4%	12.2%	11.3%	11.8%	18.7%	18.5%	17.4%	16.9%	15.9%
Capital at the end of period	23,248	23,524	25,054	26,679	28,292	30,003	34,192	51,031	53,329	54,926	56,462	58,351
Total assets	174,374	185,096	202,309	214,420	232,090	264,540	290,937	272,727	288,396	315,976	333,390	366,121
	As of Period End											

	2021				2022				2023	
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	Six months ended 30 June 2023 ⁽¹⁾	
	<i>(soums billion, except percentages)</i>									
Regulatory capital to risk-weighted assets	17.2%	17.7%	17.4%	17.5%	17.6%	17.0%	16.5%	17.8%		16.4%
Total regulatory capital	87,692	62,909	65,354	70,191	76,142	77,684	81,516	83,413		88,730
Risk weighted assets	509,138	355,767	374,832	401,105	432,016	456,857	495,493	468,000		539,846
Regulatory Tier 1 capital to risk-weighted assets	14.8%	15.4%	14.8%	14.6%	15.2%	14.4%	13.5%	14.5%		13.9%
Regulatory tier I capital	75,223	54,698	55,297	58,624	65,465	65,819	66,825	67,793		75,261
Risk weighted assets	509,138	355,767	374,832	401,105	432,016	456,857	495,493	468,000		539,846

Nonperforming loans net of provisions to capital	9.4%	13.0%	15.8%	13.0%	14.6%	14.3%	12.9%	9.4%	8.3%
Nonperforming loans net of provisions	7,769	8,174	10,353	9,186	10,549	10,700	9,940	7,467	7,378
Capital at the end of the period	82,853	62,794	65,608	70,918	72,332	74,782	76,854	79,565	88,730
Nonperforming loans to total gross loans	3.5%	4.9%	5.8%	5.2%	4.9%	4.9%	4.7%	3.6%	3.3%
Nonperforming loans	14,302	14,742	18,126	16,974	16,831	16,795	17,112	13,992	14,303
Total gross loans	408,167	300,459	311,591	326,386	340,259	343,572	362,933	390,049	431,906
Return on assets (ROA)	2.8%	2.0%	2.0%	1.3%	2.3%	2.7%	2.6%	2.8%	2.7%
Net income (before tax)	15,418	7,612	7,789	5,351	10,227	12,314	12,397	13,723	15,258
Total assets (average for the period)	560,273	377,878	385,528	397,407	447,212	463,360	482,517	496,187	565,988
Return on equity (ROE)	15.1%	10.0%	10.0%	6.1%	10.6%	13.1%	12.9%	14.6%	14.7%
Net profit before taxes	12,262	6,070	6,158	3,885	7,588	9,510	9,497	10,902	12,157
Aggregate capital (average for the period)	81,207	60,588	61,843	63,658	71,625	72,677	73,721	74,698	82,836
Interest margin to gross income	35.9%	44.0%	47.3%	49.0%	39.8%	38.6%	41.5%	42.1%	40.2%
Interest margin	6,575	7,986	12,013	16,595	5,545	11,063	17,757	24,162	13,717
Gross income	18,317	18,149	25,385	33,846	13,938	28,671	42,810	57,344	34,144

Noninterest expenses to gross income	34.0%	39.2%	43.5%	47.1%	35.8%	40.4%	42.9%	46.5%	40.5%
Noninterest expenses	6,219	7,118	11,039	15,942	4,984	11,580	18,379	26,688	13,813
Gross income	18,317	18,149	25,385	33,846	13,938	28,671	42,810	57,344	34,144
Liquid assets to total assets	16.9%	16.0%	15.7%	18.6%	16.2%	21.6%	22.3%	21.5%	15.1%
Liquid assets	95,565	63,281	64,090	82,874	73,041	107,226	120,291	119,710	87,354
Total assets	564,548	396,162	408,477	444,922	449,501	495,655	539,990	556,746	576,670
Liquid assets to short-term liabilities	38.4%	43.9%	41.3%	46.9%	42.4%	50.4%	47.9%	47.3%	35.5%
Liquid assets	95,565	63,281	64,090	82,874	73,041	107,226	120,291	119,710	87,354
Short-term liabilities	248,830	144,062	155,364	176,642	172,091	212,588	251,378	253,039	246,175
Liquidity coverage ratio	152.0	157.9	156.3	189.6	162.0	208.7	211.7	211.6	148.7

	As of Period End								
	2021				2022				2023
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	Six months ended 30 June 2023 ⁽¹⁾
	<i>(soums billion, except percentages)</i>								
Capital to total assets	16.3%	15.9%	16.1%	15.9%	16.1%	15.1%	14.2%	14.3%	14.9%
Capital at the end of period	60,618	62,794	65,608	70,918	72,332	74,782	76,854	79,565	86,089
Total assets	371,351	396,162	408,477	444,922	449,501	495,655	539,990	556,746	576,670

Source: Central Bank of Uzbekistan

(1) Preliminary estimates.

Anti-crisis measures taken by the CBU amidst the COVID-19

Despite the economic crisis and resulting economic stress caused by COVID-19 pandemic in 2020, including the banking system, immediate measures implemented by the CBU, along with the formation of capital and liquidity reserves in banks, enabled Uzbekistan's banking system to meet financial stability indicators at adequate levels.

In order to mitigate the negative consequences of economic slowdown caused by COVID-19 pandemic on the stable functioning of the banking system, the CBU took the following measures:

Loan deferrals

From 1 April 2020 until 1 October 2020, banks and other credit organisations were given the right and recommended:

- to defer principal and interest payments on loans to individuals and business entities who faced financial difficulties;
- not to apply penalties in this process and not to pursue claims on collateral for overdue loans; and
- not to worsen the credit quality classification and not to build up additional provisions for those loans the terms of which have been revised due to introduction of quarantine regimes.

During the period from March to September 2020, banks deferred loans for customers facing financial difficulties totalling U.S.\$2.6 billion, of which U.S.\$2.1 billion related to legal entities and U.S.\$503 million to individuals (household sector).

Total stock of deferred loan repayments within the scope of initial anti-crisis measures including the U.S.\$2.6 billion deferred loans comprised U.S.\$10.2 billion, which as of 1 October 2020 (end of deferral period), accounted for 43% of the total loan portfolio of banking system.

However, in the second quarter of 2022, the volume of NPLs increased three times and the share of NPLs in total loan portfolio reached 6.2% because the deadline for initially-deferred loans due to the COVID-19 pandemic had passed and several economic sectors like tourism, hospitality, and hotel businesses had not been able to fully recover. This also led to additional deferrals of loans in those sectors because they required additional time to fully restore their business activities.

Moreover, in February 2022, the banking system had overcome another shock caused by the geopolitical conflict triggered by the Russia-Ukraine war. The impacts of the international sanctions imposed by the United States, the European Union and other pro-western countries on the Russian economy, Central Bank of Russia and the banking system entirely has been closely monitored and analysed by the CBU.

Impacts from Russia-Ukraine conflict

The total amount of resources obtained from Russian banks by local banks reached U.S.\$2.1 billion (external loans comprise U.S.\$764 million and obtained deposits comprise U.S.\$1.3 billion), of which 1.8% or U.S.\$41 million were obtained from three Russian banks which are currently under strict international sanctions (designated as SDNs by the U.S. Treasury). All transactions with Russian banks which are designated as SDNs have been frozen in order to avoid being impacted by secondary sanctions and other potential negative impacts.

Another impact is that remittances have increased significantly in the wake of the Russia-Ukraine conflict. The following table sets out remittance inflows for the periods indicated:

	Year ended 31 December					Six months ended 30 June	
	2018	2019	2020	2021	2022	2022	2023 ⁽¹⁾
Cross-border money transfers, inflow, U.S.\$ million.....	5,114.8	6,009.2	6,027.1	8,073.7	16,972.9	6,534.6	5,157.3

Source: Central Bank of the Republic of Uzbekistan

(1) Preliminary estimates.

Uzbekistan has established daily monitoring of the dynamics of obtained resources from abroad (both external borrowings and deposit resources) and also local banks have started to take measures to find and receive other alternative sources of financing with a purpose of decreasing the dependence on external borrowings from Russian banks.

There are no short-term potential risks which may pose exposure to the local banking sector because in this particular case, it is a manageable situation with appropriate policy responses and regulatory measures. Also, the results of overview of impacts from external factors on the local business show that the potential risk of additional large NPLs in the local banking sector is very low.

Within the scope of measures to decrease the negative effects from external factors on financial stability:

- a) local banks were instructed to not convert credit liabilities (external debts) of local banks to Russian banks into Russian ruble and not repay them ahead of time; and
- b) problems of local export enterprises are examined and monitored regularly, and issues are solved as soon as possible on site by the regular working group.

So far, commercial banks of the local banking sector have deferred loans in an amount totalling UZS 4.4 trillion (approximately U.S.\$372 million) for export-oriented enterprises who regularly exported local goods and products to Russia and Ukraine.

The CBU continues to regularly analyse the evolution of asset quality in the banking sector and conduct stress tests to prevent negative consequences and uncertainties with appropriate policy responses. The CBU will stand ready to take all necessary measures to ensure the financial stability of local banks to risks related to international sanctions against Russia.

Liquidity

As a result of loan deferrals, banks had been expected to face liquidity issues. However, liquidity ratios that were increased by the CBU from September 2019 assisted to stabilise banks' liquidity conditions during the COVID-19 pandemic. During 2020, monetary policy instruments were also used to support the economic recovery, ensure the stability of banking and payment systems without creating serious pressure to inflation. The CBU: (i) cut the policy rate twice by 100 basis points each

(from 16% to 14%); (ii) increased the RR averaging ratio from 25% to 75% and about UZS 3 trillion - worth of liquidity returned to banks' corresponding account; (iii) introduced two new instruments for longer-term liquidity provision (Mechanism of Special Instruments & Revolving Credit Line), but due to the stability in liquidity these instruments were not used; (iv) and enhanced the provision of short-term liquidity to banks after the deferral of loan payments through MP operations (especially during the second half of 2020).

Supporting entrepreneurs whose cash flows declined

To mitigate the effects of the COVID-19 pandemic, a list of businesses which were facing difficulties as a result of quarantine measures was compiled, and changes in their financial conditions (based on the cash flow analysis) were monitored by the CBU on a daily basis.

In order to ensure continuity of business operations and activities, banks issued over U.S.\$3.1 billion (or approximately 5% to GDP) worth of short-term loans in order to replenish working capital of business entities whose cash flows had declined sharply.

As of 1 July 2023, the total amount of deferred loans comprised U.S.\$6.4 billion due to COVID-19 relief measures, the delays of some enterprises to post-pandemic recovery, and within the scope of measures taken to mitigate the negative consequence of the geopolitical conflict.

During April – September 2020, banks had deferred U.S.\$2.6 billion (U.S.\$2.1 billion for the corporate sector and U.S.\$503 for the household sector).

After the end of the grace period, some clients requested additional grace periods because some economic sectors such as tourism and hotel businesses had not managed to fully recover. Even though lockdown restrictions had been lifted, full normalisation of business activities of those sectors require additional time.

In March 2022, in order to mitigate potential negative impacts of the geopolitical conflict in the region, additional deferrals of loans had been initiated to help the most affected export-oriented local enterprises.

Measures to reduce dollarisation

The dollarisation level of the banking system is gradually decreasing and as of 1 July 2023, the dollarisation level of loan portfolio decreased to 46% from 49%, and the deposit portfolio dollarisation level decreased to 31% from 39%.

According to the Decree of the President “On strategy of reforming the banking system during 2020-2025” No. PD-5992 dated 12 May 2020, liabilities in foreign currencies are targeted to decrease from 58% to 40-45% until 2025. Moreover, additional changes were implemented to the required reserves normative which obligates banks to form 18% (an increase of four percentage points) of compulsory reserves for deposits in foreign currencies.

Foreign currency lending for the household sector is prohibited while for the corporate sector, the CBU applies higher risk weights depending on the maturity and interest rates of the relevant loans.

Also, the CBU requires banks to calculate liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), and also high-quality liquid assets (HQLA) separately by currencies (for instance, banks create liquidity buffers for national currency and foreign currencies separately which will prevent excessive credit growth in foreign currencies).

In addition, banks have been conducting a cautious policy on foreign currency borrowing and long-term borrowing, preferring to borrow in national currency from overseas considering the potential internal and external risks. Large banks in the system have implemented changes to their business plans and strategies in correspondence to the CBU's recommendations.

Large commercial banks are continuing to make changes to their business plans and strategies for 2021 in accordance with the instructions of the CBU. Further to these changes, on 7 April 2021, UZS 785 billion (equivalent to U.S.\$75 million) in international currency Ipoteka-Bank bonds were placed on the Vienna Stock Exchange by JP Morgan Chase, a bank underwriter.

Other banking system reforms

In order to increase and improve the efficiency of banking activities, the CBU has been shifting from micro-level supervision and transferring gradually into risk-based supervision (RBS).

In RBS, more attention is paid to evaluating credit and liquidity risks with the help of supervisory products which allows the CBU to detect those risks at earliest possible stages.

Macroprudential measures against banking risks, such as imputing higher risk weights, setting debt-to-income indicators for population, setting the maximum interest rate for loans (like microloans), and limiting the maximum amount of customer debt obligations on loans, are commonly applied in order to ensure a proper risk-management and supervision.

With a purpose of preventing negative financial impacts due to high interest rates on loans, the CBU requires banks to form capital buffers exceeding 1.5-2 times of these loans according to international standards of Basel III.

In addition, the CBU has implemented an institutionalised review of banks in which bank supervisors at the CBU closely monitor the entire operations of each bank separately on a daily basis.

With the assistance provided by the World Bank, the CBU established and is widely utilising 151 units of supervisory indicators in order to detect weak sides of banking activities and intervene immediately with supervisory procedures.

Also, an annual supervisory plan is prepared with intensity of supervisory actions and this gets approved by the Executive Board and the Banking Supervision Committee of the CBU.

Current steps of reforms in banking supervision include:

- calculation of prudential normatives e.g., capital adequacy and liquidity levels according to Basel committee requirements;
- approval of the completed methodology for identification of SIBs (systemically important banks); and
- launch of regulatory technologies such as SupTech and RegTech specialised for automation and optimisation of manual reporting processes in CBU.

The Financial Sector Surveillance Review (FSSR) mission was organised by the IMF to evaluate the overall condition of the financial sector. The mission covered macroprudential policy and financial stability, stress-testing, financial system regulation and supervision, crisis management and financial protection systems, infrastructure of financial market and payments, in addition to financial sector statistics.

Stress-testing

The CBU conducts stress-tests each quarter as part of supervisory measures.

Currently, practical stress test models are:

- IMF-developed credit, capital adequacy and liquidity as well as other macro-level stress tests (top-down and bottom-up approaches);
- Stress-testing model based on “GAP” analysis implemented in cooperation with the World Bank; and
- Micro-level model based on cash flow analysis to assess credit risk.

In order to evaluate the expected problem loans (NPLs), the supervision department conducted stress-tests by assessing the financial flows of customers.

While stress-tests are conducted each quarter, the monitoring process of risk appetite and risk profiles are conducted every month.

Foreign Participation in the Banking Sector

The participation of foreign capital in the banking sector is regulated by the Laws of the Republic of Uzbekistan “On the Central Bank of the Republic of Uzbekistan” No. LRU-582 dated 11 November 2020, “On banks and banking activity” No. LRU-580 dated 5 November 2019, “On securities market” No. LRU-387 dated 3 June 2015 as well as regulation of CBU “On procedures and conditions of access to banking activities” (as registered with the Ministry of Justice under No 3252 on 25 May 2020).

Cooperation with International Financial Institutions in the Banking Sector

The CBU cooperates with a number of foreign financial institutions and central banks regarding the transition to an inflation targeting model and the development of the Uzbek banking-financial system. From January to June 2021, the CBU held two IMF technical assistance missions focused on further liberalisation of Capital Accounts and also received joint Diagnostic Mission with other government agencies on Special Data Dissemination Standard (SDDS). With the help of the mission, the CBU received recommendations and developed a roadmap for 2021 and 2022. At present, the tasks set out in this roadmap are being implemented by the CBU in cooperation with various ministries and agencies. Furthermore, the Financial Sector Stability Review (FSSR) mission was organised at the end of 2020 by the IMF to evaluate the overall condition of the financial sector. The mission covered macro prudential policy and financial stability, stress-testing, financial system regulation and supervision, crisis management and financial protection systems, infrastructure of financial market and payments, as well as financial sector statistics.

The CBU closely collaborates with the World Bank as it provides technical assistance on issues regarding stress-testing methodology of the banking sector and framework of rules and regulations for prudential supervision. Furthermore, the World Bank has prepared a technical note on the establishment of an early intervention mechanism for supervisory authorities. Further work is currently underway to develop the internal order of the CBU on the application of measures and sanctions with the assistance of experts from the World Bank. In 2020, the CBU joined the Reserve Advisory & Management Partnership Programme developed within the World Bank to improve the mechanisms for managing international reserves and capacity development.

The CBU and IFC signed two agreements on (i) the Electronic and Digital Financial Services Project and (ii) the Financial Inclusion Project. The main goal of this project is to enhance the availability of

financial services to the population and the private sector. In particular, IFC experts will assist in the development of regulatory documents in the field of electronic and digital financial services, including: remote servicing and provision of financial services, implementation of the principles of remote customer identification, attraction of bank payment agents by credit institutions, and a regulatory sandbox for payment systems. With a view to increasing the financial literacy of the population, the IFC will assist the CBU in training trainers in the commercial banks for their subsequent training of their clients on topics related to responsible borrowing, savings, budget planning and principles of money management, as well as digital financial literacy.

The EBRD provided technical assistance with the involvement of international consultants (OG Research, Czech Republic) to build the capacity of the CBU on inflation targeting and improvement of the model tools by introducing a semi-structural quarterly forecast model for making decisions in the area of monetary policy based on macroeconomic forecasts, as well as on adjusting the operational framework of monetary policy to the standards of inflation targeting regime. In 2023, the EBRD is following with two other technical assistance projects in the area of strengthening the transmission mechanism of monetary policy and improving the monetary policy communication. Also, in 2020 the CBU established a Money Market Working Group together with the EBRD and all 35 commercial banks which hold quarterly meetings to discuss the topics, which related to increasing money market efficiency, interbank REPO market activity and other issues related to treasury management.

At the beginning of 2021, the CBU, together with the EBRD, developed an Action Plan on Increasing Gender Inclusion in the Financial Sector and Entrepreneurship, which has been implemented. In cooperation with the EBRD and the International Compliance Association, seven CBU employees are participating in online courses to obtain an International Certificate of Compliance and Financial Crime Risk in Global Banking. In order to improve qualifications in “Factoring”, 11 CBU employees have received training on the EBRD platform. Furthermore, the EBRD, together with the AFI, provided six CBU staff with training opportunities on the World Women’s Banking Programme: Leadership and Diversity.

The CBU is closely cooperating with AFI to improve the financial literacy of the population and the implement best practices in the protection of the rights of consumers of the financial services. AFI is also providing training and webinars on financial education, consumer protection, digital financial services and financial inclusion.

The ADB provided technical assistance and support in the implementation of risk-based approach for bank supervision. Further to this, a new risk-based supervision manual was delivered and approved by the CBU. The ADB consultant worked with the banking inspection department with the main goal of assisting in the practical assessments pursuant to the new risk-based supervision manual.

Development of remote banking services

The CBU created a retail operation clearing system through which tax and utility services payments, mobile operator fees and others can be maintained by individuals in the national currency. The system allows financial institutions to serve the clients remotely on a real time basis through the Uzcard and Xumo systems, which facilitate non-cash peer-to-peer settlements.

Infrastructure has been developed to encourage payments using bank cards. As of 1 September 2023, there were 23,995 ATMs and information kiosks and more than 429,385 POS terminals.

The “QR-online” system has also been launched, which specialises in making payments using a QR code. By June 2023, the number of business entities registered by commercial banks in this system exceeded 102,000.

In 2020, the CBU launched an instant payment system that allows businesses to make payments in real and at any hour of the day. In September 2020, the Ministry of Economy and Finance of the

Republic of Uzbekistan launched a service for making budget payments to the Treasury. In 2023, more than 18.5 million transactions worth UZS 375,457 billion were made through this system. In the six months ended 30 June 2023, the number of transactions made through the instant payment system was more than 11.9 million and the amount of transactions carried out via this system reached UZS 252,132 billion.

Gold and Foreign Exchange Reserves

The following table sets out the official international reserves of Uzbekistan and the foreign currency reserves assets of the CBU as at the dates indicated:

Official Reserve Assets

The following table sets out Uzbekistan's official reserve assets and other foreign currency assets as at the dates indicated.

	As of 31 December					As of 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(U.S.\$ million)</i>					
A. Official reserve assets	27,081.4	29,172.1	34,904.0	35,139.2	35,767.5	33,720.3
Foreign currency reserves (in convertible foreign currencies)	12,070.6	12,474.9	14,303.9	13,077.6	11,645.4	9,576.5
<i>Of which:</i>						
other national central banks, BIS and IMF	64.2	135.3	337.0	306.2	1,192.7	565.5
banks headquartered outside the reporting country	12,006.3	12,339.65	13,967.0	12,771.4	10,452.8	9,011.0
IMF reserve position	0.01	0.01	0.01	0.01	0.01	0.01
SDRs	370.1	368.0	383.3	1,111.9	1,057.3	1,056.7
Gold	14,640.7	16,329.2	20,216.7	20,949.7	23,064.8	23,087.1
<i>Of which, volume in millions of fine troy ounces</i>	11.4	10.8	10.7	11.6	12.7	12.1
B. Other foreign currency assets	68.1	178.5	110.7	243.7	67.5	24.2
<i>Of which:</i>						
deposits not included in official reserve assets	65.4	176.7	103.4	236.0	62.0	16.0

gold not included in official reserve assets	2.7	1.9	7.3	7.7	5.5	8.2
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Source: Central Bank of the Republic of Uzbekistan

(1) Preliminary estimates

The calculation of international reserves is conducted in compliance with the standards of the IMF. International reserves of Uzbekistan consist of foreign currency reserves and monetary gold.

As of 30 June 2023, Uzbekistan's total official international reserves, including gold and the CBU's foreign currency reserves, amounted to U.S.\$33,720.3 million, a decrease of 5.7% as compared to 31 December 2022, of which U.S.\$10,633.2 million were foreign currency assets and U.S.\$23,087.1 million was in gold. A decrease in international reserves within the six months ended 30 June 2023 resulted largely from a decrease in balances held by commercial banks at the CBU and foreign exchange interventions conducted by the CBU.

As of 31 December 2022, Uzbekistan's total official international reserves, including gold and the CBU's foreign currency reserves amounted to U.S.\$35,767.5 million, indicating an increase of 1.8% as compared to 31 December 2021, of which U.S.\$12,702.7 million were foreign currency assets and U.S.\$23,064.8 million was in gold. An increase in international reserves in 2022 resulted largely from an increase of gold holdings and the price of gold which rose from U.S.\$1,799.3 to U.S.\$1,812.4 per ounce.

As of 31 December 2021, Uzbekistan's total official international reserves, including gold and the CBU's foreign currency reserves, amounted to U.S.\$35,139.2 million, an increase of 0.7% as compared to 31 December 2020, of which U.S.\$14,189.5 million were foreign currency assets and U.S.\$20,949.7 million was in gold. An increase in international reserves in 2021 resulted largely from additionally allocated SDR, increase of gold holdings which outweighed negative price effect.

As of 31 December 2020, Uzbekistan's total official international reserves, including gold and the CBU's foreign currency reserves, amounted to U.S.\$34,904.0 million, an increase of 19.6% as compared to 31 December 2019, of which U.S.\$14,687.3 million were foreign currency assets and U.S.\$20,216.7 million was in gold. An increase in international reserves in 2020 resulted largely from an increase in the price of gold during the period from U.S.\$1,511.50 per ounce to U.S.\$1,891.1 per ounce.

As at 31 December 2019, Uzbekistan's total international reserves, including gold and the CBU's foreign currency reserves, were U.S.\$29,172.1 million (of which foreign currency assets amounted to U.S.\$12,843.9 million and U.S.\$16,329.2 million was in gold), representing an increase of 7.7% as compared to 31 December 2018. Official international reserves represented 13 months of import coverage.

As at 31 December 2018, Uzbekistan's total official international reserves, including gold and foreign currency reserves, were U.S.\$27,081.4 million (of which foreign currency assets amounted to U.S.\$12,440.7 million and U.S.\$14,640.7 million was in gold), representing a decrease of 3.5% as compared to 31 December 2017. Official international reserves represented 14 months of import coverage.

The import cover ratio was 13.9x, 13.2x, 18.5x, 15.1x, 12.1x and 10.2x for the years ended 31 December 2018, 2019, 2020, 2021, 2022 and for the six months ended 30 June 2023, respectively.

Anti-Money Laundering Legislation and Measures

Uzbekistan complies with the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in 1995, International Convention for the Suppression of the Financing of Terrorism in 2001, the UN Convention against Transnational Organised Crime in 2003 and the UN Convention against Corruption in 2008 to ensure it complies with international standards on anti-money laundering practices.

The Republic of Uzbekistan became a member of the Eurasian Group (“**EAG**”) on Combatting Money Laundering and Financing of Terrorism in 2005. The assessment of the implementation of anti-money laundering and counter-terrorist financing measures in Uzbekistan was conducted by the EAG. The EAG mutual evaluation mission of Uzbekistan took place in 2009. The Second EAG Plenary meeting was held in Uzbekistan in May 2015.

According to clause 51 of the EAG Mutual Evaluation Procedures, and taking into consideration the aforementioned factors, the EAG Plenary decided to remove Uzbekistan from the follow-up process from 2016. The EAG has completed the second round of the mutual evaluations. The Mutual Evaluation Report of the Republic Uzbekistan (“**MER**”) was adopted at the 36th Plenary Meeting in June 2022 and subsequently published in August 2022. On 24 July 2023, the EAG reported that Uzbekistan has demonstrated considerable progress in addressing the technical compliance-deficiencies identified in the MER. The EAG transferred Uzbekistan from enhanced to regular follow-up and will report on further progress on improvement of the national Anti-Money Laundering/Countering the Financing of Terrorism and Financing of Proliferation of weapons of mass destruction system at the 44th Plenary Meeting.

The Republic of Uzbekistan is a full member of the Egmont Group of Financial Intelligence Units since 2011 and the Council of Heads of the Financial Intelligence Units of member-countries of the Commonwealth of Independent States since 2018.

Uzbekistan’s core anti-money laundering (“**AML**”) legislation comprises of the Law of the Republic of Uzbekistan “On countering legalisation of proceeds from criminal activity, the financing of terrorism and the financing of the proliferation of weapons of mass destruction” No. 660-II dated 26 August 2004, which establishes comprehensive Know Your Customer and Suspicious Transaction Reports rules. Taking effect in January 2006, the law established that the key government body responsible for AML enforcement is the Department on Combating Fiscal and Foreign Currency Crimes and Money Laundering (which was renamed in 2018 as the Department for Combating Economic Crimes), under the General Prosecutor’s Office of the Republic of Uzbekistan, control exercised by the specially designated government agency. The measures aimed at combatting money laundering and financing of terrorism include, *inter alia*, specially designated government agency control over economy, internal control measures, customer identification and other due diligence measures.

By the Presidential Resolution “On the formation of an interdepartmental commission on countering legalisation of proceeds from criminal activity, the financing terrorism and the financing of the proliferation of weapons of mass destruction” No. PR-3947 dated 20 September 2018, the Interdepartmental Commission on Counteracting the Legalisation of Proceeds from Crime, Financing of Terrorism and Financing the Spread of Weapons of Mass Destruction was formed as part of the law enforcement agencies, ministries and departments of the Republic involved in this field.

The main tasks of the commission are:

- organising effective risk assessment of the legalisation on income derived from criminal activities and financing of terrorism, as well as developing proposals on its basis and taking

measures to further develop and strengthen the national system of countering the legalisation of income derived from criminal activities and the financing of terrorism;

- development of proposals for improving the state policy in the field of countering the legalisation of income derived from criminal activities and the financing of terrorism;
- ensuring the implementation of the requirements of the Recommendations of the Financial Action Task Force on Money Laundering and international legal instruments in the sphere of combating money laundering from criminal activities, terrorist financing and the proliferation of weapons of mass destruction into the legislation of the Republic of Uzbekistan; and
- analysis of law enforcement practice, identifying the causes and conditions conducive to offences in the sphere of countering the legalisation of income derived from criminal activities and the financing of terrorism, the preparation of proposals for their elimination.

The commission's activities are aimed at creating an effective mechanism for interaction between state bodies, self-regulating organisations and the private sector in countering the legalisation of income derived from criminal activities, the financing of terrorism and the financing of the proliferation of weapons of mass destruction.

In 2019, the National Risk Assessment was carried out with the assistance of the OSCE in order to identify and assess the existing risks of money laundering and terrorism financing, the results of which became the basis for identifying areas for further improving the national system in this field.

In 2020, to the list of the subjects of financial monitoring included persons operating in the field of crypto-assets turnover.

On a regular basis, all government bodies conduct meetings, conferences and other explanatory work within the scope of issues of reducing risks in the sphere of combating money laundering and financing of terrorism, making recommendations for regulating electronic payment systems in order to prevent their use for money laundering and financing of terrorism, expanding the interaction of financial intelligence units with branch bodies of the CIS and other international organisations.

On 29 June 2021, the resolution of the Cabinet of Ministers No. 402 On additional measures to implement the Law "On combating money laundering, terrorist financing, and financing the proliferation of weapons of mass destruction" was adopted.

The resolution approves the following:

- regulation on the procedure for providing information related to the fight against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction;
- regulation on the procedure for implementing international cooperation in the field of combating the legalisation of proceeds from criminal activities, the financing of terrorism, and the financing of the proliferation of weapons of mass destruction; and
- the procedure for organising monitoring and control over compliance with legal documents in the field of combating the legalisation of proceeds from criminal activities, the financing of terrorism, and the financing of the distribution of weapons of mass destruction by organisations that carry out operations related to money or other transactions related to property.

Reports on transactions deemed suspicious by organisations that carry out operations related to money or other property are submitted to the Department of Combating Economic Crimes under the General Prosecutor's Office using an automated software product, with the exception of information constituting state secrets. The information and documents that are the basis for sending it are attached to the message sent by the organisations to the specially authorised state body. The Department under the General Prosecutor's Office must regularly inform the organisations and their supervisory bodies about the results of the review of the sent messages.

Anti-Corruption Legislation and Measures

Uzbekistan has introduced legislation, which, in conjunction with the country's Criminal Code, prohibits corruption in Uzbekistan. The Prosecutor General's Office, the Ministry of Internal Affairs, the State Security Service, the Ministry of Justice of the Republic of Uzbekistan and the Anticorruption Agency of the Republic of Uzbekistan are the main arms of the Government specifically tasked with fighting corruption.

The Republic of Uzbekistan ratified the UN Convention against Corruption in 2008 and became a signatory to the Istanbul Anti-Corruption Action Plan in 2010 and additionally adopted a series of anti-corruption laws that aim to improve foreign investment climate.

The Government of Uzbekistan adopted the Law of the Republic of Uzbekistan "On Public-Private Partnership" in 2019 to improve anti-corruption legislation by reducing administrative barriers and ensuring transparency in accessing public resource.

The Law of the Republic of Uzbekistan "On public procurement" was adopted on 22 April 2021 in a new edition and came into force in July 2021. The new edition aims to make the procurement procedure transparent and efficient through digitalisation of processes.

The President established the Anti-corruption Agency on 29 June 2020. The agency has the right to request, receive and research materials related to the expenditure of budget funds, implementation of state assets, public procurement, implementation of investment projects and implementation of state programmes.

The main functions of the Anti-corruption Agency are:

- to provide a systematic analysis of the corruption in the country, as well as identify areas that are most susceptible to corruption risks, causes and conditions for committing corruption offences;
- to create an intolerant attitude to all forms of corruption in society by developing and implementing comprehensive programmes aimed at raising legal awareness of citizens, disseminating information on preventing and combating corruption and organising anti-corruption training;
- effective implementation of the internal anti-corruption control system ("**compliance control**") and other international anti-corruption tools in state and economic management bodies, state-owned enterprises, including banks with a state share in the authorised capital, monitoring anti-corruption based on modern methods and information and communication technologies, as well as rating their activities in this area;
- to ensure the effectiveness of anti-corruption expertise of normative legal acts and their projects, as well as develop and implement proposals for improving legislation, implementing international standards and best foreign practices in the field of preventing and combating corruption; and

- to take effective measures for implementing integrity standards (“**integrity vaccines**”) in public service and to resolve conflicts of interest, as well as to monitor their compliance.

The Presidential Resolution “On additional measures for effective organisation of anti-corruption activities” No. PR-5177 was adopted on 6 July 2021. According to this resolution, internal anti-corruption control structures were fully established in 117 state bodies and organisations, including 1,520 state unit banks.

The Presidential Resolution “On measures to improve mechanisms for eliminating corruption risks in the field of public administration and to expand public participation in this field” No. PR-240 was adopted in May 2022. According to this resolution, from 1 September 2022, the “E-Anticorruption” project was fully launched. With this, a system of mandatory detection and assessment of corruption risks was introduced in the activities of state power and management bodies, including their regional divisions, state unitary enterprises and institutions, and organisations with a state share of more than 50%.

The electronic platform “E-antikor. Uz” and the call centres have been launched, allowing citizens to quickly report corruption.

The Ministry of Justice of the Republic of Uzbekistan has adopted an anti-corruption policy. The policy is developed on the basis of recommendations of international anti-corruption organisations and best international practice, taking into account the requirements of the international standard ISO 37001: 2016 “Anti-bribery management systems – Requirements and recommendations for use”.

The Ministry of Justice of the Republic of Uzbekistan approved the methodology for conducting anti-corruption expertise of draft regulatory legal acts (dated 24 February 2021), according to which it is mandatory to pass an anti-corruption examination before its adoption.

With the adoption of the Decree of the President of the Republic of Uzbekistan “On measures to create a zero-tolerance environment to corruption, to drastically reduce corruption factors in state and public management, and to extensively engage the society to this process” No. PD-6257 dated 6 July 2021, the national anti-corruption strategy was changed to 2023-2027, and it was found appropriate to improve the project.

The Anti-corruption Agency of the Republic of Uzbekistan has developed a draft of a National anti-corruption strategy covering a five-year period (2023-2027) on improving the anti-corruption system, eliminating conflicts of interest in public service, and improving the business environment. It has been submitted to the Administration of the President and is in the process of being accepted as at the date of this Base Offering Circular.

The draft Law of the Republic of Uzbekistan “On Conflict of Interest” was developed, adopted by the Legislative Chamber and the Senate, and submitted to the President for approval.

“Corruption-free area”, and “Open, transparent and accountable area” projects are being implemented. Also “Corruption-free sphere” projects are being carried out in capital construction, higher education, health care, public procurement, and banking sphere.

The “Tashkent International Anti-Corruption Forum” has been held annually in order to systematically deliver the reforms implemented in the field of combating corruption to the general public and internationally, and “Uzbekistan Anti-Corruption” was published in the Uzbek, Russian and English language. Further, “digest” online magazine was established.

Domestic Capital Markets

Uzbekistan has its own stock market, which has been traded via the Republican Stock Exchange “Toshkent” (“**UZSE**”). UZSE provides a trading platform for securities of both listed and non-listed

companies. However, before February 2023, the securities of the non-listed companies were traded on Elsis-Savdo, which was a closed joint stock company that engages electronic over-the-counter securities trading. The company was founded in 2000.

The UZSE is the country's main securities trading platform and the only corporate securities exchange. It was founded on 8 April 1994. It mainly hosts equity and secondary market transactions involving shares of state-owned enterprises, including ensuring free circulation of securities and disclosure of information, as well as market-based pricing. There are 75 investment intermediaries, including management companies operating in all regions of the Republic.

On the basis of the order of the Ministry of Economy and Finance of the Republic of Uzbekistan dated 28 January 2023 No. 07-45-01/03, from 30 January 2023, organised over-the-counter trading began for the purchase and sale of securities not included in the exchange quotation list of the UZSE, UZSE launched the work of the Off-listed trading platform (OTC).

In September 1995, the UZSE joined the Federation of Eurasian Stock Exchanges (“**FEAS**”) (based in Istanbul). Over the years of development, UZSE has entered into cooperation and information exchange agreements with the Istanbul, Frankfurt, London, Moscow and other stock *exchanges globally*. On 6 April 2018, a Memorandum of Mutual Cooperation was signed between the UZSE and the Korean Stock Exchange.

The Multilateral Memorandum of Understanding with the International Organisation of Securities Commissions (“**IOSCO**”) signed in 2002, contributes to development of Uzbekistan's capital markets by establishing an international framework for cross-border cooperation, namely, providing for the procedural terms for consultations, cooperation and information exchange and joint fight against cross-border fraud and financial crimes, such as market manipulation and insider trading.

For the six months ended 30 June 2023, the total turnover of the stock and corporate bonds market in Uzbekistan amounted to UZS 2.15 trillion, of which UZS 1.86 trillion were formed in the Nego board and UZS 230.2 billion in the Main board. Within the same period, and according to the results of trading at the RSE “Toshkent”, 134 773 transactions were registered with 13.62 billion securities of 94 issuers and worth UZS 2.15 trillion. Comparing the volume and number of trades made in the six months ended 30 June 2023 with similar periods of 2020-2022, it is worth noting a significant increase in the number of trades. The indicator of the number of trades in the six months ended 30 June 2023 increased more than four times in comparison with the above-mentioned time periods. There was a 35.79% decline in the transaction volume indicator compared to the first six months of 2022. Nonetheless, it is necessary to emphasise that, except for the last year, there is a positive dynamic of growth in the volume of trades.

The Central Securities Depository provides a unified accounting of securities in the depository system of the Republic of Uzbekistan. During the six months ended 30 June 2023, in the over-the-counter market, the Central Securities Depository and investment intermediaries registered 33 over-the-counter transactions in corporate bonds and shares worth UZS 18.37 trillion.

Government Securities

Pursuant to the Resolution of the President of the Republic of Uzbekistan “On the Forecast of Main Macroeconomic Indicators and Parameters of the State Budget of the Republic of Uzbekistan for 2018” No. PR-3454 dated 29 December 2017 and the Decree of the Cabinet of Ministers “On measure of organising the issuance of government treasury bills and bonds of the Republic of Uzbekistan” No. 1016 dated 14 December 2018, the Ministry of Economy and Finance of the Republic of Uzbekistan placed government treasury bonds with a nominal value of UZS 597.1 billion in December 2018. The proceeds from the placement of government securities are to be directed at the implementation of domestic socio-economic development measures, major investment projects (determined by the decisions of the President), and to cover the state budget deficit.

The presence of government securities in circulation is expected to contribute to the overall capital market development in Uzbekistan and strengthening of market mechanisms for macroeconomic regulation.

From December 2018, the Government started issuing treasury bills and treasury bonds in local currency. In 2021, treasury bills and bonds with a total value of UZS 4,866 billion were issued through 64 auctions. In 2022, treasury bills and bonds with a total value of UZS 13,628 billion were issued through 81 auctions. As of 1 January 2023, the Ministry of Economy and Finance of the Republic of Uzbekistan had outstanding treasury bills and bonds amounting to UZS 13,038 billion at various rates and tenors. In the first half of 2023, treasury bills and bonds were issued with a total value of UZS 15,300 billion through 32 auctions and the total outstanding amount constituted UZS 22,514 billion.

On 21 February 2022, the resolution of the Cabinet of Ministers was adopted stipulating the establishment of a primary dealership system in the government securities market aimed at stimulating the development of the government securities market. Also, non-residents were allowed to purchase government bonds. In 2022, the Ministry of Economy and Finance had signed primary dealership agreements with the following nine commercial banks of the Republic of Uzbekistan: NBU, Ipoteka bank, Xalq bank, Uzpromstroybank, Qishloqqurilishbank, Asaka bank, Turon bank, Asia Alliance bank and Ipak yuli bank.

Secondary market trades in government bonds and bills are gradually rising depending on fluctuations in the banking system's liquidity. In the long term, the Ministry of Economy and Finance of the Republic of Uzbekistan remains committed to the development of the domestic government debt market, continuous diversification of debt instruments in terms of both tenor and tranche amount and gradual widening of investor base by working in collaboration with the CBU.

Corporate Securities

In 1999, corporate securities were introduced in Uzbekistan. In 2001, International Issue Syndicate ("IIS"), a volunteer operation union, was established among 22 Uzbek commercial banks, insurance, investment and consulting companies. IIS facilitated corporate bond issuance and underwriting.

In 2004, 23 companies issued corporate bonds. Since then, the market has significantly decreased, partially due to the defaults of several limited liability companies and a lower refinancing rate, which affected coupon rates on corporate bonds. In order to allow for stable market development, the Government adopted new regulations for the corporate bond market, limiting market access to open joint stock companies complying with specific financial performance ratios over the preceding three years and limiting the maximum placement amount by such companies' total capital amount. From 1 January until 30 June 2023, six companies issued corporate bonds in the amount of UZS 94 billion. In addition, within the same period, 157 trades with 17,553 corporate bonds of seven issuers in the total of UZS 75.8 billion were concluded on the Bond Market on the Main Board trading platforms of the UZSE.

Equities Market

On 30 June 2023, 108 joint-stock companies had a total market capitalisation worth UZS 149.27 trillion, which showed an upward trend with slight deviations and recorded an increase of 61.4% compared to the indicator at the beginning of this period. This is as compared to 30 June 2022, when 104 joint-stock companies had a total worth UZS 82.8 trillion.

Regulation of the securities market

The “Capital Market Development Programme for 2021-2023” and a list of state-owned enterprises and banks that will make IPO or SPO between 2021 and 2023 were approved by the Presidential Decree “On measures to further develop the capital market” No. PD-6207 dated 13 April 2021.

The following results have been achieved after the adoption of “Capital Market Development Programme for 2021-2023”:

- the Draft Law “On the Capital Market” of direct action has been developed, which provides for the unification of legal acts in the field of regulation of the securities market based on advanced foreign experience. The Law consists of 37 chapters and 224 articles and was developed based on the principles of the International Organization of Securities Commissions (the “IOSCO”);
- The Ministry of Economy and Finance has joined the multilateral Memorandum of Understanding on Consultation, Cooperation and Information Exchange of the IOSCO to ensure the integration of the local securities market with the international market;
- A draft resolution of the Cabinet of Ministers has been developed on standards of corporate actions and improving the procedure for dividend payments (ID-81941), taking into account the experience of foreign countries with developed capital markets;
- A draft law has been developed on the introduction of Sukuk bonds based on the principles of Islamic finance;
- The shares of UzAuto Motors JSC were publicly placed on 15 February 2023 at the Tashkent Republican Stock Exchange by the Ministry of Economy and Finance, in cooperation with UzAuto Motors JSC, in the amount of UZS 56.9 billion;
- Permission was granted for underwriting activities of foreign banks and investment intermediaries in the securities market in the Republic of Uzbekistan without obtaining a special license;
- Enabled for international investors to trade with government bonds;
- Market capitalization of local stock exchange reached the point of UZS 94,38 trillion in 2022 (in 2020 it was UZS 54,79 trillion); and
- As of 2022, the volume of trades reached the amount of UZS 4.8 trillion (in 2020 it was UZS 578 billion).

In addition, by the Presidential Resolution “On measures to further improve the capital market” No. PR-291 dated 2 September 2023, the National Agency for Prospective Projects (the “NAPP”) was designated as a regulator of the securities market of Uzbekistan, taking over all the subject-related functions and powers from the Ministry of Economy and Finance.

The NAPP has the following objectives with respect to the development and regulation of the capital markets in Uzbekistan:

- Integrating the local capital market into the international capital markets and allow international and foreign Central Securities Depositories like “Clearstream” and “Euroclear” to operate without any licence and local presence in Uzbekistan, introducing a special legal regime “Regulatory sandbox” in the industry;
- Approving the “Roadmap” for the development of the local capital market and the reform of the market infrastructure in 2023-2025, with the implementation of the following:

- simplify the procedure for trading in the state securities market for foreign investors;
- establish a bilateral correspondent relationship with “Clearstream” and other international and foreign Central Securities Depositories by opening foreign nominee accounts locally for their clients, for government and corporate securities;
- implement “SWIFT” system in depository services;
- further improve the activities of “Information and Resource Centre of the Stock Market”, “Central Depository of Securities” and UZSE “Toshkent”;
- improve the single portal of corporate information disclosure;
- improve the procedure for payment of income on securities, including dividend payments;
- improve the taxation policy and practices in the local capital market;
- revise and ease the established restrictions on the purchase of shares for investors registered in offshore territories;
- expand the spectrum of financial instruments on the stock exchange;
- finalise and submit the draft law “On Capital Market” to the Cabinet of Ministers;
- Establishing a single depository services and settlement (clearing) system in Central Bank Money for corporate and Government securities; and
- Encouraging joint stock companies, investors and market participants with a number of incentives to actively invest in the local capital market, in particular to actively participate in public “IPOs”.

The primary regulatory mechanisms of the securities market are defined by the Law of the Republic of Uzbekistan “On securities market”, “On joint-stock companies and the protection of the rights of stockholders” and “On currency regulation”. These mechanisms cover areas of market participant’s and minority stockholder’s rights, security issuance and exchange, rules for professional participants and securities, information disclosure, professional and institutional standards. Other aspects of the securities market legislation consist of normative acts issued by the President, the Cabinet of Ministers and the Ministry of Economy and Finance (including its predecessors, the CMDA and the Centre for Coordination and Development of the Securities Market under the State Committee of the Republic of Uzbekistan for Assistance to Privatised Enterprises and Development of Competition). Notable regulations are the Decree of the Cabinet of Ministers of the Republic of Uzbekistan “On measures for further improvement of corporate management systems in Joint-stock companies”, the regulation “On trusted investment asset managers”, the rules for provision and publication of information for the professional participants of the securities market, the regulation “On qualification requirements for securities market specialists”, regulation “On organising the security of confidential information by security issuers” and the rules for issuing securities and the government registration of securities issuances.

Professional activity is a regulated activity under the Law of the Republic of Uzbekistan “On securities market” and is licensed, supervised and enforced by the Ministry of Economy and Finance. Professional activity includes organised stock-exchanges, organised over-the-counter exchanges, depositories, clearing-settlement chambers, investment intermediaries, investment advisors, trusted investment asset managers, investment funds, mutual funds and transfer-agents. The UZSE is the organised stock exchange and operates 12 regional branches. The Central Securities Depository operates under the form a Governmental Unitary Enterprise and is the main provider of depository

services, with second-tier depository services offered by other professional participants. Clearing and settlement services are offered by the clearing chambers of organised exchanges.

Under the Law of the Republic of Uzbekistan “On securities market”, “On the Central Bank of the Republic of Uzbekistan” and the Decree of the Cabinet of Ministers of the Republic of Uzbekistan “On measures for the organisation of the issuance of government treasury obligations and obligations of the Republic of Uzbekistan”, the CBU and the Ministry of Economy and Finance of the Republic of Uzbekistan act as the sole issuers of government treasury securities of the Republic of Uzbekistan and the Uzbek Republican Currency Exchange is the sole organised exchange where government treasury securities are realised.

Insurance Market

As of 30 June 2023, 41 insurers operate in the insurance market of the Republic of Uzbekistan. For the six months ended 30 June 2023, the total volume of insurance premiums on the market amounted to UZS 3.8 trillion, which amounted to 136% compared to the same period in 2022. Of these, the volume of insurance premiums on voluntary types of insurance amounted to UZS 3.26 trillion.

As of 30 June 2023, the aggregate amount of authorised capital of all insurers of the country amounted to UZS 2.13 trillion and the total volume of investments of insurers of the country exceeded UZS 5.2 trillion, which is 30% more than the same period in 2022.

Based on the structure of insurance premiums and insurance payments as of 30 June 2023, voluntary insurance (3.3 trillion) make up the main parts of the collected insurance premiums and insurance premiums generated by the market.

As of 30 June 2023, the total volume of insurance liabilities of insurers under insurance contracts amounted to UZS 1,784,846.1 billion. At the end of the six months ended 30 June 2023, the total volume of insurance payments made by insurers amounted to UZS 900 billion, including voluntary type of insurance (UZS 504 billion) and mandatory types of insurance (UZS 117 billion).

The legal foundations of the industry were strengthened, amendments and additions were made to the Law of the Republic of Uzbekistan "On Insurance Activities", a number of regulatory legal documents aimed at developing and changing the competitive insurance market accepted.

The number of insurance policies increased by 1.4 times to 8.4 million, and contracts were mainly transferred to a user-friendly electronic form. Also, insurance companies in Uzbekistan offer more than 110 types of insurance products in various directions.

The number of structural divisions in the regions increased by 1.5 times compared to 2017 and reached almost 2,000. Stable jobs were created for 15,400 employees and insurance agents in all regions.

By the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On approval of the unified regulation on the licensing procedure for certain types of activities through a special electronic system” No. 80 dated 21 February 2022, the classification of insurance activities was expanded by adding additional insurance classes. In particular, class V “Life insurance for securing obligations”, class VI “Long-term voluntary pension insurance” and class VII “Life insurance with return of capital” were included in the field of life insurance, in addition to class 18 “Medical insurance” which was included in the field of general insurance.

In addition, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 694 was adopted on 5 December 2022 stipulating the procedure for providing electronic insurance services, by allowing all types (classes) of insurance to be carried out in electronic form, registering insurance policies for all types of insurance in the Unified Automated Information System, developing establishment of a procedure for the provision of electronic types of insurance services, including

rules for the sale and registration of all types (classes) of insurance in electronic form, as well as mechanisms for verifying their accuracy.

PUBLIC FINANCE

Overview

The State Budget of Uzbekistan (the “**State Budget**”) is comprised of the republican budget of Uzbekistan (the “**Republican Budget**”), the budget of the Republic of Karakalpakstan, as well as the local budgets of the regions of Uzbekistan and the city of Tashkent.

The Consolidated Budget of Uzbekistan (the “**Consolidated Budget**”) includes the State Budget and the budgets of state special-purpose funds (state targeted funds), as well as the funds of the UFRD, after elimination of inter-budgetary transfers. Prior to 2022, the extra-budgetary funds of budgetary organisations were not included in the Consolidated Budget, but have been included from 2022.

The following table sets forth certain summary information regarding Uzbekistan’s State Budget for each of the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billion soums, except percentages)</i>					
REVENUES						
Direct taxes.....	14,411.8	31,676.8	45,206.9	58,930.3	64,447.1	33,582.2
<i>of which:</i>						
Corporate profit tax	3,282.6	16,360.6	28,712.2	38,363.3	37,649.9	18,084.5
Contributions from the unified tax payment for trade and catering sector enterprises.....	2,108.5	1,988.7	_(5)	_(5)	_(5)	_(5)
Turnover tax	-	-	1,353.9	1,649.4	2,512.7	1,135.7
Contributions from the unified tax payment, including microfirms and small businesses.....	2,597.9	658.9	_(5)	_(5)	_(5)	_(5)
Personal income tax.....	6,422.7	13,327.5	15,140.8	18,917.7	24,284.5	14,361.9
Fixed tax for certain types of entrepreneurial activity	1,024.8	_(6)	_(6)	_(6)	_(6)	_(6)
Indirect taxes.....	40,949.0	46,427.2	46,428.3	56,290.4	71,390.2	36,901.6
<i>of which:</i>						

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billion soums, except percentages)</i>					
VAT.....	27,876.5	33,809.8	31,177.4	38,439.0	52,189.4	25,884.8
Excise tax.....	11,246.1	10,314.7	11,697.3	13,086.5	13,455.0	7,000.8
Customs duty	1,826.4	2,302.7	3,553.7	4,764.9	5,745.7	4,055.9
Tax for consumption of gasoline, diesel and gas for means of transportation.....	1,543.9	_(6)	_(6)	_(6)	_(6)	_(6)
Payment for use of telephone line number	331.3	_(6)	_(6)	_(6)	_(6)	_(6)
Payments for use of resources and property tax.....	12,663.4	19,680.7	21,257.0	23,036.4	23,912.8	13,057.0
<i>of which:</i>						
Property tax	2,606.1	2,360.2	1,974.3	2,457.3	4,015.4	2,562.4
Land tax.....	1,504.2	2,313.2	2,386.7	4,082.8	5,305.9	3,066.4
Tax on use of subsoil resources.....	8,424.7	14,692.8	16,417.1	15,811.9	13,887.4	7,076.4
Tax on use of water resources.....	128.4	314.5	478.8	684.4	704.1	351.6
Excess profit tax.....	1,528.0	107.9	_(7)	_(7)	_(7)	_(7)
Other revenues.....	7,971.1	14,272.8	20,045.8	26,542.2	42,113.7	18,775.5

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billion soums, except percentages)</i>					
Total revenues.....	79,099.0	112,165.4	132,938.0	164,799.4	201,863.7	102,296.3
EXPENDITURES (functional classification)						
Social expenditures	40,475.2	56,638.1	84,653.8	92,216.1	117,387.7	64,302.9
<i>of which:</i>						
Expenditures for social services and social protection	39,098.2	55,446.1	74,231.8	80,671.8	105,589.1	58,086.6
<i>including:</i>						
Education.....	19,768.1	28,734.2	29,961.1	69,640.8	50,271.3	30,091.4
Healthcare.....	8,717.3	12,122.4	19,397.2	23,316.8	27,288.3	14,618.1
Culture and sports.....	1,348.2	2,168.1	2,340.7	3,609.5	4,289.6	2,279.5
Science.....	424.6	630.3	823.8	1,081.1	1,447.2	751.0
Social benefits, welfare, financial assistance and compensatory payments ..	3,029.3	4,720.3	8,190.9	10,880.3	19,397.1	9,354.4
Other social expenditures.....	1,337.0	1,192.0	10,422.0	11,544.3	11,798.6	6,216.3
Credit lines for co-financing programmes of accommodation construction in rural areas⁽²⁾	3,638.0	4,125.7	1,938.2	597.5	1,010.8	362.6
Funds and grants for development of NGOs and civil society institutions	17.8	37.8	47.5	95.6	103.5	140.6
Expenditures for economy⁽³⁾.....	7,954.2	13,172.7	16,692.8	21,169.7	34,090.9	20,095.6
Expenditures for centralised investments.....	9,885.4	20,437.1	18,843.7	29,900.1	27,807.0	12,031.4

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billion soums, except percentages)</i>					
Expenditures for maintaining governmental authorities administration, courts and self-governing bodies⁽⁴⁾	4,065.3	6,016.1	8,643.5	10,366.1	10,987.5	7,530.3
Reserve Funds	604.1	1,005.4	1,506.2	1,401.8	1,811.0	708.0
Transfers from State Budget to Pension Fund⁽⁸⁾	-	-	9,117.00	10,744.2	11,092.0	5,970.0
Other expenditures	23,089.9	21,893.3	24,176.7	33,310.3	55,185.5	30,146.1
Total expenditures (without targeted funds)	84,714.8	118,008.7	144,142.2	188,257.1	236,692.0	129,101.4
Surplus balance (deficit)	(5,615.8)	(5,843.3)	(11,204.6)	(23,457.8)	(34,828.3)	26,805.0
% of GDP	0.7%	(1.4%)	(2.2%)	(2.6%)	(4.0%)	(4.7%)

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

- (1) Preliminary estimates.
- (2) "Credit lines for co-financing programmes of accommodation construction in rural areas" is included in the calculation for the total "Social expenditures". Since 2020, "Credit lines for co-financing programmes of accommodation construction in rural areas" also includes pay-outs of compensation and subsidies within the co-financing programmes of accommodation construction in rural areas.
- (3) Expenditures for economy include water management; veterinary, plant protection service; improvement of cities, districts and other settlements; geodesy, cadastral works; nature protection and other economic activities.
- (4) Expenditures for maintaining governmental authorities, administration, courts and self-governing bodies include the cost of maintaining the courts, prosecutors and other institutions of justice; expenditures for maintaining government departments; maintenance costs of citizens' self-governing bodies; expenses for elections and referendums.
- (5) "Contributions from the unified tax payment for trade and catering sector enterprises" and "contributions from the unified tax payment, including microfirms and small businesses" have been abolished and replaced with turnover tax from 1 January 2020.
- (6) Starting from 2019, fixed tax for certain types of entrepreneurial activity, tax for consumption of gasoline, diesel and gas for means of transportation, and payment for use of telephone line number were cancelled.
- (7) Excess profit tax was cancelled since 1 January 2020.
- (8) Starting from 1 January 2019, employee contributions to the Pension Fund were abolished. Additionally, the unified tax payment (now – social tax) for certain categories of taxpayers was reduced from 25 to 12% of the payroll cost. Accordingly, transfers from the State budget to the Pension Fund commenced in 2020.

The following table gives information about Consolidated Budget of the Republic of Uzbekistan for each of the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billion soums, except percentages)</i>					
Revenues of Consolidated Budget⁽²⁾.....	117,763.6	146,928.0	161,882.6	204,452.6	286,520.7	153,842.3
<i>of which:</i>						
State budget revenues	79,099.0	112,165.4	132,938.0	164,799.4	201,863.7	102,296.3
Revenues of state target funds	29,834.2	25,165.2	23,311.1	32,879.1	37,713.7	27,431.4
Revenues of Uzbekistan Fund of Reconstruction and Development	8,830.3	9,597.4	5,633.5	6,774.1	8,615.2	4,760.0
Revenues of special funds of budgetary organisations	-	-	-	-	33,645.9	16,962.7
Expenses of Consolidated Budget⁽²⁾	125,348.5	167,010.5	187,971.1	245,223.4	321,732.9	180,794.5
<i>of which:</i>						
State budget expenses	84,714.8	118,008.7	144,142.7	188,257.1	236,692.0	129,101.4
Expenses of state target funds	21,404.6	27,072.4	25,508.0	28,667.7	38,263.7	22,619.5
Anti-Crisis Fund ⁽³⁾	-	12,826.9	-	-	-	-

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billion soums, except percentages)</i>					
Expenses of Uzbekistan Fund of Reconstruction and Development	15,099.0	15,362.0	10,955.3	25,969.4	8,070.7	7,910.9
<i>of which, transfers to the state budget:</i>	-	-	1,489.1	5,235	672	0
Expenses of special funds of budgetary organisations	-	-	-	-	33,645.9	16,962.7
Expenditures on government programmes from external public and publicly guaranteed debt	4,130	6,567.4	8,854.3	7,564.6	5,733.0	4,200.0
Transfers between the state budget and state target funds	2,382.6	380.0	10,991.8	12,671	27,481	12,336
Consolidated budget balance (overall fiscal balance)	(7,584.9)	(20,082.6)	(26,088.5)	(40,770.8)	(35,212.2)	(26,952.2)
Percentage of GDP	(1.0%)	(3.8%)	(4.3%)	(5.6%)	(4.0%)	(5.7%)

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

- (1) Preliminary estimates
- (2) Revenues and expenditures of the consolidated budget do not include transfer payments. For example, revenues of the state budget can be transferred to target funds and these revenues are considered as revenues of both the state budget and target funds. In order to prevent double accounting, inter-budget transfers are not included in the sum of consolidated budget.
- (3) The Anti-Crisis Fund was created during 2020 in order to mitigate the effects of the COVID-19 pandemic and was funded by emergency financing from international financial institutions and transfers from the State budget through. The Anti-Crisis Fund was closed on 1 January 2021. The funds were transferred to the Republican Budget.

State Budget Revenues

In 2022, the State Budget revenue totalled UZS 201,863.7 billion, representing a nominal increase of 22.5% when compared to 2021.

Taxation consistently represents the predominant source of budgetary revenue for Uzbekistan and accounted for 79.1% of the total State Budget revenues for 2022, as compared to 83.9% for 2021.

In 2021, the State Budget revenue totalled UZS 164,799.4 billion, representing a nominal increase of 24.0% when compared to 2020.

In 2020, the State Budget revenue totalled UZS 132,938.0 billion, representing a nominal increase of 18.5% when compared to 2019.

In 2019, the State Budget revenue totalled UZS 112,165.4 billion, representing a nominal increase of 41.8% when compared to 2018.

In 2018, the State Budget revenue totalled UZS 79,099.0 billion, representing a nominal increase of 59.2% when compared to 2017.

Personal Income Tax

Uzbekistan's personal income tax system relies to a large degree on final withholding arrangements with a minimal number of exemptions and deductions.

Effective from 1 January 2019, the personal income tax rate has changed to a flat rate of 12%, whereas there was previously a progressive rate which ranged from 0.0% for income comprised of one times of the minimum monthly wage ("MMW"), 7.5% for income equal to one times to five times the MMW, 16.5% for income equal to five times to 10 times the MMW to 22.5% for income in excess of 10 times the MMW.

In the six months ended 30 June 2023, personal income taxes generated UZS 14,361.9 billion (equivalent to 3.1% of the GDP of Uzbekistan), increasing by 2.8% compared to the corresponding period in 2022.

In 2022, personal income taxes generated by UZS 24,284.5 billion, increasing by 28.4% compared to 2021 or equivalent to 2.7% of the GDP of Uzbekistan.

Effective from 1 January 2019, capital income, such as dividend and interest, is taxed at a flat rate of 5% for residents through final withholding, while non-residents are taxed at a rate of 10%. Rental income is taxed at the minimum personal income tax rate, currently set at 12%, collected either by withholding or on assessment.

A special tax on individual entrepreneurs is set as a fixed tax, depending on the type of business activity and location. From 1 January 2020, this tax changed to individual income tax for individual entrepreneurs. For example, fixed amount varies from UZS 750,000 per months for food and non-food retailers in Tashkent to UZS 200,000 in other settlements.

For the period from 1 April 2022 to 31 December 2024, income of individuals (both residents and non-residents of the Republic of Uzbekistan) in the form of dividends from shares in joint stock companies is exempt from personal income tax.

Taxation of Business Income

As of 2019, business incomes are taxed under different fiscal regimes, depending on the annual revenue of legal entities. Legal entities with annual revenues exceeding UZS 1 billion are subject to the standard tax regime. Entities with annual revenues not exceeding UZS 1 billion are taxed under the simplified regime, consisting of a unified tax payment ("UTP"). Companies producing excisable

goods or engaged in subsoil extraction, farms with an irrigated area of more than 30 hectares, markets, shopping malls and stationary outlets for the retail sale of alcoholic beverages, including beer, may not opt for the simplified regime. All businesses in the simplified regime can pay VAT on a voluntary basis in the presence of value-added taxable turnovers. Agricultural businesses are in a separate category and may pay a single tax in the amount of 0.95% of the land value (paid by the landowner) in lieu of all other taxes. From 1 January 2020, UTP changed to turnover tax.

In the six months ended 30 June 2023, corporate profit tax generated 3.9% of GDP, while the turnover tax yielded 0.2% of GDP.

As a proportion of GDP in 2022, corporate profit tax generated 4.2% of GDP, while the turnover tax yielded 0.3% of GDP.

The standard regime consists of the corporate profit tax, property tax on the book value of immovable property and the unified social payment. Firms governed by the standard regime must be registered for VAT.

Corporate profit tax is levied on the worldwide income of all legal entities resident in Uzbekistan and on the Uzbekistan-source income of non-residents operating through a permanent establishment. Taxable income is defined as the revenues from the sale of goods and services and other income sources, interest, royalties, capital gains and rental income, less deductions for expenses incurred from business activities.

Effective from 1 January 2019, the general statutory corporate profit tax rate has been reduced to 12% from 14%, while for commercial banks the rate has been reduced to 20% from 22%, and for companies producing cement (clinker) and polyethylene granules, the rate has increased to 20% from 14%. From 1 January 2020, according to the new edition of the tax code, the general rate of corporate tax has been changed from 14% to 15%. Banks, producers of polyethylene granules, mobile services providers, and markets/shopping malls are subject to corporate profit tax at the rate of 20%.

Further, legal entities are required to pay a tax at the rate of 1.5% of the book value of immovable assets and tax at the rate of 3% of the value of overdue construction in progress. In addition, legal entities pay a land tax, levied per a hectare of land. In Tashkent, the rates per hectare vary from UZS 50 million per hectare to UZS 242 million per hectare, depending on the zone where the respective legal entity is located. The property tax and land tax are imposed by municipalities and are deductible for corporate profit tax purposes.

Social tax

As of 1 January 2021, budget organisations pay social security contributions – the social tax – comprising 25% of the payroll cost. The remaining taxpayers pay social tax at a rate of 12% of the payroll cost. The social tax covers insurance benefits for old age, disability and death, accidents, and unemployment.

From 1 April 2022 until 1 January 2025, the social tax rate of 1% is applied to businesses engaged in retail, catering, hospitality, passengers and freight transportation by vehicle, repair and maintenance of vehicles, computer services, repair of household appliances, agricultural and veterinary services, and services provided in entertainment centres.

Simplified Tax Regime

The simplified tax regime has been designed for companies with annual revenues not exceeding UZS 1 billion. Under the simplified regime, companies make a UTP in the general amount of 4% of turnover. The UTP rate varies for certain industries: wholesale trade (4%), retail trade (1%, 2%, or 4%), and public catering (4%). Payers of the UTP are exempt from the corporate profit tax and VAT

but are subject to social tax at the rate of 4%. The simplified tax regime has been cancelled from 1 January 2020.

Turnover Tax

An optional simplified tax regime, i.e. turnover tax has been designed for all companies with annual revenues not exceeding UZS 1 billion and individual entrepreneurs with turnover ranging from UZS 100 million to UZS 1 billion. Turnover taxpayers whose revenue exceeds UZS 1 billion during the year become subject to the standard regime from the month in which the annual revenue threshold was exceeded. The general turnover rate is 4% but may vary from 1% to 25% depending on the type of entity and services provided. Certain taxpayers are not eligible for application of turnover tax (e.g. importers, producers of excise-liable goods, legal entities engaged into subsurface extraction, sale of petrol, diesel/gas fuel).

Value Added Tax (“VAT”)

From 1 January 2023, VAT is levied on a range of goods and services at the rate of 12% (down from 15%) Export of goods is generally zero-rated. The revenues from VAT accounted for UZS 52,189.4 billion in 2022 and UZS 25,844.8 billion in the six months ended 30 June 2023. On 1 January 2022, the number of VAT payers was 141,526. On 1 January 2023, this number increased by 16.7% to 165,182 and further increased by 6.5% to 175,965 as at 30 June 2023.

According to the new edition of Tax code (Article 237), the following are recognised as value-added taxpayers carrying out business activities and/or selling goods (services) in the Republic of Uzbekistan:

- legal entities of the Republic of Uzbekistan;
- individual entrepreneurs whose income from the sale of goods (services) in the tax period exceeded UZS 1 billion or voluntarily transferred to the payment of value added tax;
- foreign legal entities selling goods (services) in the territory of the Republic of Uzbekistan, if the place of sale of goods (services) is recognised by the Republic of Uzbekistan;
- foreign legal entities carrying out activities in the Republic of Uzbekistan through permanent establishments;
- in the case of activities carried out under an ordinary partnership agreement (agreement on joint activity) – a trustee entrusted with the task of running the affairs of an ordinary company – a participant in an ordinary company; and
- persons transporting goods across the customs border of the Republic of Uzbekistan. These persons are recognised as payers of value added tax in accordance with the customs legislation.

In addition, payers of turnover tax are exempt from VAT, regardless of the nature of goods or services and they can pay the VAT on a voluntary basis in the presence of value-added taxable turnovers.

From 1 July 2020, the Republic of Uzbekistan introduced a procedure for all taxpayers for refund of the amount of value-added tax in excess of the amount calculated on the turnover of sales. For the six months ended 30 June 2023, VAT refunds returned for all enterprises amounted to UZS 8,891.6 billion.

Following the improvements in the VAT refund procedure in 2022, UZS 19.3 trillion were refunded to cover the negative VAT difference (27% of collected VAT). To compare, in 2021 taxpayers were refunded UZS 14.4 trillion, while in 2020 was UZS 9 trillion.

Excise

Excises are levied on tobacco products, alcohol products and petroleum products (including gasoline, diesel fuel, jet kerosene and motor oil for carburetor engines), although the excise tax on 73 types of goods was abolished in 2021. Goods are classified according to a uniform system and rates are both specific and ad valorem (excluding excise tax and VAT). Ad valorem rates range from 5% to 70%. The excise tax rates were set in the Tax Code of the Republic of Uzbekistan.

In 2022, excise revenue represented 1.5% of GDP. In six months ended 30 June 2023, excise revenue represented 1.5% of GDP.

Due to quarantine measures taken in the world in 2020 and 2021 to stop the spread of COVID-19, a number of measures have been taken by Uzbekistan to provide protection and support businesses, in particular, in 2020, business entities were provided with tax benefits on property tax and land tax on an amount of approximately UZS 12 billion and UZS 165 billion, respectively, while the amount of tax relief for the use of water resources amounted to UZS 3,111 million. At the same time, in 2021, business entities took advantage of property tax and land tax benefits for a total amount of approximately UZS 2.5 billion and the tax for the use of water resources is UZS 2.2 billion. These benefits were provided as part of government support during the COVID-19 pandemic.

Moreover, tax reliefs and unapplied sanctions as of 1 January 2023 totalled UZS 72,963.7 trillion.

The below tables summarises the tax rates in the Republic of Uzbekistan for 2021, 2022 and during the six months ended 30 June 2023:

State taxes allocated between republican and local budgets	2021	2022	Six months ended 30 June 2023⁽¹⁾
	General rate 15%	General rate 15%	General rate 15%
Corporate Income Tax	For commercial banks – 20%	For commercial banks – 20%	For commercial banks – 20%
Single tax payment (general rate, from 01.01.2020 it became turnover tax)	4%	4%	4%
Personal Income Tax	Single flat rate 12%	Single flat rate 12%	Single flat rate 12%
VAT (standard rate)	15%	15%	12%
Excise duties	Absolute amount	Absolute amount	Absolute amount
Subsoil use tax	From 2.6% to 10% depending on type of mineral	From 2.6% to 10% depending on type of mineral	From 2% to 10% depending on type of mineral
State taxes allocated between republican and local budgets	2021	2022	Six months ended 30 June 2023⁽¹⁾
Water resource usage tax	Absolute amount	Absolute amount (10% indexed)	Absolute amount (10% indexed)
Fixed tax for certain commercial activities (%)	Absolute amount	Absolute amount	Absolute amount

of minimum wage per unit of physical indicator), from 01.01.2020 income tax from individual entrepreneurs

Local taxes – allocated to local budgets	2021	2022	2023
Corporate property tax (houses and apartments, villas, other buildings, premises and facilities)	2.0%	1.5%	1.5%
Corporate land tax	Absolute amount	Absolute amount	Absolute amount
Single land tax	Absolute amount	Absolute amount	Absolute amount
Taxes allocated to non-budgetary funds	2021	2022	2023
Social payments to pension funds	Abolished	Abolished	Abolished
Corporate payments to other funds	Abolished	Abolished	Abolished

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Preliminary estimates.

State Budget Expenditure

In 2022, the State Budget expenditure amounted to UZS 236,692.0 billion and increased by 25.7% in nominal terms in comparison to 2021.

In 2021, the State Budget expenditure amounted to UZS 188,257.1 billion, representing a 30.6% increase in nominal terms, as compared to UZS 144,142.7 billion in 2020, which in turn represented a 22.1% nominal increase from UZS 118,008.7 billion in 2019.

In 2022, the Government's largest areas of spending were as follows:

- education (including, among others, expenses relating to the maintenance and capital renovation of preschools and kindergartens; expenses relating to the transition towards a mandatory 11-year school education; expenses relating to the printing and publication of books, textbooks and study materials; expenses relating to the enhancement of technology used in higher education institutions; expenses relating to the maintenance and renovation of higher education institutions), which accounted for 21.2% of the total State Budget expenditures in 2022. 66% of expenditures for education were allocated for general secondary education, 20% for preschool education and 14% for staff training;
- economic expenses (including, among others, expenses relating to water management and amelioration of lands; the support of farming enterprises growing cotton on low-yielding

lands; geological exploration works; the renovation and provision of amenities to towns, districts and settlements; the environmental protection measures; housing and utility works; development of potable water supply systems), which accounted for 14.4% of the total State Budget expenditures in 2022; and

- public healthcare (including, among others, expenses relating to hospitalisation of patients into public medical institutions; expenses relating to the construction, reconstruction and capital renovation of medical institutions; the provision of necessary equipment and technology to urgent care divisions and screening centres; expenses relating to public maternal care; expenses relating to the purchase of pharmaceuticals and treatments for public medical institutions), which accounted for 11.5% of the total State Budget expenditures in 2022.

State-Local Fiscal Relationship

As stated in the Budget Code of the Republic of Uzbekistan, the relationship between the state budget and the local/regional budgets in Uzbekistan is based on certain set rules of the inter-budgetary process. Inter-budgetary transfers are made in the form of subventions, transferred incomes, grants, budgetary loans of mutual settlement funds and targeted social transfers.

The following table provides information on the subventions from the state budget to local budgets for the periods indicated:

	Year ended 31 December					Six months ended
	2018	2019	2020	2021	2022	30 June 2023 ⁽¹⁾
	<i>(billion soums, except percentages)</i>					
Total expenditure of state budget	84,714.8	118,008.7	144,142.7	188,257.1	236,692.0	129,101.4
<i>Of which:</i>						
subventions and transfers	7,155.7	7,763.1	9,692.5	30,361.5	41,397.2	21,428
% of total expenditure	8.4%	6.6%	6.7%	16.1%	17.5%	16.6%

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Preliminary estimates.

Equalising inter-budgetary transfers are provided on a non-refundable basis to cover the local budget expenditures in the part that exceeds the revenue forecasts of these budgets.

Generally, the compensation of income or expenses for budgets is compulsory through the allocation or withdrawal of funds for mutual settlements in the process of implementation of the State budget, therefore resulting in a decrease or an increase in the revenues and/or expenses of lower budgets.¹ Subventions to local budgets are allocated for the implementation of expenses which are determined during the approval of the forecast of the main macroeconomic indicators and the main parameters of the State budget. The size of subventions from the Republican Budget to the local budgets is established when approving the forecast of basic macroeconomic indicators and basic parameters of the State budget. In addition, targeted social transfers are allocated from the higher budget to the

¹ The lower budget is the budget of the lower administrative-territorial unit in relation to the budget of the higher administrative-territorial unit or the republican budget.

lower budget to cover the costs of wages and a single social payment of educational and medical institutions. Unused targeted social transfers at the end of the current fiscal year are subject to return to the appropriate higher-level budget.

According to the Presidential Decree “On the forecast of the main macroeconomic indicators and parameters of the state budget of the Republic of Uzbekistan for 2018” dated 29 December 2017, local authorities are granted independence when making decisions on the approval of revenues and expenditures of their local budgets. Also, local authorities gained in full the right to dispose of their budget revenues.

The following table sets out the volume of revenues and expenditures of the budget of the Republic of Karakalpakstan, local budgets of the regions of Uzbekistan and the city of Tashkent, and targeted social transfers allocated from the Republican Budget.

Year ended 31 December 2022			
Region	Revenues left in the respective budgets	Expenses assigned to the respective budgets	Equalising inter-budgetary transfers
	<i>(billion soums)</i>		
The Republic of Karakalpakstan	2,499.5	5,939.9	3,440.3
Andijan region	3,246.5	6,869.8	3,623.3
Bukhara region	3,425.3	5,350.7	1,925.4
Jizzahk region.....	1,822.8	3,928.5	2,105.7
Kashkadarya region	3,920.0	8,812.2	4,892.3
Navoiy region	2,432.9	3,469.1	1,036.1
Namangan region.....	3,265.4	6,927.5	3,662.2
Samarkand region	4,197.7	7,889.6	3,691.9
Surkhandarya region.....	2,670.6	6,527.9	3,857.3
Syrdarya region	1,147.8	2,671.1	1,523.3
Tashkent region	4,526.0	6,838.2	2,312.2
Fergana region	4,778.5	8,749.0	3,970.5
Khorezm region	2,384.2	4,485.5	2,101.3
Tashkent	7,073.2	10,328.5	3,255.3
Total.....	47,390.3	88,787.5	41,397.2

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

The following table sets out the volume of revenues and expenditures of the budget of the Republic of Karakalpakstan, local budgets of the regions of Uzbekistan and the city of Tashkent, and targeted social transfers allocated from the Republican Budget for the six months ended 30 June 2023.

Six months ended 30 June 2023⁽¹⁾

Region	Revenues left in the respective budgets	Expenses assigned to the respective budgets	Equalising inter-budgetary transfers
		<i>(billion soums)</i>	
The Republic of Karakalpakstan ...	1,319.1	2,995.0	1675.6
Andijan region	1,719.6	3,727.0	2007.1
Bukhara region	1,868.5	2,952.0	1083.5
Jizzahk region	951.4	2,127.0	1175.2
Kashkadarya region	2,252.0	5,072.0	2820.0
Navoiy region	1,440.2	1,974.0	533.9
Namangan region.....	1,628.7	3,864.0	2235.4
Samarkand region	2,377.2	4,115.0	1737.5
Surkhandarya region.....	1,400.4	3,705.0	2304.7
Syrdarya region	644.6	1,392.0	747.3
Tashkent region	2,783.6	3,553.0	768.9
Fergana region	2,382.5	4,508.0	2125.5
Khorezm region	1,304.9	2,547.0	1242.1
Tashkent	3,973.4	4,945.0	971.6
Total.....	26,046.0	47,474.0	21428.5

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Preliminary estimates.

The following table sets out the equalising inter-budgetary transfers allocated from the Republican Budget for 2021, 2022 and the six months ended 30 June 2023.

	2021	2022	Six months ended 30 June 2023⁽¹⁾
			<i>(billion soums)</i>
State budget revenues, including:.....	164,799.4	201,863.7	102,296.3
The revenues of Republican Budget.	129,626.4	154,473.4	76,250.4
The revenues of local budgets.	35,173.0	47,390.3	26,046.0

State budget expenses, including:	188,257.1	236,692.0	129,101.4
The expenses of Republican Budget	122,722.7	147,904.5	81,627.4
The expenses of local budgets	65,534.4	88,787.5	47,474

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Preliminary estimates.

Budget Process

The Budget Code of the Republic of Uzbekistan (dated 26 December 2013, as amended) (the “**Budget Code**”) sets out the procedures governing Uzbekistan’s budget system and regulates the preparation, adoption, execution and monitoring of the State Budget. Uzbekistan is aiming to conform to international best practice in its budgetary procedures. According to the Decree of the President of the Republic of Uzbekistan No. 3917 dated 22 August 2018, “On measures for ensuring openness of budgetary data and active participation of citizens in the budgetary process” consistent work is being done to introduce new mechanisms to increase the availability of economic and financial statistics and to enhance the openness of the budget process within the framework of reforming economic sectors.

In order to further increase the openness and transparency of data transmission, strengthen parliamentary and public control over the formation and expenditure of budgetary funds, and in an attempt to act in accordance with the requirements of the Development Strategy for the five priority areas of development of Uzbekistan in 2017-2021, certain procedures were established for the formation and execution of the State budget:

- in 2019, a mechanism for the participation of citizens in the distribution of funds from local budgets was introduced. This mechanism provides for the direction of at least 10% of additional sources of budgets of districts and cities in order to finance activities that are identified on the basis of public opinion. According to the Presidential Decree No. PD-5072 dated 13 April 2021, from May 2021 onwards, in pilot districts, 5% of approved expenditures of the respective budgets have been allocated to finance these activities; and as of 1 July 2021, the minimum amount of additional funds of budgets of cities and districts, which are allocated to finance the identified activities, were increased from 10% to 30%. Starting from 2024, all funds allocated for the construction of internal roads infrastructure shall be funded through Openbudget portal for the initiatives given by citizens;
- the Budget Law (as defined below) is effective from 1 January 2020 through which state budget and the budgets of state trust funds were approved containing a detailed breakdown of information prepared in accordance with advanced technologies;
- projected State budgets and state trust funds, the main directions of tax and budget policy, together with reports on the implementation of the State budget and the budgets of state trust funds shall be subject to mandatory public discussion before they are submitted to the Legislative Chamber;
- in parallel with the publication of draft State budgets, the Ministry of Economy and Finance of the Republic of Uzbekistan shall produce an information publication titled “Citizens’ Budget” that sets out details about the State budget, State trust funds and republic budget executions reports, which will be published for public comment;
- the conclusion of the Accounts Chamber of the Republic of Uzbekistan on projected State budgets and trust funds, the main directions of tax and budget policy, as well as the results of

an external audit and evaluations of the annual reports on the execution of the State budget and the budgets of state trust funds shall be subject to mandatory publication;

- in order to ensure openness and transparency of government finance statistics and budget transparency, the Ministry of Economy and Finance introduced “Open Budget Portal” in 2019 that makes budget data available to the public;
- the implementation of reforms focused on improving government finance statistics and ensuring budget transparency;
- ensuring the transparency of the budget process and budget data, as well as their accessibility for foreign investors and other stakeholders, allowing the involvement of citizens in the budget process, as well as publication of the publication Budget for Citizens; and
- informational, methodological, technical support and administration of the Portal.

The draft of the law on state budget for the consecutive year (the “**Budget Law**”) and the budgets of state special-purpose funds are prepared based on priorities in socioeconomic development and the forecast of macroeconomic indicators for the following financial year and the next two consecutive years. Additionally, the Cabinet of Ministers is entitled to bring a proposal to the chambers of the Supreme Assembly on the adoption of the State Budget and the budgets of state special-purpose funds for a period exceeding one year.

The preparation of the draft Budget Law and the budgets of state special-purpose funds consists of the following stages: (i) the circulation of the procedure outline for the preparation of budgetary requests; (ii) the preparation and presentation of budgetary requests and forecasts of principal macroeconomic indicators; (iii) the review and compilation of budgetary requests; and (iv) the preparation of the Budget Message.

The bodies entrusted with the preparation of the draft Budget Law include the Ministry of Economy and Finance, other ministries, state committees and bodies, local public authorities (in respect of preparing draft budgets, providing information and data requested by the Ministry of Economy and Finance). Budget holders of state special-purpose funds are responsible for preparing the draft budgets of such funds.

By no later than 1 June of each year, the Ministry of Economy and Finance is obligated to submit an updated fiscal strategy for the following year to the Cabinet of Ministers. The Cabinet of Ministers then has to discuss and approve the fiscal strategy by 15 June of that year.

Following such approval, the Ministry of Economy and Finance is obligated to submit the fiscal strategy to, and request feedback from:

- first-level budget administrators, budgetary organisations and recipients of budgetary funds financed from the Republican Budget, as well as second-level budget administrators, the Legislative Chamber and the Cabinet of Ministers regarding the budget ceilings for the next financial year, allocated from the Republican Budget, as well as the ceilings of expenditures on capital investments;
- local authorities regarding the ceilings of inter-budgetary transfers allocated from the Republican Budget to the local budgets, as well as ceilings of expenditures on capital investments; and

- administrators of state targeted funds regarding the ceilings of inter-budgetary transfers allocated to state targeted funds from the Republican Budget.

The aforementioned entities are then obligated to furnish any requests relating to the budgets to the Ministry of Economy and Finance by no later than 1 August of that year.

Separately, the draft budgets of the Republic of Karakalpakstan, local budgets (budgets of regions and the budget of the city of Tashkent) and budgets of state special-purpose funds are submitted to the respective designated regional public authorities no later than 25 July, and to the Ministry of Economy and Finance by no later than 1 August of each year.

The Ministry of Economy and Finance prepares the draft Budget Law on the basis of: a forecast of macroeconomic indicators; a forecast of State Budget revenues (broken down by source); first-level administrators submitted budget requests; by considering the forecasted volume of expenditures for specific projects to be implemented on the account of the Republican Budget; and based on the draft budgets of the Republic of Karakalpakstan, regional budgets and the budget of the city of Tashkent. In the draft State Budget, expenditures are estimated based on the forecasted volume of revenues, taking into account the maximum threshold for State Budget deficit, with specification of sources of deficiency payments.

The Budget Message is a document outlining the key streams of socioeconomic development for Uzbekistan for the upcoming fiscal year. The Budget Message includes a summary of the results of socioeconomic development for the past year and a forecast of such results for 2023, as well as a forecast of key macroeconomic indicators used for preparation of the draft Consolidated Budget. The Budget Message additionally includes forecasts for the execution of the Consolidated Budget for 2023; an updated Fiscal Strategy; a draft of the State Budget; and state targeted funds' budgets, as well as income and expenses of UFRD for the upcoming year and budget targets for the next two years; key indicators of development by industry; and information regarding Uzbekistan's public debt, with relevant clarifications.

The Ministry of Economy and Finance submits the draft of the Budget Law to the Cabinet of Ministers no later than 15 September; the Cabinet of Ministers then forwards the draft of the Budget Law and the Budget Message to the Administration of the President and to the Audit Chamber for preparation of an opinion by 20 September. Finally, the Cabinet of Ministers submits the Budget Message together with the Audit Chamber opinion to the chambers of the Supreme Assembly by no later than 15 October.

The draft of the Budget Law must be considered by the Legislative Chamber by no later than 15 November. The Budget Law must then be approved by the Senate by no later than 15 December.

Following the approval of the Budget Law, the Ministry of Economy and Finance must, within three business days, communicate the relevant financial information and parameters to the Council of Ministers of the Republic of Karakalpakstan, regional khokimiyats, the khokimiyat of the city of Tashkent and to first-level budget administrators, and within 10 days – to the administrators of state targeted funds.

On a yearly basis, the Ministry of Economy and Finance prepares a report on the execution of the State Budget. Furthermore, the Ministry of Economy and Finance submits quarterly reports to the Cabinet of Ministers on the process of execution of the State Budget, as well as a yearly report on the execution of the State Budget prior to 1 April following the respective fiscal year. Prior to the 2018,

the Government's State Budget was in surplus for 13 consecutive years. From and since 2019, the Government's State Budget has been in deficit.

2022 - 2023 Budget

State Budget parameters for 2022 were approved with the Law of the Republic of Uzbekistan No. LRU-742 dated 30 December 2021 "On the State Budget of the Republic of Uzbekistan for 2022", which was effective from 1 January 2022 (the "**Budget Law 2022**"). According to the Budget Law 2022:

- the consolidated budget deficit shall be limited to 3% of GDP in 2022, with provisions for additional expenses only if offset by new income sources or reduced expenditures;
- the managers of the first-level budgetary funds have the right to direct up to 10% of the maximum allocations allocated from the Republican Budget on the basis of a resolution of the Cabinet of Ministers to subordinate organisations financed from the budget of the Republic of Karakalpakstan, local budgets of regions and the city of Tashkent;
- at least 30% of the additional funds from the budgets of all districts (cities) of the republic are directed to finance activities formed on the basis of public opinion; and
- the limits for state external borrowing were set at U.S.\$4.5 billion.

According to Budget Law (Law of the Republic of Uzbekistan "On State Budget of the Republic of Uzbekistan for 2023" (the "**Budget Law 2023**") No. LRU-813 dated 30 December 2022), the 2023 consolidated budget has been prepared in accordance with a conservative scenario of economic development, assuming the following macroeconomic indicators: (i) a consumer price index (inflation) of 9.5%, (ii) a GDP growth rate of 5.3%, (iii) industry growth rate of 5.1% to 6.9% and (iv) service growth rate of 6.7%.

The following table indicates aggregate parameters of the consolidated budget of the Republic of Uzbekistan for 2023 approved by Budget Law 2023:

		2023
No.	Indicators	(Approved)
		<i>(in billion soums)</i>
I	Revenues of Consolidated Budget.....	310,677.9
1.	State budget revenues.....	232,107.1
2.	Revenues of state target funds ⁽¹⁾	41,250.7
3.	Revenues of Uzbekistan Fund of Reconstruction and Development.....	11,712.0
4.	Revenues of Off-budget accounts of line ministries and agencies.....	25,608.1
II.	Expenditure of Consolidated Budget.....	343,212.6
1.	State budget expenditures.....	227,866.6
2.	Expenditures of state target funds.....	70,212.9
3.	Expenditures of Uzbekistan Fund of Reconstruction and Development.....	11,712.0
4.	Expenditures on government programmes at the expense of PPG external debt.....	7,813.0
5.	Revenues of Off-budget accounts of line ministries and agencies.....	25,608.1
III.	Transfers to state target funds.....	29,867.6
IV.	Consolidated budget balance, surplus, (deficit).....	(32,534.7)
V.	Repayment of debt.....	19,173.7

Source: Law of the Republic of Uzbekistan “On State Budget of the Republic of Uzbekistan for 2023” No. LRU-813 dated 27 December 2022.

(1) Excluding transfers to state target funds (also referred to as state trust funds or state special-purpose funds in this Base Offering Circular).

2023 Approved State Budget Revenues

For 2023, the State Budget revenues are projected to comprise UZS 232,107 billion, or 21.7% of GDP. The Government expects to receive UZS 73,956 billion from direct taxes (31.9% of State budget revenues), including UZS 42,848 billion (18.5% of State Budget revenues) for corporate profit tax, UZS 2,812 billion (1.2% of State Budget revenues) for turnover tax, UZS 28,296 billion (12.2% of State Budget revenues) for personal income tax.

In turn, indirect taxes are expected to comprise UZS 88,411 billion (38.1% of the State Budget revenues). In particular, VAT is expected to comprise UZS 63,775 billion (27.5% of State Budget revenues), excise tax is expected to comprise UZS 17,884 billion (7.7% of State Budget revenues) and customs duty is expected to comprise UZS 6,752 billion (2.9% of State Budget revenues).

Resource and property taxes are expected to comprise UZS 26,473 billion or 11.4% of State Budget revenues. The property tax is expected to bring UZS 4,363 billion (1.9% of State Budget revenues), income from land tax is expected to comprise UZS 5,685 billion (2.4% of State Budget revenues).

Subsoil use tax is projected to comprise UZS 15,591 billion (6.7% of State Budget revenues). Water resources use tax is expected to bring UZS 835 billion in revenues to the State Budget (0.4% of State Budget revenues).

2023 Approved State Budget Expenditures

For 2023, the State Budget expenditures are forecasted to comprise UZS 227,867 billion (21.3% of GDP), with 8.9% year-on-year growth in nominal terms.

Expenditures on social sphere are expected to constitute UZS 107,684 billion, or 47% of the total forecasted expenditures.

Education expenditures are forecast to comprise UZS 55,552 billion (24.4% of State Budget expenditures). Public healthcare expenditures are forecast at UZS 25,332 billion (11.1% of State Budget expenditures), which would ensure the financing of all measures and projects aimed at the reforming of the public health system and the provision of high-quality medical services to the population.

Expenditures on payment of social benefits, financial assistance to low-income families and compensatory payments are planned to amount to UZS 18,067 billion (7.9% of State Budget expenditures).

Expenditures on economy are forecast at the level of UZS 29,070 billion (12.8% of State Budget expenditures), which would further contribute to the development of the national economy and growth in the budget revenue base.

The volume of centralised investments is forecasted as UZS 15,520 billion (6.8% of State Budget expenditures or (1.5 % of GDP).

Expenditures on the maintenance of state bodies, courts and public prosecution bodies and local self-governance bodies are expected to comprise UZS 13,788 billion (6.1% of State Budget expenditures, respectively).

The following table shows the approved revenues and expenditures of state budget for 2023.

REVENUES	<i>(billion soums)</i>
Direct taxes	73,956
<i>Of which:</i>	
Corporate profit tax	42,848
Turnover tax	2,812
Personal income tax	28,296
Indirect taxes	88,411
<i>Of which:</i>	
VAT	63,775
Excise tax	17,884
Customs duty	6,752

REVENUES	<i>(billion soums)</i>
Payments for use of resources and property tax	26,473
<i>Of which:</i>	
Property tax	4,363
Land tax	5,685
Tax on use of subsoil resources	15,591
Tax on use of water resources	835
Other revenues	43,267
Total revenues	232,107
EXPENDITURES	
Social expenditures	107,684
<i>Of which:</i>	
Education	55,552
Healthcare	25,332
Culture and sports	4,723
Science	1,093
Social benefits, welfare, financial assistance and compensatory payments	18,067
Credit lines for co-financing programmes of accommodation construction in rural areas	1,100
Funds and grants for development of NGOs and civil society institutions	1,453
Expenditures for economy	29,070
Expenditures for centralised investments	15,520
Expenditures for socio-economic development of regions	11,025
Expenditures for maintaining governmental authorities administration, courts and self-governing bodies	13,788
Other expenditures	47,138
Reserve funds	2,006
Total expenditure	227,867
Surplus/(deficit) of the State Budget	4,241

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

UFRD

The UFRD is a financial institution under the authority of the Cabinet of Ministers, designed to fund the implementation of projects for the modernisation and technical re-equipment of leading sectors of the economy, the achievement of a dynamic, sustainable and balanced socio-economic development of the country, as well as the implementation of an effective structural and investment policy.

The UFRD was established in 2006 to finance and co-finance projects of the state public investment programme. The UFRD grants loans to banks to refinance projects approved by the state. The funds of the UFRD can be used for the procurement of modern and advanced technology from foreign companies. The UFRD's loans are granted for a period of between seven and 15 years, including a grace period of three to five years, at a minimum rate of 2.25%. In particular, for the first six months of 2023, the UFRD allocated funds for the implementation of projects in such sectors as railroad and other infrastructure development projects (2.54%), the metallurgy industry (2.53%), the export support fund (2.4%), the fund for the support of farmers, dekhkan farms and owners of household lands (0.83%) and credit lines to commercial banks to support entrepreneurship (16.3%).

As of 30 June 2023, the UFRD's capital was U.S.\$16.7 billion (on the basis of an exchange rate of UZS 11,48812 per U.S. Dollar as at 30 June 2023). 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. Since 2020, the UFRD has not received transfers from state budget revenues. As a result, the UFRD's revenues in 2022 were U.S.\$783.2 million, compared to an annual average of U.S.\$827.1 million during the period from 2017 to 2021. The UFRD's resources are a fiscal buffer for the government if necessary.

The following table sets out the UFRD's assets as at the dates indicated:

	As at 31 December					As at 30 June
	2018	2019	2020	2021	2022	2023
	<i>(U.S.\$ billion)</i>					
Investment portfolio	1,211.3	2,970.0	2,906.9	3,701.0	3,590.9	3,006.2
Loans to investment projects	5,889.4	5,220.9	4,010.0	4,574.8	4,347.4	7,062.2
Reserves in foreign currencies	11,496.3	10,949.9	10,508.7	8,598.7	8,570.5	6,594.8

Source: Uzbekistan Fund of Reconstruction and Development

As of 30 June 2023, the UFRD's existing loan portfolio is equal to U.S.\$7.1 billion. From the year 2018 until 30 June 2023, the UFRD disbursed U.S.\$8.1 billion to finance import contracts under public investment projects. Of these funds, 14.5% were distributed to aviation, railway and infrastructure projects, 5.4% to the mining sector, 2.1% to oil and gas sector, 7.2% to power and electricity generation and 0.13% to petrochemical industry. The UFRD started opening credit lines to commercial banks to support light industry and entrepreneurship. For the above specified period, local commercial banks disbursed U.S.\$2.9 billion from the credit lines or 37.2% of the disbursements.

The increase in investments in 2019 is associated with the transformation of 19 loans and three credit lines opened by the UFRD for a total of U.S.\$1.8 billion into equity shares in respective commercial banks in accordance with the Presidential Resolution No. PR-4487 dated 9 October 2019 "On priority measures to improve the financial stability of the banking sector of the Republic of Uzbekistan".

In 2020, the UFRD made investments in eight projects through share purchases amounting to

U.S.\$1.75 billion in Uzbekneftegaz and Uzkimyosanaot in accordance with Presidential Resolution No. PR-4664 dated 4 April 2020 “On first measures to increase the financial sustainability of the oil and gas sector”.

In 2021, the UFRD made investments in domestic banks, the mining sector, metallurgy and investment companies amounting to U.S.\$411.2 million. In 2022, the UFRD made investments in the mining sector and investment companies amounting to U.S.\$272 million.

There are currently 77 ongoing investment projects, out of which 13 are in need of funding this year: two projects are in each of the power generation and the export support fund, one project is in each of the metallurgy industry, chemical industry and the fund for the support of farmers, dekhkan farms and owners of household lands, and the rest are infrastructure projects such as railway and aviation. There are also 27 credit lines to support textile, craftsmen and servicing industries and entrepreneurship among population. During the six months ended 30 June 2023, the UFRD has financed 14 investment projects for an amount of U.S.\$1.94 billion and opened financing through credit lines to commercial banks for an amount of U.S.\$376 million.

The following table sets forth the UFRD’s loans to investment projects for the periods indicated:

Sectors	Year ended 31 December										Six months ended 30 June	
	2018		2019		2020		2021		2022		2023 ⁽¹⁾	
	(projects)	(U.S.\$ millions)	(projects)	(U.S.\$ millions)	(projects)	(U.S.\$ millions)	(projects)	(U.S.\$ millions)	(projects)	(U.S.\$ millions)	(projects)	(U.S.\$ millions)
Uzbekneftegas	11	2,089.1	7	1,873.8	2	146.2	2	240.7	2	240.7	2	240.7
Uzbekenergo												
(Thermal power plant, Regional Electrical Network, National Electricity Grid)	10	1,455.8	10	1,404.7	9	1,253.6	10	1,322.4	5	1,292.9	9	1,292.9
Uzkimyosanoat	7	699.4	6	300.7	5	260.7	5	260.7	5	272.9	5	272.9
Navoi Mining and Metallurgical Combinat	4	621.4	5	373.8	5	376.1	5	376.1	5	376.1	5	376.1
Almalyk Mining and Metallurgical Combinat	11	1,762.9	6	1,529.9	6	456.5	6	456.5	6	456.5	5	381.9
Uzbekistan Airways	7	848.2	5	389.6	5	384.0	5	384.4	5	384.4	5	384.4
Uzbekistan Railways	12	672.6	7	353.5	7	186.8	8	208.6	8	241.2	8	247.0
Other	15	472.0	11	344.4	13	368.3	28	1,179.8	29	1,194.0	38	3,124.9
Total	77	8,621.2	57	6,570.5	52	3,432.0	69	4,429.2	69	4,458.6	77	6,320.6

Source: Uzbekistan Fund of Reconstruction and Development

(1) Preliminary estimates.

Tax Reforms

In recent years, the Government of Uzbekistan has designed and implemented a number of reforms aimed at modernising the country's tax system, increasing transparency and accountability, and promoting economic development by lessening the tax burden on individual entrepreneurs and small enterprises.

In 2018, major reforms regarding tax simplification have been initiated, including the following:

- ongoing tax reform, the development of new tax code with assistance of World Bank's experts;
- individual property tax was set to be based on cadastral value, with a limit on total tax charge to 120% of tax charge for 2017; and
- taxes dependent on municipal efficiency were put on local budget balances (individual property tax, individual land tax, retail fees for certain goods and services, fixed taxes for certain commercial activities, taxes from retail markets).

According to the Law of the Republic of Uzbekistan No. LRU-599 dated 30 December 2019 "On amendments and additions to the Tax Code of the Republic of Uzbekistan", a new edition of Tax Code was adopted which is effective from 1 January 2020. The new tax code stipulates decreasing the overall tax burden, simplifying tax rules, and improving tax administration. It has been prepared taking into consideration recommendations of the International Monetary Fund, the World Bank and other international experts.

The new Tax Code includes:

- 10 types of taxes, and a special tax regime is maintained for small companies (with turnover up to UZS 1 billion) in the form of a turnover tax;
- a new procedure for conducting tax control was adopted, which grants the tax authorities the right to assign cameral, field audits and a tax audit based on a risk analysis (without the intervention of an inspector) without coordination with the authorised body. At the same time, the results of inspections must be formalised by relevant acts;
- a detailing the procedure for conducting a tax audit, settlement of tax disputes in a pre-trial manner, as well as establishing liability measures depending on the type of tax violation;
- the introduction of new tools for ensuring the payment of taxes, as well as the procedure for granting deferred or installment payments of taxes on a paid basis without the participation of collegial bodies (commissions);
- tax incentives that can be granted by the President in the form of a reduction in the established rate, but not more than 50% and for a period not exceeding three years;
- the introduction of the right to return the "negative" VAT balance (currently only returned to exporters) after a detailed desk audit, as well as its simplified return for the largest taxpayers and those who have provided a bank guarantee;
- introduction of a procedure providing for a one-time VAT offset upon acquisition (construction) of fixed assets, including real estate (at present, offsetting is carried out in equal shares for consecutive 12 months, and for real estate within 36 months);
- introducing a procedure for taxing electronic services provided by non-residents (the so-called Google tax);

- VAT refunds according to a simplified scheme to embassies and international organisations entitled to exemption, instead of the current procedure when entities sell goods and services without VAT;
- proposed to abandon the cascading taxation of dividends by introducing a set-off mechanism for previously taxed amounts of such income, while increasing the tax rate from five to 10%;
- the procedure for taxation of interest at the source of payment has been established using a rate of 15%;
- the introduction of reduced tax rates is proposed with the abolition of the benefits provided to improve the quality of accounting for these facilities;
- the introduction of calculation of land tax for legal entities (non-payers of a single land tax) with agricultural land plots based on the normative value of agricultural land.

In 2022 and 2023, the reforms regarding tax legislation have been initiated, including the following:

- from 1 January 2023 VAT rate is reduced from 15 to 12%;
- desktop tax audits for VAT refund claims validation have been reduced from 60 to 30 days;
- new procedure is introduced allowing taxpayers to recover input VAT related to goods/ services purchased in the period when VAT certificate was suspended (previously, such VAT was non-recoverable);
- “Large taxpayers” can utilise their recoverable VAT amount to offset import VAT payable when importing goods;
- as of 1 April 2023, the VAT incentive for geological services funded by the state budget was abolished;
- the requirement of having at least 15% of gross income from export operations to apply a 0% corporate income tax rate on export income has been abolished;
- the Tax Code now explicitly states the applicability of dividend-related clauses in double tax treaties (DTTs) to the net profit tax charged on PE's after-tax profits;
- increased property tax rates for abandoned buildings and underutilised manufacturing facilities have been abolished;
- the VAT incentive for turnover related to research and innovation funded by the state budget was cancelled;
- the deadline for filing annual PIT and social tax returns has been amended to 15 February, previously 25 March;
- starting from 1 April 2023, the PIT incentive related to payment of long-term life insurance premiums was abolished;
- excise tax rates for the import of alcohol and tobacco products have been reduced by 5%, while rates for petrochemicals and locally produced alcohol and tobacco products have increased by 10% effective 1 February 2023;
- as of 1 November 2022, income from the export of goods/services is subject to a 0% CIT rate regardless of the share of export revenue in the total revenue, removing the previous 15% minimum share requirement;

- as of 1 January 2022 the net profit of non-residents operating in Uzbekistan via permanent establishment is equated to dividends and is subject to taxation at 10% (similar to dividends);
- payers of Turnover Tax payers transitioning to CIT for the first time after 1 September 2022, may apply a 50% reduced CIT rate for the following tax year if their turnover remains below UZS 10 billion;
- a tax rate of 4% is introduced for all categories of Turnover Tax payers;
- VAT and CIT payers with an annual turnover of up to UZS 10 billion are now eligible to settle their tax liability in installments over six months through a notification mechanism; and
- effective 1 April 2023, customs duty incentives on property imported by entities with foreign investments for use in their own production were abolished, unless provided otherwise in investment agreements signed before 1 January 2023.

Further Fiscal Reforms

The Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On approval of the Strategy for improving the public finance management system of the Republic of Uzbekistan for 2020-2024” No. 506 dated 24 August 2020 envisages the implementation of the following reforms and measures:

- development of the foundations of medium-term budgeting and the introduction of a new system for the formation of a “results-oriented” annual budget in order to implement a strategic approach to budgetary and tax policy;
- increasing the institutional capacity and responsibility of the participants in the budget process to ensure the reliability of macro-fiscal forecasts;
- increasing the powers and accountability of budget managers and local governments in the field of the budget and strengthening their responsibility;
- assessment of fiscal risks, accounting of financial assets and liabilities, as well as the implementation of an effective management system;
- strengthening financial discipline by unifying budget reporting standards, improving the system of internal control and audit, as well as strengthening parliamentary and public control over the budget process; and
- ensuring transparency, completeness of budget information and its compliance with international standards.

On 29 April 2023, the President signed the Law on State Debt of Uzbekistan (№386), which envisages the following main rules with respect to public debt (government and government-guaranteed debt):

- the maximum amount of debt outstanding should not exceed 60% of GDP;
- when the amount of public debt reaches a threshold of 50% of GDP, the Cabinet of Ministers of Uzbekistan develops measures aimed at decreasing the amount of public debt; and
- transparency of debt data and projects implemented at the cost of public external borrowing.

Extra-Budgetary Pension Fund

Uzbekistan’s Extra-Budgetary Pension Fund (the “**Pension Fund**”) was established on 14 January 1991 as a republican branch of the Pension Fund of the USSR (Resolutions of the Council of Ministers of the USSR and the All Union Central Council of Trade Unions No 818 “On the organisation of the USSR Pension Fund” dated 15 August 1990). On 4 August 1993, pursuant to a decision of the Cabinet of

Ministers and the Federal Council of Trade Unions of Uzbekistan, the former Pension Fund was transformed into the Social Insurance Fund under the Cabinet of Ministers of the Republic of Uzbekistan, consolidating the assets of the Pension Fund and the assets of the Federal Council of Trade Unions in order to facilitate the payment of temporary disability benefits, maternity benefits and funeral allowances.

For the purposes of the further enhancing and developing the system of social protection of the population, increasing the accountability of social security bodies and ensuring the full receipt of obligatory payments for timely financing of expenses on payment of pensions and social insurance benefits, the Social Insurance Fund under the Cabinet of Ministers underwent reorganisation. This reorganisation resulted in the formation of the Pension Fund under the Ministry of Social Welfare of the Republic of Uzbekistan, with corresponding territorial branches and departments under the Ministry of Social Welfare of the Republic of Karakalpakstan and local social security authorities.

Pursuant to Decision No. 444 of the Cabinet of Ministers of the Republic of Uzbekistan dated 15 November 2000, the Pension fund under the Ministry of Social Welfare of the Republic of Uzbekistan as of 1 January 2001 was transformed into the extra budgetary Pension Fund of the Republic of Uzbekistan. All functions relating to the operation of the Pension Fund were assigned to the Ministry of Labour and Social Protection of Population of the Republic of Uzbekistan. As of 1 January 2005, the Fund was brought under the purview of the Ministry of Economy and Finance.

The Decree of the President of the Republic of Uzbekistan No. PD-4161 dated 30 December 2009 established an off-budget Pension Fund under the Ministry of Economy and Finance of the Republic of Uzbekistan from 1 January 2010. The corresponding territorial divisions of the Pension Fund are responsible for the assignment, financing, accounting and monitoring of payment of pensions and social allowances, compensatory and other payments. Such territorial divisions were formed by virtue of transfer of functions of the respective divisions of the Ministry of Labour and Social Protection of Population, responsible for all matters relating to pensions and medical labour examination of citizens.

Pursuant to the Budget Code, the Pension Fund accumulates the funds received from mandatory payments, contributions and other sources. These funds are used for financing expenses relating to payment of public pension benefits to citizens, payment of social benefits, compensatory and other payments.

Measures and reforms taken for the pension fund system during 2021 - 2022 include:

- from 2021 to 2022, old-age benefits were given to 8,400,000 mothers with childhood disabilities in a total amount of UZS 4,200,000,000 from state budget;
- from 2021 to 2022, the amount of pensions and benefits was increased twice, by 10% starting from 1 September 2021 and by 12% starting from 1 May 2022;
- based on the Decree of the President of the Republic of Uzbekistan dated 4 June 4 2021 “On additional measures aimed at further improving the system of social support for the population,” compensation for the purchase of flour and bread was cancelled; and
- the mobile phones of more than 3,000,000 pensioners and pensioners have been connected to the interactive service “SMS-pension”.

The following table shows certain financial information relating to the Pension Fund for each of the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(in billions of soums)</i>					
Total funds.....	<u>27,454.1</u>	<u>31,312.6</u>	<u>34,779.1</u>	<u>40,284.5</u>	<u>47,951.3</u>	<u>28,928.9</u>
Balance at the beginning of the period.	<u>3,396.1</u>	<u>6,973.6</u>	<u>5,069.8</u>	<u>2,971.3</u>	<u>3,679.2</u>	<u>3,023.6</u>
Total revenues	<u>24,058.0</u>	<u>24,339.0</u>	<u>29,709.3</u>	<u>37,313.2</u>	<u>44,272.1</u>	<u>25,905.3</u>
<i>including:</i>						
Contributions from unified social payment	13,896.9	20,722.1	19,841.4	25,642.9	32,338.8	19,295.0
Mandatory insurance contributions of citizens	5,198.2	0.0	0.0	0.0	0.0	0.0
Mandatory deductions from the volume of turnover of goods and services	2,769.5	0.0	0.0	0.0	0.0	0.0
Other revenues	2,084.2	3,307.0	574.7	926.1	841.3	640.3
Non-tax revenues	109.2	310.0	176.2	0.0	0.0	0.0
Total expenditures	<u>20,480.6</u>	<u>26,242.8</u>	<u>31,807.8</u>	<u>36,605.3</u>	<u>44,927.7</u>	<u>25,857.8</u>
Payment of pensions to non-working pensioners	19,544.7	-	-	-	-	-
Payment of pensions to working pensioners	691.0	26,202.8	31,758.6	36,603.8	44,925.6	25,856.4
Social benefits to elderly and disabled persons, burial benefits and other payments	243.4	-	-	0.0	0.0	0.0
Other expenditures.....	1.5	39.9	49.2	1.6	2.1	1.4
Transfers	0.0	0.0	9,000.0	0.0	0.0	0.0
Subsidies from Anti-Crisis Fund	0.0	0.0	117.0	0.0	0.0	0.0
Balance at the end of the period	<u>6,973.6</u>	<u>5,070.0</u>	<u>2,971.3</u>	<u>3,679.2</u>	<u>3,023.6</u>	<u>3,071.1</u>

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Preliminary estimates.

PUBLIC DEBT

Overview

According to the new Law of the Republic of Uzbekistan “On Public Debt” No. LRU-836 dated 29 April 2023, state borrowing in Uzbekistan comprises of internal and external borrowing. State internal borrowing is the attraction of funds from residents of the Republic of Uzbekistan, which leads to emergence of obligations of the Government as a borrower or guarantor of repayment of loans by resident borrowers. State external borrowing is the attraction of funds from foreign sources (foreign states, international organisations, international financial and economic institutions, foreign government financial organisations and other non-residents of the Republic of Uzbekistan), which leads to emergence of obligations of the Government as a borrower or guarantor of repayment of loans by resident borrowers.

The Law defines public debt as obligations of the Republic of Uzbekistan arising as a result of internal and external borrowings. Public debt comprises domestic and external debt.

The Law has also established the powers of the Ministry of Economy and Finance as the authorised body in managing the public debt of Uzbekistan. According to the Law, public debt management consists of the development of a public debt management strategy, borrowing funds on behalf of the State, issuing sovereign guarantees, management of borrowed funds, risk management related to public debt, restructuring of public debt accounting and servicing. The government debt management strategy is approved by the Cabinet of Ministers for a period of three years. According to the Law, the maximum amount of public debt incurred should not exceed 60% in relation to the annual forecast indicator of GDP. When the amount of public debt reaches a threshold of 50% of GDP, the Cabinet of Ministers develops the measures aiming at preventing the public debt reaching 60% of GDP, and submits to the Legislature Chamber.

Uzbek public companies and banks have access to borrowing on international markets without explicit government guarantees. Fiscal risks from contingent liabilities associated with SOE debts are closely monitored by the Ministry of Economy and Finance’s main departments dealing with debt policy and management, and actions to mitigate such risks are promptly taken throughout the year. As a result, these risks are low, none of the SOEs are in arrears in servicing their debt payments and the Government has never paid for the obligations of SOEs, explicitly or implicitly.

The Government established policies and takes actions to assess and mitigate risks of contingent liabilities. Risk mitigating measures include:

- the accounting and monthly monitoring requirements of all guarantees by both the CBU and Ministry of Economy and Finance;
- selective approach to SOE investment projects under guarantees (e.g. SOEs need to have at least 50% of their shares owned by the state, be included in the annual state investment programme approved by the Cabinet of Ministers based on sectorial development programmes, stable financial performance over minimum three years, financial analysis of NPV, IRR, risk of non-payment by borrower, and an independent external audit); and
- to help prevent the worsening of the financial accounts of the SOE borrower and the risk of non-payment, the Ministry of Economy and Finance takes timely actions to eliminate non-payments.

The Government’s public and publicly guaranteed (“PPG”) debt policy over the past decade has led to a low rate of domestic and foreign debt compared to neighbouring and peer countries. The low level of debt is a result of high economic growth, a large current account and fiscal surpluses during the past decade.

The stock of nominal PPG external debt increased to U.S.\$25.9 billion in 2022 and decreased to U.S.\$25.9 billion as of 30 June 2023 (compared to U.S.\$23.3 billion as of 30 June 2022) mainly due to disbursements of budget support and investment loans, changes in cross-currency rates and principal repayments.

The Law established the powers of the Ministry of Economy and Finance as the authorised body in managing the public debt of Uzbekistan. According to the Law, public debt management consists of the development of a public debt management strategy, borrowing funds on behalf of the State, issuing sovereign guarantees, management of borrowed funds, risk management related to public debt, restructuring of public debt accounting and servicing. The government debt management strategy is approved by the Cabinet of Ministers for a period of three years. According to the Law, the maximum amount of public debt incurred should not exceed 60% in relation to the annual forecast indicator of gross domestic product.

The following table sets out information on Uzbekistan's PPG debt broken down into external PPG debt and domestic public and publicly guaranteed debt as at the dates indicated.

	As at 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(U.S.\$ million, except percentages)</i>					
External PPG debt						
<i>Multilateral loans</i>	5,696.9	7,448.2	10,056.7	10,925.8	13,803.3	14,315.4
ADB	3,091.8	3,875.8	4,984.9	5,218.8	60,329.8	6,227.3
World Bank	1,905.8	2,721.9	3,733.8	4,326.9	5,527.1	5,648.3
IsDB	663.3	749.2	824.3	885.3	903.1	909.0
Other	37.5	101.3	514.0	494.8	1,343.3	1,530.9
<i>Bilateral loans</i>	4,193.1	7,239.0	9,290.6	10,051.2	9,519.3	8,982.3
China	1,964.4	3,349.4	4,019.6	4,200.2	3,964.6	3,842.2
Japan	1,490.2	1,935.3	2,375.6	2,659.5	2,300.4	2,132.5
South Korea	114.1	748.7	997.9	1,019.2	965.9	873.1
Other	624.4	1,205.6	1,897.4	2,172.2	2,288.4	2,134.5
<i>Investors</i>	-	1,000.0	1,745.9	2,605.2	2,590.9	2,581.7
External PPG debt, total	9,890.0	15,687.2	21,093.2	23,582.2	25,913.5	25,879.4
As a percentage of GDP	18.8%	26.2%	35.2%	34.1%	32.2%	30.2%
As a percentage of foreign currency reserves ⁽²⁾	81.9%	125.7%	147.5%	180.3%	222.5%	270.2%
As a percentage of official reserve assets	36.5%	53.8%	60.4%	67.1%	72.4%	76.7%
Domestic PPG debt, total	4,996.5	2,147.1	2,273.9	2,741.1	3,317.4	5,647.4
As a percentage of GDP	9.5%	3.6%	3.8%	4.0%	4.1%	6.6%
Total PPG debt	14,715.9	17,809.7	23,334.1	26,323.3	29,230.9	31,526.8
As a percentage of GDP	28.3%	29.8%	39.0%	38.0%	36.4%	36.8%

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Preliminary estimates, six months ended 30 June 2023 PPG debt (% of GDP) numbers are computed on the basis of year on year (yoy) GDP for the six months ended 30 June 2023.

(2) In convertible foreign currencies.

As at 30 June 2023, Uzbekistan had a total PPG debt of U.S.\$31.5 billion, comprising of U.S.\$25.9 billion in external PPG debt and U.S.\$5.6 billion in domestic PPG debt. Most of the external PPG debt matures beyond nine years with the bulk of loans to be repaid in 15-40 years.

The following table provides information on the historical currency composition of Uzbekistan's public debt:

	As at 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	(%)					
External PPG debt	100.0	100.0	100.0	100.0	100.0	100.0
U.S.\$	64.1	69.60	69.9	71.9	75.8	75.8
JPY	15.1	12.3	11.3	10.5	8.1	7.5
SDR	13.6	9.3	9.4	8.3	7.2	7.3
EUR	3.9	4.7	5.2	4.6	4.7	4.8
Korean won	1.2	1.0	0.9	0.8	0.7	0.7
Saudi Real	1.0	0.8	0.7	0.6	0.6	0.6
Kuwait Dinar	0.5	0.4	0.3	0.4	0.4	0.4
RMB	0.3	1.6	1.3	1.1	0.8	1.3
AED	0.0	0.0	0.0	0.0	0.0	0.2
UZS	0.0	0.0	0.9	1.8	1.5	1.5

Islam Dinar	0.5	0.2	0.1	0.1	0.1	0.1
Domestic publicly guaranteed debt.....	100.0	100.0	100.0	100.0	100.0	100.0
U.S.\$.....	91.6	48.6	37.6	45.1	35.3	56.2
EUR.....	8.2	4.2	7.3	3.1	2.2	1.3
UZS.....	0.2	46.9 ⁽²⁾	52.2	42.3	55.2	38.6
RMB.....	0.0	0.0	2.8	8.0	6.1	3.4
Others	0.0	0.0	0.0	1.5	1.2	0.5

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Preliminary estimates.

(2) In accordance with the Resolution of the President of the Republic of Uzbekistan No. PR-4487 dated 9 October 2019, certain foreign currency loans were converted to Uzbek soums.

As at 30 June 2023, the U.S. dollar was the primary currency of external PPG debt and reached 75.82% of the total external PPG debt. Other currencies of external PPG debt were Japanese Yen (7.49%), Special Drawing Rights (7.27%), Euro (4.77%), Chinese Renminbi (1.31%), South Korean won (0.65%), Saudi Riyal (0.55%), and Kuwait Dinar (0.42%). The currency breakdown of domestic PPG debt is: U.S. dollar (56.21%), Euro (1.27%), Chinese Renminbi (3.43 %) and Soums (38.59%) taking into account treasury bills and treasury bonds of the Republic of Uzbekistan). Domestic PPG debt is mainly comprised of government securities and sovereign guarantees provided to local commercial banks for investment and infrastructure projects that are funded from the UFRD (financial institution) and commercial banks' resources.

The following table provides information on the residual principal maturity profile of Uzbekistan's outstanding public debt:

	As at 30 June 2023				
	Up to 1 year ⁽¹⁾ (2023)	1-5 years (2024-2027)	5-10 years (2028-2032)	Over 10 years (2033-2056)	Total
	<i>(U.S.\$ million)</i>				
External PPG debt	0.0	585.3	1,576.5	23,717.7	25,879.4
Domestic PPG debt	675.6	3,067.2	818.9	1,085.6	5,647.4
Domestic debt denominated in foreign currency	1.2	2,305.9	472.5	688.5	3,468.1
Domestic debt denominated in soums	674.4	761.4	346.4	397.1	2,179.3
Total	675.6	3,652.5	2,395.4	24,803.3	5,647.4

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Including one year.

In the State Budget for 2023, the Republic of Uzbekistan has set limits on signing external loan agreements on its behalf and under the State Guarantee in the amount of U.S.\$4,500,000,000, of which U.S.\$2,284,000,000 had been incurred as at 30 June 2023.

Debt Management

The Ministry of Economy and Finance on behalf of the Government aims to adopt best international practices in debt management in order to ensure the appropriate management of risk exposure, and to minimise debt-servicing costs while reaching the fund-raising targets. The diversification of the economy through industrial development, especially by the mobilisation of the private sector, has become a priority of the country. To meet the needs for physical infrastructure development and nonphysical institutional strengthening, Uzbekistan is significantly increasing borrowing in concessional terms from the ADB, WBG, IsDB and other international financial institutions. In addition, Uzbekistan is actively attracting in concessional conditions long term loans from partner (donor) countries such as China, France, Germany, Japan, Kuwait, Saudi Arabia and South Korea.

On the basis of the Decree of the President of the Republic of Uzbekistan "On additional measures of diversification external financing resources" No. PD-3877 dated 21 July 2018, the Office of Sovereign, Corporate (Bank) Debt and the Public Debt Management (the "Debt Management Office" or "DMO") was established within the Ministry of Economy and Finance to manage public debt as well as the

external borrowings of state-owned enterprises. According to a new structure of the Ministry of Economy and Finance, the “Department of cooperation with foreign countries and international organisations, work with international ratings” was created. The CBU, the Committee for Treasury Service and the Department of State Budget of the Ministry of Economy and Finance are key supplementary bodies and departments for debt (external and internal) policy and management in Uzbekistan.

The debt management function is assigned to the DMO in the Ministry of Economy and Finance. It systematically registers and monitors the stock, disbursements, principal and interest payments, interest and exchange rates on public debt and issuance of government guarantees. The DMO believes that its debt recording and monitoring systems are adequate. The DMO regularly generates various reports and calculates various debt ratios (e.g. PPG debt to GDP ratio, PPG debt service to budget revenue/exports/GDP/international reserves) and sensitivities for the short and medium term debt to main economic indicators in accordance with recommendations of IMF and World Bank. The DMO conducts sensitivity or “stress test” analysis of external debt in relation to external factors (e.g. exchange and interest rates changes). The Ministry of Economy and Finance’s analytical capacity has significantly improved since 2018 by recruiting new specialists and by internal reforms.

Since late 2018, the Ministry of Economy and Finance has been implementing a new Debt Management and Financial Analysis System (“DMFAS”) software. The DMO is currently using modern “DMFAS-6” software developed by UNCTAD to keep accounting and reporting of public and publicity guaranteed debt at international standards.

Adequate oversight of fiscal risks from contingent liabilities associated with SOE debt and actions taken resulted in small risks and no SOEs are in arrears in the service of their debt payments. The DMO produces detailed and explicit analytical notes and reports for internal government use, including DSAs, quarterly analyses on PPG debt composition, risks and debt service by creditors/sectors/repayment periods/interest rates with the CBU. The DMO has direct online access and receives high-frequency information on all projects financed by key IFIs – the World Bank, ADB and IsDB. To strengthen analytical capacity, the DMO staff regularly attended World Bank and IMF training on international standards of debt statistics, management and sustainability analysis in 2018 - 2023.

Information sharing and policy coordination between debt management and macro policies is adequate. On a quarterly basis, the Ministry of Economy and Finance exchanges the data with the CBU to analyse the current debt portfolio with various debt-stresses. The Ministry of Economy and Finance and the CBU’s analytical departments conduct necessary exchanges of related information and have policy coordination at both working and high levels. All data on debt is produced on a monthly/ quarterly basis. Since February 2016, the total quarterly debt indicators are available to the public and are prepared in accordance with the standards of the IMF (GDDS).

The Government has also introduced a number of measures to strengthen the capacity of the Ministry of Economy and Finance by building a strategic and operational framework for debt management. The role of the public debt department of the Ministry of Economy and Finance in accounting, auditing and fund flow management has expanded, and its accountability as a service provider to line ministries is becoming more clearly defined.

The Ministry of Economy and Finance accomplished the following tasks in 2018-2023 in order to ensure Uzbekistan maintains its path of debt sustainability:

- the Republic of Uzbekistan has maintained its sovereign credit rating of BB-, with a stable outlook since it was first received in December 2018;
- on 13 February 2019, the first sovereign international bonds of the Republic of Uzbekistan equal to U.S.\$1 billion were successfully placed and listed on the London Stock Exchange;
- in 2020, the first sovereign international bonds denominated in the local currency in the amount of UZS 2 trillion were placed on the London Stock Exchange at a coupon rate of 14.50%;

- the draft of Public Debt Management Strategy of the Republic of Uzbekistan was developed in cooperation with the World Bank and the IMF and is updated on a periodic basis. The debt strategy is aimed at maintaining public debt at a safe level, diversifying the debt portfolio, optimising currency and interest rate risks, and is updated annually based on macroeconomic indicators and parameters of the state budget;
- the legal mechanism of maintaining public debt at sustainable levels was introduced. The annual borrowing limits for external PPG was approved by the Law of the Republic of Uzbekistan “On state budget for 2023” No. LRU-813 dated 30 December 2022 (the “**Law on Budget**”) and was set at U.S.\$4.5 billion per annum. The Law on Budget set a PPG debt ceiling at 60% of GDP and maximum net volume of government securities issued on behalf of the Republic of Uzbekistan, in the amount of UZS 17 trillion;
- in order to diversify the public debt portfolio and reduce the risks associated with external debt, measures are being taken to increase the volume of government securities and develop domestic financial markets:
 - in 2019, the amount of government securities issued amounted to UZS 1,550 trillion, increasing to UZS 5 trillion in 2020. In 2021, the gross amount of government securities issued amounted to UZS 4.9 trillion, increasing to UZS 13.6 trillion in 2022 and with a further UZS 15.3 during the six months ended 30 June 2023;
 - in 2021, in order to diversify the PPG debt portfolio, reduce the refinancing risk and form the yield curve, for the first time five-year government securities worth UZS 100 billion were issued, for the first time in 2022, 10-year government securities worth UZS 10 billion were issued;
 - in February 2021, the Ministry of Economy and Finance launched the practice of publishing the auction calendar on government securities on the official website of the ministry;
 - in 2022, for the first time, UZS 111 billion of inflation-linked government securities with a coupon payment equal to “consumer price index (CPI) + 6%” with a maturity of 2 years were placed, and the first benchmark for inflation-linked government securities was created; and
 - in 2022, a "Primary Dealership" contract based on international standards was signed among the Ministry of Economy and Finance, the CBU and nine commercial banks.
- from 2021, investment projects of legal entities (except for social facilities and infrastructure projects) with a state share of 50% or more in the charter capital (capital) are transferred to market financing without state guarantees;
- from 2021, the issue of state guarantees on domestic obligations has been suspended;
- public debt accounting, servicing and reports preparation have been automated. The DMFAS-6 was introduced in 2018 in cooperation with UNCTAD and ADB;
- debt sustainability analysis has been conducted jointly with the International Monetary Fund since 2020 and was first reflected in the budget for 2021;
- in 2021, the Republic of Uzbekistan became one of the first countries in the region to issue a Sovereign Sustainable Development Goals (“**SDG**”) bond, which showed the country’s commitment to the achievement of the SDGs and the vision of Agenda 2030;
- in order to improve the national legislation in debt management, the Law of the Republic of Uzbekistan “On Public Debt” was signed by the President in April 2023 and came into force from August 2023;

- in order to increase the transparency of PPG debt statistics, the relevant department of the Ministry of Economy and Finance is publishing debt statistics, bulletins (in the Uzbek, English and Russian language) and newsletters (in the English language) on the website of the Ministry of Economy and Finance of the Republic of Uzbekistan on a regular basis; and
- numerous live and virtual meetings, teleconferences and online forums are being organised to establish and maintain cooperation with international financial institutions, major international banks, export credit agencies and foreign investors.

External Debt Service

The following table sets forth historical long-term external PPG debt service payments for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(U.S.\$ million)</i>					
Principal repayments	403.6	454.0	652.0	927.1	1,047.1	756.8
Interest payments and charges	176.2	293.9	358.0	368.7	491.7	472.9
Total	579.8	747.9	1,010.0	1,295.9	1,538.8	1,229.7

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) Preliminary estimates.

Uzbekistan has never defaulted on any payment of principal, premium or interest on, any external PPG debt. Uzbekistan is not currently in default on any of its external PPG debt. External PPG debt has been serviced fully and there are currently no external arrears.

As at 30 June 2023, expenses of state budget on servicing of external public debt amounted to U.S.\$431.4 million or 0.5 % of GDP.

The following table sets forth a projection of the Government's contractual external PPG debt service from 2023 to 2029, including principal and interest payable on all external debt outstanding as of 30 June 2023, based on the exchange rates and interest rates prevailing at that time. This table does not reflect the external debt service (i) on any borrowings by or on behalf of the Government since 30 June 2023, (ii) on any new draw downs on existing borrowings by or on behalf of the Government during the period covered by the table or (iii) on any Notes being offered.

	As of 30 June						
	2023	2024	2025	2026	2027	2028	2029
	<i>(U.S.\$ million)</i>						
Principal repayments	1,723.3	2,373.3	1,655.3	1,835.8	1,841.9	1,869.1	2,328.6
Interest payments and charges	1,008.3	865.6	781.7	721.3	651.6	580.7	493.3
Total	2,731.6	3,238.9	2,437.0	2,557.1	2,493.5	2,449.9	2,821.9

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

As of 30 June 2023, the average contractual maturity of external PPG debt was approximately 24 years and the average contractual maturity of domestic publicly guaranteed debt was 5.7 years. As of 30 June 2023, the average weighted interest rate on external public and publicly guaranteed debt was 2% and the average weighted maturity of external public and publicly guaranteed debt was 9.3 years. Moreover, the average weighted interest rate on domestic public and publicly guaranteed debt was 7.2% and the average weighted maturity of domestic publicly guaranteed debt was five years.

Domestic Public and Publicly Guaranteed Debt

Domestic public debt is comprised of government securities (T-bills and T-bonds) and guaranteed loans, which are financed from the UFRD and local, state-owned commercial banks. The total domestic publicly

guaranteed debt amounted to U.S.\$5.6 billion as of 30 June 2023. As of 30 June 2023, the share of long-term domestic debt was 33.7%, the share of short-term and medium term loans was approximately 66.3% (most of it related to government securities), the share of domestic debt with fixed interest rate was 54% and the share of domestic debt with floating interest rate was 46%. All such loans have a redemption period of over 10 years.

In 2022, the total value of local government securities placed on competitive auction amounted to UZS 13,317.4 billion. In the six months ended 30 June 2023, government securities worth UZS 15,319.6 billion were placed through electronic auctions.

The results of the auction reflect the high demand for financial instruments in the national currency, which shows that government securities are considered by financial market participants as a highly liquid.

As at 30 June 2023, the outstanding domestic public debt (government securities) amounted to UZS 22,014.6 billion.

The issuance of government securities is carried out as needed, based on domestic demand in the financial market and the needs of the Republican Budget.

Domestic public debt amounted to 9.5%, 3.6%, 3.8%, 4.0%, 4.1% and 6.6% of GDP for the years ended 31 December 2018, 2019, 2020, 2021, 2022 and for the six months ended 30 June 2023 respectively.

	Year ended 31 December					Six months ended 30 June
	2018	2019 ⁽¹⁾	2020	2021	2022	2023 ⁽²⁾
Domestic public debt (U.S.\$ million)	4,996.5	2,147.1	2,273.9	2,741.1	3,317.4	5,647.4
As a percentage of GDP ⁽³⁾	9.5%	3.6%	3.8%	4.0%	4.1%	6.6%

Source: Ministry of Economy and Finance of the Republic of Uzbekistan

(1) In 2019, revoked domestic government guarantees have been taken into account in accordance with the Resolution of the President of the Republic of Uzbekistan dated 09.10.2019 No PR-4487.

(2) Preliminary estimates.

Total Private Sector External Debt⁽¹⁾

	Year ended 31 December					Six months ended 30 June
	2018	2019	2020	2021	2022	2023 ⁽²⁾
	<i>(U.S.\$ million)</i>					
Disbursements	866.1	3,031.2	5,523.4	8,187.9	7,699.5	3,592.5
Repayments	1,271.2	1,548.0	2,012.5	4,720.1	5,179.6	2,328.7
Interest Payments	366.6	413.7	370.8	481.2	613.4	512.4
Total Debt Service	1,637.8	1,961.7	2,383.3	5,201.3	5,793.0	2,841.1
Stock	7,060.9	8,523.1	12,487.42	16,277.6	17,914.7	19,218.3

Source: Central Bank of the Republic of Uzbekistan

(1) The calculated balance of private sector debt does not include accrued but unpaid interest.

(2) Preliminary estimates.

According to preliminary data of the CBU, the total stock of non-guaranteed external private debt as of 30 June 2023 amounted to U.S.\$19.2 billion, of which U.S.\$5.1 billion was attributable to the oil and energy sector, U.S.\$177.6 million was attributable to the telecommunications sector, U.S.\$7.3 billion was attributable to the banking sector, U.S.\$555.7 million was attributable to the textiles sector and U.S.\$6.2 billion was attributable to the other sectors of the economy.

Relations with International Financial Institutions (“IFIs”)

Borrowings from international financial institutions have played a role in fostering economic and structural reforms in Uzbekistan. Such borrowings have for instance provided long-term support for economic growth and for the stability of Uzbekistan’s financial system. Uzbekistan’s relationships with

these organisations have factored into reforming certain economic areas, improving the country's investment environment and increasing the share of foreign investment in the economy.

As at 30 June 2023, financial aid (including budget support) to Uzbekistan from IFIs amounted to U.S.\$5.4 billion. Of the total U.S.\$5.4 billion, Uzbekistan received:

- U.S.\$375 million from the IMF in May 2020;
- U.S.\$295 million from the World Bank in May 2020;
- U.S.\$500 million from the Asian Development Bank in July 2020;
- Agreement for U.S.\$500 million from the World Bank in December 2020;
- Agreement for U.S.\$100 million from Asian Development Bank in December 2020;
- Agreement for U.S.\$100 million from Asian Infrastructure Investment Bank in December 2020;
- Agreement for JPY 15,000 million (or U.S.\$135.5 million equivalent) and U.S.\$195 million from Japan International Cooperation Agency in March 2021;
- Agreement for U.S.\$200 million (U.S.\$100 million each) from Asian Development Bank in December 2021;
- Agreement for U.S.\$400 million from the World Bank in December 2021;
- Agreement for U.S.\$100 million from OPEC Fund for International Development in April 2022;
- Agreement for €150 million (or U.S.\$152 million equivalent) from the French Development Agency in April 2022;
- Agreement for U.S.\$650 million (U.S.\$500 million and U.S.\$150 million) from Asian Development Bank in November 2022;
- Agreement for U.S.\$100 million from International Islamic Trade Finance Corporation in November 2022;
- Agreement for U.S.\$950 million from the World Bank in December 2022;
- Agreement for U.S.\$530 million from Asia Infrastructure Investment Bank in December 2022; and
- Agreement for U.S.\$150 million from Asia Development Bank in February 2023.

The financial aid received from IFIs (not including that which has been agreed upon but not received as of 30 June 2023) rendered the total value of debt attributable to IFIs in Uzbekistan to U.S.\$14.3 billion (or 55.3% of the total debt) at 30 June 2023.

International Bank for Reconstruction and Development (World Bank)

Uzbekistan joined the World Bank Group in 1992. In May 2022, the Country Partnership Framework (“CPF”) for Uzbekistan was endorsed by the World Bank’s Board of Executive Directors. The CPF for the fiscal years 2022-2026 supports Uzbekistan as it implements the next phase of reforms in the transition towards an inclusive and sustainable market economy. It selectively supports the aspirations of the Government, as detailed in the national strategy for 2022–2026 and the achievement of the twin goals of upper-middle-income status and poverty reduction by 2030. It builds on the dialogue associated with the previous CPF and the expanded portfolio of initiatives being implemented that is focused on a sustainable transition toward a market economy, the reform of selected state institutions, citizen

engagement and investment in people. The CPF also supports the Government's efforts to close gender gaps, as well as strengthen citizen engagement and accountability in public services. The CPF supports three high-level objectives that will help accelerate the country's transition to an inclusive and sustainable market economy:

- increasing private sector employment;
- improving human capital; and
- supporting the shift toward a greener growth model for improved livelihoods and resilience.

In June 2018, the World Bank approved the first financing for the Development Policy Operation (“**DPO**”) programme in the amount of U.S.\$500 million, of which U.S.\$360 million is to be provided from IDA resources. Being the first DPO programme from the World Bank since its independence, it supported Uzbekistan's first steps on its transformation towards a successful market economy. The DPO programme covered financial, industrial, trade and service sectors with social protection and public administration. Since then, four more DPO programmes were provided by the World Bank totalling U.S.\$3.05 billion. The first series of the Programmatic DPO is currently under preparation.

In August 2018, the World Bank signed its first Reimbursable Advisory Services (“**RAS**”) agreement with the Government to support the reform of the civil aviation sector in Uzbekistan. Different from lending products, RAS agreements are programmes offered by the World Bank to its clients to deliver specific assistance requiring services that cannot be fully funded from the World Bank's country programme whilst providing technical advice, analytical services and implementation support. Under this RAS agreement, the World Bank developed recommendations for establishing a civil aviation sector policy and improving several aspects of the sector's operations including institutional, financing, and organisational structure, as well as attracting private sector participation in airport infrastructure development and operations. The support to the aviation sector of Uzbekistan was continued under RAS-2 that was delivered in the fiscal years 2022-2023.

The World Bank's investment portfolio is focused on infrastructure investments and institutional reforms in the agriculture, water, energy, transport, health and education sectors. As of the date of this Base Offering Circular, the World Bank's country programme in Uzbekistan is the third largest in the Europe and Central Asia region and the country with the largest IDA allocation in the region. As of 20 September 2023, it consisted of 26 projects with net commitments totaling US\$5.32 billion. These include loans of the International Bank for Reconstruction and Development (“**IBRD**”) for U.S.\$2.04 billion and credits of the IDA for U.S.\$3.23 billion.

There are also three Guarantee operations in the energy sector (Scaling Solar Navoi IPP, Scaling Solar 2 IPP and Syrdarya CCGT).

The active Bank's programme of Advisory Services and Analytics (“**ASA**”) comprises 20 activities in different areas.

One of the ongoing infrastructure projects is the “Regional Roads Development Project” which aims at reducing road user costs on the project roads and developing a sustainable investment programme for regional road asset management. The World Bank had provided an IDA credit of U.S.\$200 million.

In October 2015, the World Bank began financing the “Horticulture Development Project” with U.S.\$150 million. An additional financing in the amount of U.S.\$500 million from IBRD proceeds was approved in January 2018, bringing the total project amount to U.S.\$650 million. The project contributes to poverty reduction in the country by assisting horticulture farmers, many of whom are small and comprise among the poorest members of society, to increase their farm productivity and incomes, thereby fostering an increase in the number and quality of rural jobs.

Another large operation in the agriculture sector supported by the World Bank in Uzbekistan is the “Agricultural Modernization Project”. The total project cost is U.S.\$610 million of which the World

Bank's share is U.S.\$500 million (U.S.\$319 million from IDA and U.S.\$181 million from IBRD). Its objectives are to enhance productivity for supporting agricultural services and promoting market-led, high-value horticulture value chains.

Two new loan agreements were signed on 17 May 2021 in the amounts of U.S.\$239 million and U.S.\$50 million, targeting the improvement of water services and institutional support, as well as modernisation of the national innovation system of Uzbekistan.

The Government's efforts to improve energy efficiency are supported by the World Bank through a U.S.\$325 million project ("Energy Efficiency Facility for Industrial Enterprises") that on-lends project proceeds via commercial banks to local industrial enterprises to invest in energy-efficient technologies and equipment.

The "Electricity Sector Transformation and Resilient Transmission Project" (U.S.\$380 million IDA) is aimed at strengthening the performance of the National Electricity Grid of Uzbekistan ("NEGU"), and improve the capacity and reliability of the power transmission system to integrate large scale renewable energy sources. Its activities are grouped to support the following components: 1) digitalisation of the electricity transmission sector; 2) power grid strengthening and renewable energy integration; 3) NEGU institutional development and project implementation support; and 4) Electricity Market Development.

The World Bank provided a total U.S.\$200 million (including under the additional financing) for the "Medium-Size Cities Integrated Urban Development Project". This is the first urban project aiming to improve infrastructure, public spaces, and municipal services in medium-size cities, starting with Chartak, Kagan, and Yangiyul towns, which have a combined population of 165,000 people. It is also aimed at strengthening the institutional capacity of central and local governments to manage assets, service delivery, urban mobility, sustainable tourism, and partnership with the private sector.

As of September 2023, the President/Cabinet Resolutions are pending for the Strengthening the Statistical System, Financial Sector Reform, RESILAND projects, and Additional Financing for Medium-Size Cities Integrated Urban Development projects. These resolutions are affecting implementation launch of these operations. Several large packages with a total expected commitment of U.S.\$546 million are pending the submission of the bid evaluation reports, shipment of goods, and cancellation by the implementing agencies.

International Finance Corporation

Uzbekistan became a member of the International Finance Corporation ("IFC") in 1993. Since 1996, IFC has invested about U.S.\$500 million in Uzbekistan to support more than 30 projects in the financial, manufacturing and infrastructure sectors. As of September 2023, the IFC's current committed portfolio in Uzbekistan stands at approximately US\$500 million across 12 projects with investments in the financial, energy, chemical and agricultural sectors.

IFC's advisory services are designed to help create an enabling environment for the growth of private investment and the role of private enterprise, strengthening institutional capacity in industries such as the financial sector, power generation (including renewable energy), chemicals, agribusiness, healthcare and others.

In total, with the support of the IFC, 13 PPP projects are being implemented in the fields of energy, healthcare and education. In particular, seven projects are being implemented in the energy sector, five in the healthcare sector and one in the education sector. Out of these 13 PPP project, seven have been signed, two are at the tender stage and four are at the stage of development and preparation of documents.

Multilateral Investment Guarantee Agency

Uzbekistan has been a member of the Multilateral Investment Guarantee Agency ("MIGA") since 1993. The MIGA portfolio in Uzbekistan was comprised of guarantees for a project in the oil and gas sector. The MIGA had issued a political risk insurance guarantee for U.S.\$119.5 million to BNP Paribas (Suisse)

SA acting for itself, as well as for Crédit Agricole Corporate and Investment Bank and the Korea Development Bank, to cover a non-shareholder loan to Lukoil Overseas Uzbekistan Ltd. for the development of gas fields in the Khauzak-Shady Block and Kandym Field Group. The guarantee was terminated in July 2016 and no new guarantees have been issued since then.

On 10 May 2021, MIGA issued a contract of guarantee for U.S.\$638.2 million with Standard Chartered Bank, Société Générale, Natixis and Bank of China for political risk insurance coverage of their non-shareholder loans to finance the design, construction, operation and maintenance of a combined cycle single fuel (gas) power generating facility with the net installed capacity of approximately 1.5GW, developed by ACWA Power of Saudi Arabia in Uzbekistan.

As of 31 August 2023, MIGA's gross exposure in Uzbekistan was U.S.\$555.7 million.

Asian Development Bank (“ADB”)

The ADB has been one of the key development partners in supporting Uzbekistan's efforts to modernise the economy and forge ties with neighbours, through the provision of loans, project grants and technical assistance.

Over the entire period of cooperation (from 1996 to April 2023), the ADB committed 281 loans, grants, guarantees, equity and technical assistance for a total amount of U.S.\$12.5 billion to Uzbekistan to support the implementation of the country's projects and programmes, including U.S.\$11.7 billion to finance 242 projects in the public sector and U.S.\$813 million to finance projects in the private sector. The amount of grants allocated for technical assistance and project grants amounted to U.S.\$951.1 million. The ADB has directly supported private sector investments in petrochemicals and gas development, renewable energy, finance, agribusiness and health, and an equity investment in a local commercial bank. Currently, the number of shares of the Republic of Uzbekistan in the ADB is 71,502 (0.672%).

Since 1996 and as of August 2023, the ADB has supported 160 technical assistance projects, focusing on improving governance, building institutional capacity, supporting policy and institutional reforms, and in rehabilitating basic social and physical infrastructure.

After the financial crisis of 2007 - 2008, the ADB and Uzbekistan turned their attention towards developing the country's natural energy resources. A 420-km transmission line between Uzbekistan and Afghanistan's capital was constructed, which benefited four million people. The ADB also helped install more efficient turbines in the Talimarjan power plant in southern Uzbekistan. This strengthened the country's energy generation infrastructure, helping it meet domestic power supply demand and produce electricity for export.

In the transport sector, the ADB has financed road and railway projects along the CAREC Corridor 2 (Mediterranean–East Asia) and Corridor 6 (Europe–Middle East–South Asia). The programme was aimed at working together for promotion through co-operation leading to accelerated growth and poverty reduction, in the amount of U.S.\$1,210.3 million. It includes the CAREC Regional Road Project, CAREC Corridor 2 Road Investment Programme in three tranches and the Second CAREC Corridor 2 Road Investment Programme in three tranches and the CAREC Corridor 2 (Pap-Namangan-Andijan) and CAREC Corridor 6 (Marakand-Karshi) Railway Electrification Projects. In November 2020, the ADB approved additional financing \$121.0 million for the CAREC Corridor 2 (Pap-Namangan-Andijan) Project, which is currently being implemented.

In June 2018, the ADB signed a loan agreement totaling U.S.\$450 million to help install between 850 to 950 MW in additional generation capacity in the Talimarjan thermal power plant (“**TTPP**”) using combined cycle technology which will help improve power generation efficiency and energy security in Uzbekistan. The financing was a continuation of the ADB's previous support to Uzbekistan's energy sector, following the 900 MW CCGT expansion at TTPP commissioned in August 2017. The project also boosted efforts to realise the Government's ambitious programme, called Vision 2030, to transition Uzbekistan to an industrialised and upper middle-income country by 2030. The ADB's approval includes administration of a U.S.\$2 million technical assistance grant provided by the Japan Fund for Poverty

Reduction to enhance financial sustainability of Uzbekenergo, the state-owned electricity utility, and strengthen power sector planning and tariff studies.

At the same time, the ADB has approved a U.S.\$300 million policy-based loan on the “Economic management improvement programme” to help improve economic management in Uzbekistan, which will help support macroeconomic stability and sustain high growth in the country. The Economic Management Improvement Programme supported important government efforts to ensure fiscal sustainability as well as improve governance in state-owned enterprises, which dominate almost all the important sectors of Uzbekistan’s economy, to make their operations financially viable. The project was aimed at improving access to bank finance by strengthening bank supervision and intermediation to facilitate competitive financing of private sector operations, while also strengthening economic data collection, analysis, management, and dissemination systems to bolster economic decision-making.

Within the scope of economic management improvement programme, JSC “Uzbekenergo” was divided into three separate companies with independent functions of generation, transmission and distribution. The Ministry of Energy of the Republic of Uzbekistan completed the revaluation of fixed assets of Uzbekenergo (generation, transmission and distribution) to determine the true and fair value of the company’s assets in compliance with international financial reporting and valuation standards.

Furthermore, U.S.\$500 million budget support credit was granted by ADB to combat COVID-19 on 7 July 2020. The credit line was intended to alleviate the effects of the global pandemic on Uzbekistan.

In October 2020, the ADB published the Country Operations Business Plan (“**COBP**”), 2021 - 2023 for Uzbekistan. The COBP was developed on the basis of the current “Country Partnership Strategy” and is consistent with the recent government initiatives and the national development strategy. According to COBP, the cumulative lending programme for the three-year period amounts to approximately U.S.\$3.1 billion with technical assistance grants totalling U.S.\$18 million. Some of the infrastructure projects where the ADB has provided technical assistance as the main partner are Takhiatash Power Plant Efficiency Improvement – U.S.\$0.5 billion, Advanced Electricity Metering – U.S.\$0.5 billion, Power Generation Efficiency Improvement – U.S.\$1.1 billion and Second Central Asia Regional Economic Cooperation – U.S.\$1.2 billion.

Since October 2020, two loan agreements, amounting to U.S.\$60 million and U.S.\$100 million, respectively, have been signed in relation to the COBP (on 21 December and 31 December 2020), with the ADB targeting improvements to the solid waste management in Uzbekistan and the Uzbekistan’s response to COVID-19.

In 2022, ADB financed five new public sector projects and programmes for just over U.S.\$1 billion in Uzbekistan. This included a U.S.\$500-million loan to help promote food security, provide social protection for vulnerable groups and support employment in Uzbekistan. Other projects approved and committed during 2022 include the following:

- U.S.\$150 million loan to help expand green renovation loans. It will boost the funding available to commercial lenders in the country so they can continue providing affordable home loans;
- U.S.\$150 million loan and U.S.\$3 million grant that will deliver climate-adaptive solutions to water resources management in Uzbekistan. This support will modernise irrigation and drainage in selected subprojects within the Amu Darya and selected areas of the Zarafshan River Basins; and
- U.S.\$273.85 million loan to reconstruct and upgrade national roads in Uzbekistan. The project upgrades the link to the A380 highway, part of the CAREC Corridor 2 connecting Afghanistan, Kazakhstan, the Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. It will also widen the roads using low-maintenance concrete pavement and improve their condition to substantially reduce travel time and vehicle operating costs. The project will also upgrade alignments and

junctions, provide bus stop shelters and better pedestrian facilities, and add clearer signage and other safety features.

In 2023, two loans and one grant for a total amount of U.S.\$209.5 million were committed, including a U.S.\$150 million policy-based loan for the Economic Management Improvement Program, Subprogram 2, and a U.S.\$59.5 million loan and \$0.5 million grant for the Integrated Urban Development Program. Four more loans for a total amount of U.S.\$533 million are expected to be committed by the end of 2023 for the following projects:

- U.S.\$125 million for the Digitize to Decarbonize – Power Transmission Grid Enhancement Project (approved on 7 July 2023);
- U.S.\$200 million for the Distribution Network Digital Transformation and Resiliency Project (approved on 19 September 2023);
- An estimated U.S.\$240 million for the Rural Roads Transformation Project (to be approved in December 2023);
- U.S.\$10 million for the Horticulture Intensification and Productivity Enhancement Project (to be approved in 2023); and
- U.S.\$100 million (policy-based loan) for the Small and Medium-Sized Enterprises Development Program, Subprogram 2.

ADB is currently preparing its new Country Partnership Strategy (“CPS”) for Uzbekistan for 2024-2028 which will focus on promoting inclusive, sustainable and private sector-led growth. Target approval of the new CPS is 2024.

IMF

Uzbekistan joined the IMF on 21 September 1992. In accordance with Article IV of the IMF Agreement, representatives of the IMF regularly visit the Republic of Uzbekistan to hold consultations within the Government and the CBU.

In December 1995, the IMF granted Uzbekistan a stand-by arrangement in the amount of SDR124.70 million, out of which SDR65.45 million was drawn. In December 2005, Uzbekistan repaid its debt in full to the IMF. As of 30 June 2023, Uzbekistan has outstanding borrowings from the IMF in the amount of 275.6 million Special Drawing Rights (“SDR”) and holdings of the Republic of Uzbekistan consist of SDR794.49 million while quota comprises SDR551.2 million.

Recently, IMF representatives have visited Uzbekistan at least two times a year with their mission in technical cooperation. In 2017-2018, the IMF visited the CBU several times and held technical cooperation in methodology of balance of payments (“BOP”), monetary policy and its instruments, stress-testing of the banking system, joining e-GDDS and updating metadata by category. In this regard, a mission from the IMF Statistics Department (STA) was held in Tashkent from 20 November through 1 December 2017 on technical assistance of external sector statistics (ESS). The main objective of the mission was to assist the CBU to define scope of work, tasks, and priorities for establishing sound ESS compilation programme. Taking into account priority recommendations given by the IMF, Uzbekistan has started declassifying basic statistical data, initiated the production of ESS on the basis of BPM6, and started participation in the IMF’s enhanced General Data Dissemination System (e-GDDS).

As a result, the Statistics Agency under the President of the Republic of Uzbekistan (the “**Statistics Agency**”), in conjunction with the Ministries of Economy and Finance, Ministry of Employment and Poverty Reduction, the CBU, and UZSE carried out an inventory of the economic and financial indicators being developed, including the methodology and the timing of their formation, for compliance with IMF

Standards. Since 1 May 2018, there is a National Summary page on the Statistics Agency website in accordance with the requirements of the IMF, which is interlinked with the Bulletin of Data Dissemination Standard.

In March to April 2019, the IMF missions updated assessment criteria of fiscal transparency. As a result of the measures taken to increase the transparency of budget data, the indicators of fiscal transparency practice improved according to the eight principles of the IMF Code compared to the assessment conducted in June 2018.

Within the framework of the IMF missions organised in 2019 - 2020, the Department of Fiscal Affairs of the Ministry of Economy and Finance and the Statistics Agency provided assistance on the following issues:

- implementation of reforms to improve the budget process, which were reflected in the preparation of the Law on Budget;
- development of the strategy for improving the public finance management system of the Republic of Uzbekistan for 2020-2024, which was adopted in August 2020;
- further improvement of government finance statistics in order to increase transparency in the fiscal area and the quality of fiscal reporting in accordance with international standards;
- consulting support on the implementation and development of the functions of macro-fiscal forecasting and analysis by the Ministry of Economy and Finance of the Republic of Uzbekistan. For example, the IMF conducted a remote five-day training seminar on the activities of the macro-fiscal department and the analysis of fiscal risks; and
- in August 2020, the IMF carried out a public investment management diagnostics as part of ongoing reforms to further improve the selection process and improve the efficiency of public investment management.

Medium-term debt management strategy for 2019 - 2021 was developed with the help of joint mission of the IMF and the World Bank in April 2019. Debt sustainability analysis was conducted with the assistance of IMF experts in May 2020.

In May 2020, IMF provided a U.S.\$375 million loan to the Republic of Uzbekistan under the Rapid Credit Facility and Rapid Financing Instrument to support Uzbekistan's response to the COVID-19 pandemic. Between 24 August and 17 September 2020, the IMF conducted a virtual staff visit to Uzbekistan to discuss economic developments and policies.

In May 2021, the IMF provided a technical report on "Developing a Rules-Based Fiscal Framework". The document provides suggestions to the Government of Uzbekistan on implementing fiscal rules in the budget.

Moreover, the IMF supported the development of a new budget calendar, which includes the preparation of the medium-term budget in two stages (drafting and preparation). The first stage covers the period of Fiscal Strategy document preparation which provides a medium-term outlook of fiscal policy and budget ceilings of line ministries and agencies. The second stage provides the preparation of budget law that prepares line ministries and agencies' budget for a medium-term perspective.

In August 2021, the IMF conducted a mission on assessing the fiscal costs and risks from PPS and SOEs. The mission provided grounded issues and challenges in the sector. In this regard, the IMF provided suggestions and recommendations to the departments of the Ministry of Economy and Finance in resolving these risks in the sector.

The fiscal and legal department of the IMF provided recommendations to the Ministry of Economy and Finance in developing the Law "On Public debt" during 2021.

In November 2021, the IMF conducted a mission for the purpose of forming and distributing public debt statistics based on international methodology (IMF's Public sector debt statistics). With the help of IMF consultants, the public sector debt statistics of the Republic of Uzbekistan for 2020 were formed according to the international methodology.

In April 2022, the joint technical mission of the International Monetary Fund and the World Bank on the development of the government securities market was implemented. In this case, the IMF and the World Bank diagnosed the market of government securities and developed measures for the development of the sector. Based on the recommendations of the IMF and the World Bank, it achieved issuing government securities at market prices (price taking approach) and increasing its volume, issuing government securities linked to inflation, and introducing primary.

In June 2022, the IMF published the "2022 Article IV staff Report on Uzbekistan", which includes recent developments, risks and outlook.

European Bank for Reconstruction and Development ("EBRD")

The Republic of Uzbekistan became a member of the EBRD in 1992. The Republic owns 4,200 shares of the EBRD for a total amount of €44.12 million.

The EBRD operational activities in Uzbekistan include investments, technical assistance and policy dialogue in support of sustainable reform.

The change in leadership and reform targets within the country encouraged the EBRD to re-engage with Uzbekistan in 2017. Further to signing a memorandum of understanding in March 2017, the EBRD shareholders unanimously approved the Country Strategy for Uzbekistan in September 2018, which covered the period until 2023 and prioritises strengthening the private sector role in the economy, promoting green energy and resource solutions across sectors, as well as supporting regional and international cooperation and integration.

Since 2017, cumulative investments comprise 88 signed operations totalling €2.6 billion, covering water supply, power transmission and generation (focused on solar and wind), SME and trade financing via partner financial institutions as well as direct financing to agribusiness, pharmaceutical, metal-processing, and other manufacturing corporates. 2022 was a new historic record year for EBRD investments where EBRD financing reached €834 million and Uzbekistan was the EBRD's fifth largest investee country.

Private sector support is among the EBRD's highest priorities and includes extended trade facilitation, traditional credit lines and conventional new instruments in support of energy efficient technologies, support for women in business as well as risk sharing facilities. More than 30 private sector projects signed after the re-engagement focus on development of pharmaceuticals, retail, agribusiness, chemicals and hospitality sectors, as well as overall entrepreneurship in the country. The notable private sector signed transactions include:

- Singapore based Indorama Corporation's cotton cropping project – €37.4 million (two transactions);
- a local established retailer Korzinka.uz's expansion project financed through equity – up to €40 million;
- a local pharma producer Healthline's two expansion projects – a total of €9.3 million;
- Indorama Corporation's modernisation of an existing chemical fertiliser plant – €25.7 million (three transactions); and
- a local beverage producer Uzcarlsberg for an expansion project – a total of €9.5 million.

EBRD is one of the first international financial institution to finance Uzbekistan's first private sector energy projects. The EBRD loan aimed at financing a new 1,500 MW combined cycle gas turbine in

Syrdarya region is worth €187 million. This project is expected to lead to an estimated total system-wide savings of 2.6 million tonnes of CO₂. The EBRD has also been significantly contributing to the development of renewable energy. The country's first solar plants in Navoi and Samarkand are both financed by EBRD loans of €56 million and €26 million, respectively.

As part of projects in various sectors, the EBRD provides technical assistance funds from donors for the development of sustainable solutions for both private and public sectors, including the municipal and power infrastructure sectors in the country.

In 2020, in response to the challenges by the pandemic, the EBRD made available U.S.\$220 million for the small and medium sized enterprises sector through four state owned banks under its trade facilitation programme in form of cash advances and guarantees. The EBRD also approved, as mentioned above, the support of the working capital needs of energy generating plants (€ 81.6 million) in Uzbekistan under its Solidarity Package, which the EBRD Board approved in March 2020 to support clients in 38 countries of operations suffering the consequences of the pandemic.

Islamic Development Bank (“IsDB”)

Cooperation between Uzbekistan and the IsDB began in 1991, when the IsDB approved grants for the reconstruction of a number of historic buildings. On 2 to 4 September 2003, Uzbekistan became a full member of the IsDB. Currently, Uzbekistan's share in subscribed capital is 14.9 million (0.03% of IsDB's total subscribed capital). The key areas of IsDB activity in Uzbekistan are the financing of major infrastructure and socially significant projects in strategic sectors of the economy.

The IsDB Group's portfolio in Uzbekistan is well diversified across sectors. The IsDB Group has an overall net portfolio of U.S.\$3,527.8 million in Uzbekistan comprising U.S.\$2,366.6 million of the IsDB financing, U.S.\$632.6 million of ICD financing, U.S.\$515.5 million of ITFC financing and U.S.\$13.1 million of financing from other funds. For the IsDB Group, cumulatively the largest share of operations is in agriculture (30.1%), followed by finance (26.4%), transportation (12.9%), health (11.7%) and energy (9.9%).

Currently, the IsDB has 74 active projects in Uzbekistan with total financing of U.S.\$1,962.3 million, bringing the overall net portfolio to U.S.\$3.5 billion. The portfolio is well balanced across main sectors of the IsDB operations. The level of overall disbursements stands at U.S.\$1,320.1 million (60.4%) of the active portfolio.

In April 2023, three financing agreements were signed to support critical infrastructure and social services development in the Republic of Uzbekistan. These agreements are aimed at promoting sustainable economic growth, rural development and early childhood education enhancement in the country.

- IsDB will provide financing for the Integrated Rural Development Project under the IsDB Group's Food Security Response Programme (FSRP). The project aims to empower local communities, improve their access to quality and resilient infrastructure and enhance their knowledge of climate-smart agriculture practices. By reducing rural poverty and increasing the resilience of the targeted population, this initiative will contribute to sustainable development in the Republic of Uzbekistan.
- The second financing agreement, worth U.S.\$106.7 million, is to support the reconstruction and upgrading of the M39 road in Uzbekistan. The project's goal is to enhance the efficiency of road transport infrastructure and ensure the safe movement of goods and people along the project road section.

IsDB will provide U.S.\$30 million in funding for Enhancing Access to Quality Early Childhood Education Project, which supports Uzbekistan's goal of achieving universal preschool enrollment. The project aims to improve access to quality early childhood education facilities and enhance the quality of early learning environments in Uzbekistan.

Agence Française de Développement (“AFD”)

AFD opened a regional office in Tashkent in 2015 and launched its first project in Uzbekistan in 2016. AFD allocates loans to the State, public institutions and private sectors. The AFD Group includes AFD, Proparco and Expertise France.

The AFD's action in Uzbekistan is based on achieving the following four aims: supporting urban development (water and sanitation, waste management, transport, social housing), boosting agricultural, supporting the energy transition (renewable energies and energy efficiency) and strengthening the private sector in order to create more jobs. Therefore, the AFD offers different type of loans with different terms and conditions for Uzbekistan and accompany projects with its technical assistance financed by grants.

For instance, one of the first projects of the AFD was geared towards improving solid waste management in Samarkand city. The value of the project was €37.17 million, where €25.53 million was an AFD loan and €8.0 million EU Grant funds, and was signed on 19 December 2016. On 18 December 2019, the AFD Board approved a hydropower programme for an amount of €55.8 million.

Furthermore, in 2018 and 2019, loan agreements were signed in relation to the "Economic management development programme". Phase 1 of this project was for €150 million and Phase 2 was for €50 million. On 21 August 2020, two further loan agreements, in relation to the energy sector, were signed. The value of those loans amounted to €150 million and €55.8 million respectively. On 19 April 2022, a loan agreement in relation to the green economy was signed. The first tranche of the multiyear programme is to support government reforms and is for an amount of €150 million supported by €6.1 million in EU grant funds.

As of the date of this Base Offering Circular, the AFD Group's commitments in Uzbekistan represent more than €1.2 billion.

In November 2022, President Shavkat Mirziyoyev signed four agreements aimed at strengthening the activities and financing provided by the AFD to support the Republic of Uzbekistan's economic, social and environmental development. The agreements include:

- a partnership agreement for the period 2023-2025 outlining the main priorities for Uzbekistan's future financing. Over the next three years, AFD plans to provide financing for various projects, with a focus on the water and energy sectors;
- the signing of a €30 million loan agreement with the public bank SQB (State Joint-Stock Commercial Bank "O'zbekiston O'zbekiston Qishloq Qurilish Banki"). This non-sovereign loan is intended to finance climate-friendly investments. It is the first loan provided by AFD to an entity other than the Uzbek State. The 2023-2025 partnership agreement anticipates the implementation of similar financing arrangements in the years ahead;
- a Memorandum of Understanding was signed with the local public company Uzsuvtaminot, focusing on improving access to drinking water in various regions of Uzbekistan. AFD's Board of Directors approved a €160.9 million financing package to support the development of drinking water infrastructure in the Tashkent and Fergana regions. Additionally, AFD and Uzsuvtaminot are collaborating on finalising the appraisal of a similar project aimed at the Kashkadarya region; and
- a Memorandum of Understanding on financing irrigation studies, was signed, with AFD providing €1.5 million in grant resources for this purpose. These studies will be directed toward the modernisation of the irrigation system in the Aral Sea region, particularly in Karakalpakstan. This initiative aims to address critical water management challenges and promote sustainability in the region.

International Fund for Agricultural Development ("IFAD")

The Republic of Uzbekistan became a member of IFAD in 2011. IFAD has invested U.S.\$166.54 million through four projects of "Dairy Value Chains Development Project", "Horticultural Support Project" and

“Agriculture Diversification and Modernisation Project 1st and 2nd phases” which impact 98,800 households.

Agriculture Diversification and Modernisation Projects both signed on 9 January 2019 and 4 August 2020 (second phase) aim to enhance the income levels and living standards of rural population by enhancing the profitability and effectiveness of chosen value chains by measures on promoting productivity and market access along with accurate natural resource management. The project ensures investment in network that has the potential to enhance the productivity, profitability and competitiveness of value chain participants, mainly Dekhan farmers. Project focuses on Fergana Valley, including regions of Andijan, Namangan and Fergana. Rural low-income households on Dekhan farmers, small private horticulture and livestock farmers and agribusinesses are targeted units within the scope of the project. Within the project, the involvement of female Dekhan farmers and private farming households along with rural youth is an essential target.

European Investment Bank (“EIB”)

In October 2017, the agreement between the Republic of Uzbekistan and EIB was signed which became the first step towards further cooperation.

EIB has invested €200 million and U.S.\$100 million through three projects in water supply and Uzbekistan’s energy efficiency as well as COVID-19 rapid response to SME-MSMES loan projects.

Uzbekistan’s energy efficiency loan (€100 million) signed in October 2018, was directed to aid the implementation of energy-efficiency investments of small and medium sized enterprises, companies and private sector entities in the Republic of Uzbekistan with the purpose to take measures on reducing electricity costs.

The second project is Uzbekistan Water Framework Loan (€100 million) signed in October 2018, directed to enhancing water supply that would aid Uzbekistan to deal with high demand for water resource and the scarcity of locally available freshwater resources considering around 80% of the water consumed in Uzbekistan is derived from neighbouring countries.

COVID-19 rapid response to SME-MSMES Loan (U.S.\$100 million) was signed in December 2020 and was directed to assist and support micro, small, and medium-sized enterprises economically affected by the COVID-19 pandemic in the Republic of Uzbekistan.

In April 2023, the EIB, together with the Asian Development Bank, the Asian Infrastructure Investment Bank and the EBRD, provided a collective U.S.\$396.4 million to finance the construction and operation of three solar photovoltaic plants in the Republic of Uzbekistan with a total output of 897 MWac.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Offering Circular and is subject to any change in law that may take effect after such date.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a U.S. Holder (as defined below). This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme (including Notes with a maturity of 30 years or longer) and only applies to Notes held as capital assets for U.S. federal income tax purposes (generally, held for investment). It does not address any aspects of U.S. federal income taxation that may be applicable to U.S. Holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt entities, retirement plans, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, dealers or traders in securities or currencies, traders in securities that elect to use a mark-to-market method of tax accounting for their securities holdings, persons required to accelerate the recognition of any item of income with respect to the Notes as a result of such income being recognized on applicable financial statements, holders that will hold a Note as part of a position in a straddle, hedging, constructive sale, wash sale, or conversion, integrated or similar transaction for U.S. federal income tax purposes, holders who hold Notes in connection with a trade or business conducted outside of the United States, entities or arrangement treated as partnerships, or pass-through entities for U.S. federal income tax purposes or investors therein, or U.S. Holders that have a functional currency other than the U.S. dollar. Moreover, this summary does not address the effects of any U.S. state and local tax, non-U.S. tax laws, U.S. federal estate and gift tax, Medicare contribution tax or alternative minimum tax consequences of the acquisition, ownership, disposition or retirement of Notes and does not address the U.S. federal income tax treatment of U.S. holders that do not acquire Notes as part of the initial distribution at their initial "issue price," as defined in "*Original Issue Discount*" below.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), existing, temporary and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as at the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the relevant Final Terms.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) an individual citizen or resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any state thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax adviser as to the consequences of acquiring, owning or disposing of Notes.

Prospective investors should consult their own tax advisers with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning or disposing of Notes.

Interest

Except as set forth below, interest (including “qualified stated interest” as defined under “—Original Issue Discount” below) paid on a Note, whether payable in U.S. dollars or a currency other than U.S. dollars including any additional amounts, will be includible in a U.S. Holder’s gross income as ordinary interest income at the time it is received or accrued in accordance with the U.S. Holder’s usual method of tax accounting. In addition, interest on the Notes will generally be treated as foreign source income for U.S. federal income tax purposes and generally will be treated as “passive category income” for U.S. foreign tax credit purposes. The creditability of non-U.S. income taxes is subject to limitations, including some that vary depending on a U.S. Holder’s circumstances. In addition, U.S. Treasury Regulations require non-U.S. income tax laws to meet certain requirements in order for taxes imposed under such laws to be eligible for credit. The Issuer has not determined whether these requirements have been met with respect to Uzbekistan withholding taxes. A recent notice from the Internal Revenue Service (“**IRS**”) indicates, however, that the United States Treasury and the IRS are considering proposing amendments to such U.S. Treasury Regulations and allows, subject to certain conditions, taxpayers to defer the application of many aspects of such U.S. Treasury Regulations for taxable years ending on or before December 31, 2023 (the notice also indicates that the United States Treasury and the IRS are considering whether, and under what conditions, to provide additional temporary relief for later taxable years). Prospective purchasers of Notes should consult their own tax advisers concerning the applicability of foreign tax credit and source of income rules attributable to the Notes.

Foreign Currency Denominated Stated Interest

Any interest paid in a currency, composite currency or basket of currencies other than U.S. dollars (a “**foreign currency**”) will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or in the case of an accrual period that spans two taxable years of the U.S. Holder, the part of the period within each taxable year), or, at the accrual basis U.S. Holder’s election, at either the spot rate of exchange on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year) or the spot rate on the date of receipt, if that date is within five days of the last day of the accrual period. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest.

Original Issue Discount

U.S. Holders of Notes issued with original issue discount (“**OID**”) will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes on an economic accrual basis, in advance of the receipt of cash attributable to that income. Notes issued with OID will be referred to as “Original Issue Discount Notes.” Solely for the purposes of determining for U.S. federal income tax purposes whether a Note has OID and the yield and maturity of a Note, the Issuer may, under certain circumstances, be deemed to exercise any call option that has the effect of decreasing the yield on the Note and the U.S. Holder may, under certain circumstances, be deemed to exercise any put option that has the effect of increasing the yield on the Note. The relevant Final Terms will so state when the Issuer determines that a particular Note will be an Original Issue Discount Note, to the extent relevant. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and should consult their own tax advisers with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

The following discussion does not address the U.S. federal income tax consequences of an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments the relevant Final Terms or a supplement to this Base Offering Circular will describe the material U.S. federal income tax consequences thereof.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. dollar are described in “—*Foreign Currency Discount Notes*” below.

For U.S. federal income tax purposes, a Note, other than a Note with a term of one year or less, will be treated as an Original Issue Discount Note if the excess of the Note’s “stated redemption price at maturity” over its “issue price” equals or exceeds a *de minimis* amount (i.e. 0.25% of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). The “stated redemption price at maturity” of a Note is the sum of all payments required to be made on such Note other than “qualified stated interest” payments. The “issue price” of each Note in a particular offering will be the first price at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent or wholesaler or similar persons or organisations acting in the capacity of an underwriter, broker, agent or wholesaler). The term “qualified stated interest” means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually (with certain exceptions for certain first or final interest payments) at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given in the relevant Final Terms when it is determined that a particular Note will bear interest that is not qualified stated interest, to the extent relevant.

In the case of a Note issued with *de minimis* OID, the U.S. Holder generally must include such *de minimis* OID in income as stated principal payments on the Notes are made in proportion to the amount relative to the stated principal amount of the Note. Any amount of *de minimis* OID that has been included in income will be treated as capital gain.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income on a constant yield method in advance of the receipt of some or all of the related cash payments. Under this method, the amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note (“**accrued OID**”). The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. The “accrual period” for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the “yield to maturity” and “qualified stated interest” will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate

Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the relevant Final Terms and should consult their own tax advisers regarding the U.S. federal income tax consequences of the holding and disposition of such Notes.

Election to Treat All Interest as OID

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their own tax advisers about this election.

Short-Term Notes

In the case of Notes having a term of one year or less (“**Short-Term Notes**”), all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be taxable on the discount in lieu of any stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Note, unless the U.S. Holder elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method U.S. Holders of a Short-Term Note are not required to include accrued discount in their income currently unless they elect to do so (but will be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-Term Notes (as ordinary income) on a straight line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realised on the sale, exchange or retirement of the Short-Term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder’s interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a “premium.” A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note on a constant yield method as an offset to interest when includible in income under the U.S. Holder’s regular accounting method for U.S. federal income tax purposes. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium will be computed in units of foreign currency and amortisable bond premium will reduce interest income in units of the foreign currency. At the time amortised bond premium offsets interest income, foreign currency gain or loss (taxable as ordinary income or loss) is measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note.

Foreign Currency Discount Notes

OID for any accrual period on an Original Issue Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under “—*Foreign Currency Denominated Stated Interest*” above. Upon receipt of an amount

attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder may recognise foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt or on the date of disposition of the Note) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Benchmark Replacement

Following the occurrence of a Benchmark Event, the rate of interest on any Notes which pay a floating rate linked to or referencing a benchmark or screen rate, including EURIBOR and any other IBOR-referencing rate, will be determined on the basis of the applicable Successor Rate or Alternative Reference Rate. It is possible that such replacement of the original reference rate with a Successor Rate or Alternative Reference Rate could be treated as a significant modification of such Notes. In such event, for U.S. federal income tax purposes, such Notes would be treated as having been exchanged for new Notes (a “**deemed exchange**”) and a U.S. Holder could be required to recognise taxable gain with respect to such Notes as result of the “deemed exchange”. In addition, such Notes may be treated as being issued with OID. Notwithstanding the foregoing, and although this issue is not free from doubt, since any such substitution of a Successor Rate or Alternative Reference Rate for such original reference rate would occur pursuant to the original terms of the Notes, a “deemed exchange” is not expected to occur and a U.S. Holder is not expected to be required to recognise taxable gain with respect to the Notes. U.S. Holders should consult their own tax advisors with regard to the possibility of a deemed exchange following the occurrence of a Benchmark Event with respect to the Notes.

Sale, Exchange or Retirement

A U.S. Holder’s tax basis in a Note generally will be its U.S. dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder’s income with respect to the Note and reduced by (i) the amount of any payments on the Note that are not qualified stated interest and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The U.S. dollar cost of a Note purchased with a foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. A U.S. Holder generally will recognise gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realised on the sale, exchange or retirement (less any accrued but unpaid stated interest, which will be taxable as ordinary interest income) and the U.S. Holder’s adjusted tax basis of the Note. The amount realised on a sale, exchange or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale, exchange or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale, exchange or retirement. Gain or loss recognised on the sale, exchange or retirement of a Note (other than gain or loss that is attributable to OID, or to changes in exchange rates, which will be treated as ordinary income or loss) will be capital gain or loss and will be long term capital gain or loss if the Note was held for more than one year. The deductibility of capital losses is subject to limitations. Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. A U.S. Holder will recognise foreign currency gain or loss on the principal amount of the Note equal to the difference between (i) the U.S. dollar value of the U.S. Holder’s purchase price for such Note determined at the spot rate on the date of sale, exchange or retirement and (ii) the U.S. dollar value of the U.S. Holder’s purchase price for the Note determined at the spot rate on the date the U.S. Holder acquired the Note. However, foreign currency gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a Note generally will be U.S.-source income or loss. Prospective investors should consult their tax advisors as to the foreign tax credit implications of such sale, exchange or retirement of Notes.

Sale or Other Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

Multi-Currency Notes

U.S. Holders of Notes that are denominated in more than one currency or that have one or more non currency contingencies and are denominated in either one foreign currency or more than one currency will be subject to special rules applicable to “multi-currency debt securities.” A U.S. Holder generally would be required to apply the “noncontingent bond method” in the multi-currency debt security’s denomination currency, which, for this purpose, would be the multi-currency debt security’s predominant currency as determined by the Issuer. A description of the principal U.S. federal income tax considerations relevant to holders of multi-currency Notes, including specification of the predominant currency, will be set forth, if required, in the relevant Final Terms.

Other Notes

A description of the principal U.S. federal income tax considerations relevant to U.S. Holders of any other type of Note that the Issuer may issue under the Programme will be set forth, if required, in the relevant Final Terms or in a supplement to this Base Offering Circular.

Reportable Transaction Reporting

U.S. Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest and accruals of OID, and a sale, exchange, redemption, retirement, redemption or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. Holders should consult their tax advisers to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Foreign Financial Asset Reporting

Individuals and, to the extent provided by the U.S. Secretary of the Treasury in regulations or other guidance, certain domestic entities that hold an interest in a “specified foreign financial asset” are required to attach certain information regarding such assets to their income tax return for any year in which the aggregate value of all such assets exceeds the relevant threshold. A “specified foreign financial asset” includes any debt or equity of a non-U.S. entity, to the extent not held in an account at a financial institution, though accounts at non-U.S. financial institutions may themselves be “specified foreign financial assets.” Penalties may be imposed for the failure to disclose such information regarding specified foreign financial assets. U.S. Holders are advised to consult their tax advisers regarding the potential reporting requirements that may be imposed on them by this legislation with respect to their ownership of the Notes.

U.S. Backup Withholding and Information Reporting

Information reporting requirements apply to certain payments of interest and accrued OID on the Notes and to proceeds of the sale, exchange or retirement of Notes made within the United States or through certain U.S. paying agents, U.S. intermediaries or U.S.-related brokers, to certain holders of Notes (other than an exempt recipient). The payor will be required to backup withhold on such payments (including payments of the accrued OID) to a U.S. Holder of a Note that is a U.S. person, other than an “exempt recipient,” if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will generally be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability or may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS. The

backup withholding rate under current law is 24 per cent. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Uzbekistan Tax

According to the Tax Code of the Republic of Uzbekistan (new edition, which entered into force on 30 December 2019, and as per the Law of the Republic of Uzbekistan No. ZRU-599 dated 30 December 2019 “On amendments and additions to the Tax Code of the Republic of Uzbekistan”, a new edition of Tax Code was adopted which is effective from 1 January 2020:

- for legal entities, income from international bonds issued by the Republic of Uzbekistan and legal entities of the Republic of Uzbekistan are not accounted for as income (paragraph 19 of Article 304); and
- for individuals, income from international bonds issued by the Republic of Uzbekistan and legal entities - residents of the Republic of Uzbekistan are not included in the total income (paragraph 10 of Article 369).

Thus under the new edition of the Tax Code, legal entities and individuals, both residents and non-residents, are not subject to taxation in Uzbekistan with respect to any income received from international bonds issued by the Republic of Uzbekistan.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission has published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transaction tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal is very broad in scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution and at least one party is established in a participating Member State. A financial institution may be, or may be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State, or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

CLEARING AND SETTLEMENT

Book Entry Procedures for the Global Notes

For each Series evidenced by a Restricted Global Note which is held by or on behalf of DTC, custodial and depository links are to be established between DTC, 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 “*Book Entry Ownership*” and “— *Settlement and Transfer of Notes*”.

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 which 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 depository 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 such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**”) and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Restricted Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Restricted Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under “*Exchange for Definitive Note Certificates*”, DTC will surrender the relevant Restricted Global Notes for exchange for individual Restricted Definitive Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book Entry Ownership

Euroclear and Clearstream, Luxembourg

An Unrestricted Global Note representing the Unrestricted Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B 1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L 1855 Luxembourg.

DTC

The Restricted Global Note representing Restricted Notes of any Series, unless otherwise agreed, will have a CUSIP number and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be) for its share of each payment made by the Issuer to the holder of the Global Notes, and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be).

The Issuer expects that, upon receipt of a payment in respect of Notes evidenced by a Global Note, the Common Depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant 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 the beneficial interests in any Global Note held through such Direct Participant 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 such Global Note and such obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note, in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any Paying Agent will have 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 Participants' 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 Participant or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within a 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 any Global Note held within a clearing system are exchanged for Definitive Note Certificates.

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. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Restricted Global Note which is held by or on behalf of DTC to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and 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.

Trading Between DTC Participants

Secondary market sales of book entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement system in same day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in an Unrestricted Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Restricted Global Note will instruct the Registrar to decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note of the relevant class and increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note. Book entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Restricted Global Note who will in turn deliver such book entry

interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by an Unrestricted Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Restricted Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre Issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the relevant closing date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until two days prior to the relevant closing date will be required, by virtue of the fact that the Notes initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. 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 advisers.

TRANSFER RESTRICTIONS

The Notes are being sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes sold in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

The Issuer is a foreign government as defined in Rule 405 under the Securities Act and is eligible to register securities on Schedule B of the Securities Act. Therefore, the Issuer is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

Each prospective purchaser of Notes in reliance on Rule 144A (a “**144A Offeree**”), by accepting delivery of this Base Offering Circular, will be deemed to have represented, agreed and acknowledged as follows:

- (i) such 144A Offeree acknowledges that this Base Offering Circular is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Base Offering Circular, or disclosure of any of its contents to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.
- (ii) such 144A Offeree agrees to make no photocopies of this Base Offering Circular or any documents referred to herein.

Each purchaser of Restricted Notes within the United States, by accepting delivery of this Base Offering Circular, will be deemed to have represented, agreed and acknowledged as follows (terms used herein that are defined in Rule 144A or in Regulation S are used herein as defined therein, as applicable):

- (a) the purchaser of the Notes (i) is a QIB, (ii) is acquiring the Notes for its own account or for the account of a QIB and (iii) is aware, and each beneficial owner of such Notes has been advised, that the sale of the Notes to it is being made in reliance on Rule 144A. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.;
- (b) the purchaser understands that such Restricted Notes are being offered or sold only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Restricted Notes have not been and will not be registered under the Securities Act or any other applicable State securities laws, the purchaser acknowledges that such Restricted Note is a “restricted security” (as defined in Rule 144(a)(3) under the Securities Act) and that (i) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Restricted Notes, such Restricted Notes may be offered, sold, pledged or otherwise transferred only (A) in the United States to a person that the seller reasonably believes is a QIB purchasing for its own account, or for the account or benefit of a QIB, in a transaction meeting the requirements of Rule 144A whom the seller has notified, in each case, that the offer, resale, pledge or other transfer is being made in reliance on Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (D) to the Issuer or an affiliate of the Issuer (upon redemption thereof or a similar transaction); in each case in accordance with any applicable securities laws of any state of the United States and (ii) no representation can be made as to the availability at any time of the exemption provided by Rule 144 for the resale of the Restricted Notes;

- (c) the purchaser understands that such Restricted Notes, unless the Issuer and the Registrar determine otherwise in compliance with Applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “QIB”), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE REALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT;

- (d) the purchaser acknowledges that, prior to any transfer of Definitive Note Certificates or of beneficial interests in the Global Notes, the holder of Definitive Note Certificates or the holder of beneficial interests in Global Notes, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Fiscal Agency Agreement; and
- (e) the Issuer, the Arrangers, the Dealers and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in the Dealer Agreement dated 4 February 2019 (the “**Dealer Agreement**”) between the Issuer and the dealers named therein, from time to time the Notes will be offered by the Issuer to the Permanent Dealers and the Permanent Dealers may agree to purchase such Notes. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they made to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer in the ordinary course of their respective businesses. The Issuer may apply all or part of the proceeds of any Notes issued pursuant to the Programme in repayment of all or part of any such credit facilities.

The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act, and, subject to certain exceptions, may not be offered or sold within the United States.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that except as permitted by the Dealer Agreement it will offer the Notes for resale in the United States initially only to persons who they reasonably believe to be QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States in accordance with Regulation S. The Dealer Agreement provides that Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of the Notes within the United States only to QIBs in reliance on Rule 144A.

An offer or sale of Notes within the United States by a Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A, or another available exemption from registration under the Securities Act.

ICBC Standard Bank Plc is restricted in its U.S. securities dealings under the United States Bank Holding Company Act and may not underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that are offered or sold in the United States. Accordingly, ICBC Standard Bank Plc shall not be obligated to, and shall not, underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that may be offered or sold by other underwriters in the United States. ICBC Standard Bank Plc shall offer and sell the Notes constituting part of its allotment solely outside the United States.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than a year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) 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

Unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, 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 Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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, this Base Offering Circular 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 2001 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.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), unless otherwise specified before an offer of Notes, 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 MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

In relation to each Series, each Dealer has represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) (the "SFO") and any rules made under the SFO.

Switzerland

This Base Offering Circular does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, this Base Offering Circular may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Uzbekistan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Uzbekistan except in compliance with the laws of Uzbekistan.

An Uzbekistan resident may purchase and sell the Notes, subject to compliance with the restrictions set forth in this Base Offering Circular, any Final Terms and the laws of Uzbekistan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Offering Circular.

No representation is made that any action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of any of the Notes, or possession or distribution of this Base Offering Circular or any other offering materials or any final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed (and each further Dealer appointed under the Programme will be required to agree) that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Offering Circular, any other offering material or any Final Terms (in all cases at its own expense) and neither the Issuer nor any other Dealer shall have responsibility therefor. Other persons into whose hands this Base Offering Circular or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or form which they purchase, order, sell or deliver Notes or possess, distribute or publish this Base Offering Circular or any Final Terms or any related offering material, in all cases at their own expense.

GENERAL INFORMATION

1. Admission to Trading

Where the Issuer and each relevant Dealer so agree before the Issue Date for the relevant Series, application will be made to admit certain Series of Notes issued under the Programme to the Official List and to trading on the Market. The relevant Final Terms for any Note will indicate whether or not such application has been made.

However, Notes may be issued pursuant to the Programme which will not be admitted to the Official List or admitted to trading on the Market or admitted to listing, trading and/or quotation on any other listing authorities, stock exchanges, regulated markets and/or quotation systems or which will be admitted to listing, trading and/or quotation on any other listing authorities, stock exchanges, regulated markets and/or quotation systems as the Issuer and each relevant Dealer may agree.

2. Clearing of the Notes

It is expected that the Notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg and/or DTC. Where relevant, the appropriate common code and the International Securities Identification Number and/or (where applicable) the CUSIP number in relation to each Series will be specified in the Final Terms relating thereto. The relevant Final Terms will specify any other clearing system as shall have accepted the Notes for clearance together with any further appropriate information.

3. Authorisations

The establishment of the Programme was authorised and approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 35 dated 16 January 2019. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the update of the Programme and the issue and performance of the Notes.

4. Significant/Material Change

Except as disclosed in the “*Risk Factors*”, “*Overview of the Republic of Uzbekistan*”, “*Balance of Payments and Foreign Trade*”, “*Monetary and Financial System*”, “*Public Finance*” and “*Public Debt*” sections of this Base Offering Circular, since 31 December 2022, there has been no significant change in the Issuer’s (a) tax and budgetary systems, (b) gross public debt or the maturity structure or currency of its outstanding debt and debt payment record, (c) foreign trade, (d) foreign exchange reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives, (e) financial position and resources including liquid deposits available in domestic currency, (f) income and expenditure figures and (g) balance of payments figures.

5. Litigation

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) during the 12 months before the later of (i) the date of this Base Offering Circular, (ii) any supplement hereto, and (iii) the most recent Final Terms relating to a tranche of Notes, which may have, or have had in the recent past, significant effects on the financial position of the Issuer.

6. Documents on Display

For so long as any of the Notes is outstanding, copies of the following documents may be inspected during normal business hours at the specified offices of the Fiscal Agent and at the offices of the Ministry of Economy and Finance of Uzbekistan at 29, Istiklol str., Tashkent, 100017, Republic of Uzbekistan and are available on the website of the Ministry of Economy and Finance of Uzbekistan at <https://imv.uz/en>:

- (a) the Fiscal Agency Agreement;

- (b) the Deed of Covenant; and
- (c) this Base Offering Circular and any supplements thereto.

7. **Third Party Information**

The Issuer confirms that where information included in the Base Offering Circular has been sourced from a third party the source is identified, and that information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

8. **Arrangers and Dealers Transacting with the Issuer**

Certain of the Arrangers, Dealers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer in the ordinary course of business.

THE ISSUER
The Republic of Uzbekistan,
represented by the **Ministry of Economy and Finance of the Republic of Uzbekistan**
29, Istiklol str.
Tashkent, 100017
Republic of Uzbekistan

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United Kingdom

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Canary Wharf
London E14 5JP
United Kingdom

Société Générale
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**FISCAL AGENT, PAYING AGENT AND
TRANSFER AGENT**

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