JSCB “UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES

Interim condensed consolidated financial information (unaudited) for the six months ended 30 June 2019

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"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the interim condensed consolidated statement of financial position of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2019, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group comply with IAS 34;
- Maintaining accounting records in compliance with the Republic of Uzbekistan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 was authorized for issue by the Management Board on 8 November 2019.

On behalf of the Management Board:

Voitov Aziz	**Vokhidov Oybek**
Chairman of the Management Board	**Chief Accountant**
8 November 2019	8 November 2019
Tashkent, Uzbekistan	Tashkent, Uzbekistan

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" and its subsidiaries ("the Group") as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other Matter

The corresponding figures as at 30 June 2018 and for the 6 months then ended presented in this interim condensed consolidated financial information are neither audited nor reviewed.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

"Deloitte & Touche" Audit Organisation LLC License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019	Erkin Ayupov Qualified Auditor/Engagement Partner Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan
Certificate authorizing audit of banks registered by the Central bank of the Republic of Uzbekistan under #3 dated 14 October 2013	Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central bank of the Republic of Uzbekistan
8 November 2019 Tashkent, Uzbekistan	Director "Deloitte & Touche" Audit Organisation LLC

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (UNAUDITED)
(in millions of Uzbek Soums)

	Notes	30 June 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash equivalents	7	1,787,718	1,897,133
Due from other banks	8	1,455,272	812,092
Loans and advances to customers	9,28	31,278,577	28,020,629
Financial assets at fair value through other comprehensive income	10	232,885	41,804
Investment in associates		587	587
Premises, equipment and intangible assets	11	341,418	200,407
Other assets	12	307,623	52,613
Non-current assets held for sale		16,690	813
TOTAL ASSETS		**35,420,770**	**31,026,078**
LIABILITIES			
Due to other banks	13	914,756	676,700
Customer accounts	14,28	6,472,316	5,129,176
Debt securities in issue	15	58,954	67,741
Other borrowed funds	16,28	24,127,349	21,756,155
Other liabilities	17,28	47,755	105,972
Deferred tax liability	22	97,407	86,865
Reserves for insurance contracts		3,333	-
TOTAL LIABILITIES		**31,721,870**	**27,822,609**
EQUITY			
Share capital	18	2,177,348	1,884,882
Treasury shares		(685)	(1,330)
Retained earnings		1,509,903	1,312,607
Revaluation reserve of financial assets at fair value through other comprehensive income		7,395	2,261
Net assets attributable to the Bank's owners		3,693,961	3,198,420
Non-controlling interest		4,939	5,049
TOTAL EQUITY		**3,698,900**	**3,203,469**
TOTAL LIABILITIES AND EQUITY		**35,420,770**	**31,026,078**

Approved for issue and signed on behalf of the Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)

(in millions of Uzbek Soums, except for earnings per share which are in Soums)

	Notes	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June of 2018 (unaudited)
Interest income	19,28	1,014,214	592,456
Interest expense	19,28	(505,990)	(307,655)
Net interest income before provision on loans and advances to customers		508,224	284,801
Provision for credit losses on loans and advances to customers	9,28	(201,842)	(15,177)
Initial recognition adjustment on interest bearing assets		(1,661)	(3,867)
Net interest income		**304,721**	**265,757**
Fee and commission income	20,28	156,532	113,718
Fee and commission expense	20	(38,065)	(23,204)
Net gain/(loss)on foreign exchange translation		7,307	(33,633)
Net gain from trading in foreign currencies	28	8,367	1,011
Insurance operations income		119	-
Insurance operations expense		(494)	-
Dividend income		5,243	1,003
Other operating income	28	6,669	6,540
(Provision for)/recovery of impairment of other assets		(3,412)	1,925
Administrative and other operating expenses	21,28	(205,944)	(192,580)
Share of result from associates		-	(253)
Profit before tax		**241,043**	**140,284**
Income tax expense	22	(43,857)	(33,615)
PROFIT FOR THE PERIOD		**197,186**	**106,669**
Attributable to:			
- Owners of the Bank		197,296	107,169
- Non-controlling interest		(110)	(500)
PROFIT FOR THE PERIOD		**197,186**	**106,669**
Total basic and diluted EPS per ordinary share (expressed in UZS per share)	23	**2**	**1**
Total basic and diluted EPS per equity component of preference share (expressed in UZS per share)	23	4	**4**
PROFIT FOR THE PERIOD		**197,186**	**106,669**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Fair value gain on equity securities at fair value through other comprehensive income		6,418	2,340
Tax effect		(1,284)	(515)
Other comprehensive income		**5,134**	**1,825**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**202,320**	**108,494**
Attributable to:			
- Owners of the Bank		202,430	108,994
- Non-controlling interest		(110)	(500)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**202,320**	**108,494**

Approved for issue and signed on behalf of Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Uzbek Soums)

	Notes	Share capital	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income	Retained earnings	Non-controlling interest	Total equity
31 December 2018		**1,884,882**	**(1,330)**	**2,261**	**1,312,607**	**5,049**	**3,203,469**
Profit for the period		-	-	-	197,296	(110)	197,186
Other comprehensive income for the period		-	-	5,134	-	-	5,134
Total comprehensive income for the period		-	-	5,134	197,296	(110)	202,320
Shares issued	18	292,466	-	-	-	-	292,466
Disposal of treasury shares		-	645	-	-	-	645
30 June 2019 (unaudited)		**2,177,348**	**(685)**	**7,395**	**1,509,903**	**4,939**	**3,698,900**

	Share capital	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income (2017: Investment securities available for sale)	Retained earnings	Non-controlling interest	Total equity
31 December 2017	**1,460,036**	**(2,477)**	**4,220**	**996,126**	**5,476**	**2,463,381**
Effect of IFRS 9 adoption on 1 January 2018	-	-	(3,353)	127,171	-	123,818
Balance at 1 January 2018 (restated under IFRS 9)	**1,460,036**	**(2,477)**	**867**	**1,123,297**	**5,476**	**2,587,199**
Profit for the period	-	-	-	107,169	(500)	106,669
Other comprehensive income for the period	-	-	1,825	-	-	1,825
Total comprehensive income for the period	-	-	1,825	107,169	(500)	108,494
Disposal of treasury shares	-	731	-	-	-	731
30 June 2018 (unaudited)	**1,460,036**	**(1,746)**	**2,692**	**1,230,466**	**4,976**	**2,696,424**

Approved for issue and signed on behalf of Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

JOINT STOCK COMMERCIAL BANK
"UZBEK INDUSTRIAL AND CONSTRUCTION BANK" AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Uzbek Soums)

	Notes	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June of 2018 (unaudited)
Cash flows from operating activities			
Interest received		1,224,736	432,164
Interest paid		(674,481)	(166,236)
Fee and commission received		156,786	113,894
Fee and commission paid		(38,065)	(23,204)
Insurance operations income received		3,452	-
Insurance operations expense paid		(494)	-
Net gain from trading in foreign currencies		8,367	1,011
Other operating income received		4,041	6,540
Staff costs paid		(176,591)	(130,601)
Administrative and other operating expenses paid		(64,332)	(89,243)
Income tax paid		(62,506)	(4,926)
Cash flows from operating activities before changes in operating assets and liabilities		**380,913**	**139,399**
Net increase in due from other banks		(603,937)	(496,341)
Net increase in loans and advances to customers		(3,107,172)	(1,802,173)
Net increase in other assets		(59,740)	(41,519)
Net increase in due to other banks		195,220	37,857
Net increase in customer accounts		1,253,178	1,561,277
Net (decrease)/increase in other liabilities		(4,178)	11,545
Net cash used in operating activities		**(1,945,716)**	**(589,955)**
Cash flows from investing activities			
Acquisition of financial assets at fair value through other comprehensive income		(184,663)	(12,148)
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	805
Acquisition of premises and equipment		(323,608)	(50,487)
Proceeds from disposal of premises and equipment		2,628	568
Proceeds from disposal of subsidiary, net of disposed cash		-	3,472
Dividend income received		5,243	1,003
Net cash used in investing activities		**(500,400)**	**(56,787)**
Cash flows from financing activities			
Proceeds from borrowings due to other banks		51,000	24,175
Repayment of borrowings due to other banks		(20,529)	(31,736)
Proceeds from other borrowed funds		3,032,177	1,942,371
Repayment of other borrowed funds		(1,032,608)	(1,102,581)
Proceeds from debt securities in issue		31,300	-
Repayment of debt securities in issue		(40,100)	(4,209)
Issue of ordinary shares		292,466	-
Dividends paid		(74)	(68)
Treasury shares sold		645	731
Net cash from financing activities		**2,314,277**	**828,683**
Effect of exchange rate changes on cash and cash equivalents		22,424	(32,536)
Net increase/(decrease) in cash and cash equivalents		**(109,415)**	**149,405**
Cash and cash equivalents at the beginning of the period	7	1,897,133	3,059,367
Cash and cash equivalents at the end of the period	7	**1,787,718**	**3,208,772**

Approved for issue and signed on behalf of the Management Board on 8 November 2019.

Voitov Aziz
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

(In millions of Uzbek Soums, unless otherwise indicated)

1. INTRODUCTION

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

The Bank was incorporated in 1991 and is domiciled in the Republic of Uzbekistan. It is registered in Uzbekistan to carry out banking and foreign exchange activities and has operated under the banking license #17 issued by the Central bank of Uzbekistan ("CBU") on 21 October 2017 (succeeded the licenses #17 issued on 25 January 2003 and #25 issued on 29 January 2005 by the CBU for banking operations and general license for foreign currency operations, respectively).

Principal activity. The Bank's principal activity is commercial banking, retail banking, operations with securities, foreign currencies and origination of loans and guarantees. The Bank accepts deposits from legal entities and individuals, extended loans, and transfer payments. The Bank conducts its banking operations from its head office in Tashkent and 45 branches within Uzbekistan as of 30 June 2019 (31 December 2018: 45 branches).

The Bank participates in the state deposit insurance scheme, which was introduced by the Uzbek Law #360-II "Insurance of Individual Bank Deposit" on 5 April 2002. On 28 November 2008, the President of Uzbekistan issued the Decree #PD-4057 stating that in case of the withdrawal of a license of a bank, the State Deposit Insurance Fund guarantees repayment of 100% of individual deposits regardless of the deposit amount.

As at 30 June 2019, the number of Bank's employees was 3,781 (31 December 2018: 3,584).

Registered address and place of business. 3, Shakhrisabzskaya Street, Tashkent, 100000, Uzbekistan

At 30 June 2019 and 31 December 2018, the Group consolidated the following companies in these interim condensed consolidated financial information:

Name	Country of incorporation	The Bank's ownership 30 June 2019 (unaudited)	The Bank's ownership 31 December 2018	Type of operation
Asset Invest Trust, LLC	Uzbekistan	100	100	Consulting
PSB Capital, LLC	Uzbekistan	100	100	Asset management
PSB Industrial Investments, LLC	Uzbekistan	100	100	Asset management
PSB Insurance, LLC	Uzbekistan	100	-	Insurance
Xorazm Nasli Parranda, LLC	Uzbekistan	57	57	Poultry farming

The Group started insurance business from 20 March 2019 by obtaining a license for insurance activities through its newly established subsidiary "PSB Insurance" LLC.

The table below represents the interest of the shareholders in the Bank's share capital as at 30 June 2019 and 31 December 2018:

Shareholders	30 June 2019 (unaudited)	31 December 2018
The Fund for Reconstruction and Development of the Republic of Uzbekistan	61.7%	55.8%
The State Assets Management Agency of the Republic of Uzbekistan	27.3%	0.0%
The Ministry of Finance of the Republic of Uzbekistan	0.0%	30.4%
Joint Stock Company "Uztransgaz"	2.6%	3.0%
Tashmuxamedov Ravshan Irkinovich	1.0%	1.2%
Unitary Enterprise "Bukhara oil refinery plant"	1.0%	1.1%
Joint Stock Company "Uzbekenergo"	0.0%	1.1%
Joint Stock Company "Uzneftmahsulot"	0.9%	1.0%
Private limited company "Shurtan gas chemical complex"	0.0%	0.9%
Other legal entities and individuals (individually hold less than 1%)	5.5%	5.5%
Total	**100%**	**100%**

In accordance with the Presidential Decree #4112 dated 14 January 2019, the State Assets Management Agency of the Republic of Uzbekistan ("the Agency") was established. In accordance with this decree, the shares of the Bank owned by the Ministry of Finance of the Republic of Uzbekistan were transferred to the Agency.

2. BASIS OF PRESENTATION

Accounting basis

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

This interim condensed consolidated financial information is presented in millions of Uzbek Soums ("UZS"), except for earnings per share amounts and unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

Going concern. These interim condensed consolidated financial information have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

The Group's activities continue to be affected by the uncertainty and instability of the current economic environment, including the reforms of the new government, directed at increasing living standards, incomes, and job opportunities in the Republic of Uzbekistan.

As at 30 June 2019, the Group had a cumulative liquidity shortfall of UZS 285,797 million up to six months (Note 27), which reflects the effects of the decision to classify UZS 299,130 million due to the Republic of Uzbekistan as "demand and less than 1 month" as a result of a breach of certain financial covenants stipulated in the tripartite subsidiary loan agreements between the Republic of Uzbekistan, the Rural Restructuring Agency and the Bank #3471-UZB from April 2017 and #3673-UZB from November 2018 as discussed in detail in Note 16. Subsequent to 30 June 2019, the Republic of Uzbekistan confirmed to the Bank in writing that it will not take any action to demand prepayment of the loans as a consequence of past and/or ongoing breaches of the financial covenants stipulated in these subsidiary loan agreements. In addition, as a result of implementation of the Presidential Decree #4487 (Note 29), on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group.

Management of the Group believes that the Group will be able to continue as a going concern due to:

- Continued ongoing support by the Government of the Republic of Uzbekistan ("the State"). The Group is a state owned bank with the Agency and Fund for Reconstruction and Development of Uzbekistan ("UFRD") as key shareholders, jointly holding 89 % interest in the share capital of the Bank. The Group is a strategic financial institution of the Republic of Uzbekistan, responsible for the development of strategic industries.

  Subsequent to the reporting date, during July-August 2019, the Group received additional funding in the total amount of UZS 206,000 million from the Ministry of Finance, UZS 57,400 million from UFRD under the program of stimulating families to open small businesses in accordance with the Presidential Decrees #4231 and #4172, as described in Note 29;

- As at 30 June 2019, deposits of state entities callable within one year amounted to UZS 1,245,128 million and borrowings from the State and state entities with the same maturity amounted to UZS 585,490 million (total UZS 1,830,618 million). In addition, the State and state entities represent most of the long-term borrowings of the Group (30 June 2019: UZS 14,752,801 million). Given that deposits and borrowings are obtained from the State and state entities, terms of these financial instruments can be renegotiated and restructured, if there is a such necessity;

- Management regularly assesses the stability of its customer accounts funding base, in particular with respect to that of non-state entities, based on past performance and analysis of the events subsequent to the reporting date. Management believes that the customers intend to hold their term deposits with the Group, and that this source of funding will remain at a similar level for the foreseeable future.

The Management is not aware of any circumstances that would question the continuation of the Group and considers that all operations will proceed in the normal course of business, with the State retaining the strategic control for the foreseeable future.

Basis of accounting for insurance activities.

Insurance operations income primarily comprises of premiums written less provision for unearned premiums.

Premiums written. Upon inception of a contract, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage.

Provision for unearned premiums. Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force as at the reporting date, calculated using "pro rata temporis" or "1/24" method. The "pro rata temporis" method includes calculation of unearned premium in proportion to the remaining useful life of insurance contract at the balance sheet date. The "1/24" method is determined by multiplying the total amount of the basic insurance premiums on the coefficients which are defined for each subgroup as the ratio of not elapsed at the reporting date of the term of the subgroup contracts to the whole duration of subgroup contracts.

Insurance operations expense primarily comprises of claims paid and changes in insurance loss provisions.

Claims. Claims and claims handling expenses are charged to the consolidated statement of profit or loss and other comprehensive income as incurred based on the evaluated liability for compensation payable to policyholders or third parties, net of subrogation. Subrogation is a right to pursue third parties for payment of some or all costs related to the claims settlement process.

Loss provision. Loss provision represents the accumulation of estimates for ultimate losses and includes provision for losses reported but not settled ("RBNS") and incurred but not yet reported ("IBNR"). Estimates of claims handling expenses are included in both RBNS and IBNR. RBNS is provided in respect of claims reported, but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during investigation of insurance cases before or after the reporting date. IBNR is determined by the Group by line of business, and includes assumptions based on prior years' claims and claims handling experience. The methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of comprehensive income as they arise. Loss provision is estimated on an undiscounted basis due to the relatively quick pattern of claims notification and payment.

Reserves for insurance contracts primarily comprises of provision for unearned premiums and insurance loss provisions.

Liability adequacy test. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, the current best estimates of the future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income by subsequently establishing a provision for losses arising from the liability adequacy tests.

Reinsurance. The Group assumes and cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Group from its obligations to policyholders. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the term of each reinsurance contract. Reinsurance assets include balances due from reinsurance companies for paid claims, including claims handling expenses, reinsurers' share of loss provision and premiums ceded to the Group. Reinsurance payables are obligations of the Group for the transfer of reinsurance premiums to reinsurers.

The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2018 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2018.

Valuation of incurred but not reported insurance claims reserve. The Group establishes IBNR reserve to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. This reserve is established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Group relies upon historical information, loss experience analysis, type and extent of coverage to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth, and comparisons with the results of industry benchmarks in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported.

The management estimates its IBNR reserve at each year-end and reassesses on quarterly basis to ensure that the resulting provision in the Group's consolidated balance sheet reflects management's best estimate of the total costs required to settle IBNR. If the ending IBNR reserve is not considered adequate, an adjustment is recorded.

Due to inherent uncertainty underlying IBNR reserve estimates, including, but not limited to, the future settlement environment, final resolution of the estimated liability may be different from that anticipated at the reporting date. Therefore, actual paid losses in the future may yield a significantly different amount than currently reserved — favorable or unfavorable.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

IFRS 16 Leases.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related Interpretations became effective for accounting periods beginning on or after 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, which means the adoption from 1 January 2019 with no restatement of comparative periods - i.e. comparative period is presented as previously reported under IAS 17 and related interpretations.

The Group made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the assessment of a lease in accordance with IAS 17 and IFRIC 4 continued to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the lessee. Control is considered to exist if the lessee has:
- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019, (whether it is a lessor or a lessee in the lease contract).

On initial application of IFRS 16 for the long-term leases the Group:
a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as electronic terminals and other), the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Judgements related to the application of IFRS 16

Although, for majority of its lease agreements there is an option to extend short term lease agreements at maturity with new terms with the consent of both parties, the Management of the Group considers that these agreements fall under IFRS16 exemption available for short-term leases due to the fact that agreements are not enforceable after the initial lease term due to insignificant economic penalties to be incurred by both parties in case the lease is not extended. As such, the Group applies the exemption for short-term leases consistently on transition and subsequently.

Under IFRS 16, right-of-use assets were assessed for impairment in accordance with IAS 36 Impairment of Assets. This replaced the previous requirement to recognise a provision for onerous lease contracts.

The implementation of IFRS 16 has no material impact on the amounts or disclosures in these interim condensed consolidated financial information.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately
• The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies judgement in identifying uncertainties over income tax treatments, as the Group operates only in Republic of Uzbekistan, it assessed whether the Interpretation had a material impact on its interim condensed consolidated financial information.

(In millions of Uzbek Soums, unless otherwise indicated)

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions and concluded that the interpretation did not have an impact on the interim condensed consolidated financial information of the Group, given that the Bank's and the subsidiaries' tax filings are in the same jurisdiction.

6. SEGMENT REPORTING

The Group's operations are a single reportable segment.

The Group provides mainly banking services in the Republic of Uzbekistan. The Group identifies the segment in accordance with the criteria set in IFRS 8, *Operating Segments*, and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources among business units of the Group.

The chief operating decision-maker ("CODM") has been determined as the Group's Chairman of the Management Board. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The Management has determined a single operating segment being banking services based on these internal reports.

7. CASH AND CASH EQUIVALENTS

	30 June 2019 (unaudited)	**31 December 2018**
Cash on hand	510,366	456,067
Cash balances with the CBU (other than mandatory reserve deposits)	324,626	813,180
Correspondent accounts and placements with other banks with original maturities of less than three months	952,777	627,940
Less: Allowance for expected credit losses	(51)	(54)
Total cash and cash equivalents	**1,787,718**	**1,897,133**

The credit quality of cash and cash equivalents at 30 June 2019 (unaudited) is as follows:

	Cash balances with the CBU (other than mandatory reserve deposits)	**Correspondent accounts and placements with other banks with original maturities of less than three months**	**Total**
Neither past due nor impaired			
- Central bank of Uzbekistan	324,626	-	**324,626**
- Rated AA to A-	-	770,161	**770,161**
- Rated below A-	-	182,616	**182,616**
Less: Allowance for expected credit losses	(11)	(40)	**(51)**
Total cash and cash equivalents, excluding cash on hand	**324,615**	**952,737**	**1,277,352**

The credit quality of cash and cash equivalents at 31 December 2018 is as follows:

	Cash balances with the CBU (other than mandatory reserve deposits)	**Correspondent accounts and placements with other banks with original maturities of less than three months**	**Total**
Neither past due nor impaired			
- Central bank of Uzbekistan	813,180	-	**813,180**
- Rated AA to A-	-	613,083	**613,083**
- Rated below A-	-	14,857	**14,857**
Less: Allowance for expected credit losses	(28)	(26)	**(54)**
Total cash and cash equivalents, excluding cash on hand	**813,152**	**627,914**	**1,441,066**

(In millions of Uzbek Soums, unless otherwise indicated)

8. DUE FROM OTHER BANKS

	30 June 2019 (unaudited)	31 December 2018
Mandatory cash balances with CBU	323,568	240,488
Placements with other banks with original maturities of more than three months	867,448	334,145
Restricted cash	272,801	242,270
Less: Allowance for expected credit losses	(8,545)	(4,811)
Total due from other banks	**1,455,272**	**812,092**

Restricted cash represents balances on correspondent accounts with foreign banks placed by the Group on behalf of its customers. The Group does not have the right to use these funds for the purpose of funding its own activities.

Analysis by credit quality of due from other banks outstanding at 30 June 2019 (unaudited) is as follows:

	Mandatory cash balances with CBU	Placements with other banks with original maturities of more than three months	Restricted cash	Total
Neither past due nor impaired				
- Central bank of Uzbekistan	323,568	-	-	323,568
- Rated AA to A-	-	131,860	268,520	400,380
- Rated below A-	-	731,588	4,281	735,869
Unrated		4,000		4,000
Less: Allowance for expected credit losses	(11)	(8,437)	(97)	(8,545)
Total due from other banks	**323,557**	**859,011**	**272,704**	**1,455,272**

Analysis by credit quality of due from other banks outstanding at 31 December 2018 is as follows:

	Mandatory cash balances with CBU	Placements with other banks with original maturities of more than three months	Restricted cash	Total
Neither past due nor impaired				
- Central bank of Uzbekistan	240,488	-	-	**240,488**
- Rated AA to A-	-	-	237,820	**237,820**
- Rated below A-	-	334,145	4,450	**338,595**
Less: Allowance for expected credit losses	(8)	(4,709)	(94)	(4,811)
Total due from other banks	**240,480**	**329,436**	**242,176**	**812,092**

Mandatory deposits with the CBU include non-interest bearing reserves against client deposits. The Group does not have the right to use these deposits for the purposes of funding its own activities.

9. LOANS AND ADVANCES TO CUSTOMERS

The Bank uses the following classification of loans:

- Loans to state and municipal organisations - loans issued to clients wholly owned by the Government of the Republic of Uzbekistan and budget organisations;
- Corporate loans - loans issued to clients other than government entities and private entrepreneurs;
- Loans to individuals - loans issued to individuals for consumption purposes, for the purchase of residential houses and flats and loans issued to private entrepreneurs without forming legal entity.

(In millions of Uzbek Soums, unless otherwise indicated)

Loans and advances to customers comprise:

	30 June 2019 (unaudited)	31 December 2018
State and municipal organisations	20,765,106	20,614,186
Corporate loans	8,898,190	6,193,791
Loans to individuals	2,279,052	1,673,984
Total loans and advances to customers, gross	**31,942,348**	**28,481,961**
Less: Allowance for expected credit losses	(663,771)	(461,332)
Total loans and advances to customers	**31,278,577**	**28,020,629**

As at 30 June 2019 (unaudited), loans and advances to customers include finance lease receivables in the amount of UZS 196,115 million (31 December 2018: UZS 198,327 million).

The table below represents loans and advances to customer's classification by stages as at 30 June 2019 and 31 December 2018:

	30 June 2019 (unaudited)	31 December 2018
Originated loans to customers	31,921,882	28,468,512
Overdrafts	20,466	13,449
Total loans and advances to customers, gross	**31,942,348**	**28,481,961**
Stage 1	29,544,350	24,580,970
Stage 2	1,546,457	3,341,788
Stage 3	851,541	559,203
Total loans and advances to customers, gross	**31,942,348**	**28,481,961**
Less: Allowance for expected credit losses	(663,771)	(461,332)
Total loans and advances to customers	**31,278,577**	**28,020,629**

The tables below analyze information about significant changes in the gross carrying amount of loans and advances to customers during the six months period ended 30 June 2019:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amount as at 1 January 2019	**24,580,970**	**3,341,788**	**559,203**	**28,481,961**
Changes in the gross carrying amount				
- Transfer from stage 1	(552,030)	114,088	437,942	-
- Transfer from stage 2	1,597,861	(1,707,122)	109,261	-
- Transfer from stage 3	56,925	1,142	(58,067)	-
- Changes due to modifications that did not result in derecognition	(3,314,754)	(33,262)	(55,373)	**(3,403,389)**
New assets issued or acquired	8,239,417	-	-	**8,239,417**
Matured or derecognized assets (except for write off)	(1,654,871)	(208,008)	(150,066)	**(2,012,945)**
Written off assets	-	-	(829)	**(829)**
Foreign exchange differences	590,832	37,831	9,470	**638,133**
Gross carrying amount as at 30 June 2019 (unaudited)	**29,544,350**	**1,546,457**	**851,541**	**31,942,348**
Loss allowance for ECL as at 30 June 2019 (unaudited)	(174,781)	(40,159)	(448,831)	**(663,771)**
Total loans and advances to customers (unaudited)	**29,369,569**	**1,506,298**	**402,710**	**31,278,577**

As at 30 June 2019, written off assets in the amount of UZS 829 million are still subject to enforcement activity.

(In millions of Uzbek Soums, unless otherwise indicated)

The tables below analyze information about significant changes in the gross carrying amount of loans and advances to customers during the year 2018:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amount as at 1 January 2018	**18,989,527**	**1,669,228**	**240,116**	**20,898,871**
Changes in the gross carrying amount				
- Transfer from stage 1	(2,653,541)	2,122,886	530,655	-
- Transfer from stage 2	109,082	(164,294)	55,212	-
- Transfer from stage 3	12,204	23,722	(35,926)	-
- Changes due to modifications that did not result in derecognition	(3,672,300)	(255,641)	(154,027)	**(4,081,968)**
New assets issued or acquired	12,567,821	-	-	**12,567,821**
Matured or derecognized assets (except for write off)	(1,224,354)	(124,927)	(68,874)	**(1,418,155)**
Written off assets	-	-	(22,778)	**(22,778)**
Foreign exchange differences	452,531	70,814	14,825	**538,170**
Gross carrying amount as at 31 December 2018	**24,580,970**	**3,341,788**	**559,203**	**28,481,961**
Loss allowance for ECL as at 31 December 2018	(175,253)	(70,747)	(215,332)	**(461,332)**
Total loans and advances to customers	**24,405,717**	**3,271,041**	**343,871**	**28,020,629**

As at 31 December 2018, written off assets in the amount of UZS 22,778 million were subject to enforcement activity.

The tables below analyze information about significant changes in the expected credit loss of loans and advances to customers during the six months ended 30 June 2019:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance for ECL as at 1 January 2019	**175,253**	**70,747**	**215,332**	**461,332**
Changes in the gross carrying amount				
- Transfer from stage 1	(9,942)	2,137	7,805	-
- Transfer from stage 2	35,810	(43,394)	7,584	-
- Transfer from stage 3	12,574	139	(12,713)	-
- Changes due to modifications that did not result in derecognition	(64,159)	13,450	260,981	**210,272**
New assets issued or acquired	37,405	-	-	**37,405**
Matured or derecognized assets (except for write off)	(12,330)	(3,277)	(30,228)	**(45,835)**
Written off assets	-	-	(829)	**(829)**
Foreign exchange differences	170	357	899	**1,426**
Loss allowance for ECL as at 30 June 2019 (unaudited)	**174,781**	**40,159**	**448,831**	**663,771**

As at 30 June 2019, the Group has individually credit impaired loans to customers in the amount of UZS 269,642 million (31 December 2018: UZS 170,074 million), which were collateralised by real estates, equipment, vehicles, inventory and receivables and other assets (31 December 2018: Real estates, equipment, insurance policies, vehicles and letter of sureties).

As at 30 June 2019, the Group has not recognised expected credit losses for individually impaired loans in the amount of UZS 25,616 million (31 December 2018: Nil) because of the collateral. The collateral primarily comprise of equipment and real estate.

(In millions of Uzbek Soums, unless otherwise indicated)

The tables below analyze information about significant changes in the expected credit loss of loans and advances to customers during the year 2018:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance for ECL as at 1 January 2018	**229,911**	**29,450**	**109,010**	**368,371**
Changes in the gross carrying amount				
- Transfer from stage 1	(156,459)	32,441	124,018	-
- Transfer from stage 2	12,678	(17,574)	4,896	-
- Transfer from stage 3	8,801	7,740	(16,541)	-
- Changes due to modifications that did not result in derecognition	(22,108)	21,205	43,057	**42,154**
New assets issued or acquired	107,882	-	-	**107,882**
Matured or derecognized assets (except for write off)	(8,719)	(3,830)	(37,961)	**(50,510)**
Recovery of assets previously written off	-	-	7,977	**7,977**
Written off assets	-	-	(22,778)	**(22,778)**
Foreign exchange differences	3,267	1,315	3,654	**8,236**
Loss allowance for ECL as at 31 December 2018	**175,253**	**70,747**	**215,332**	**461,332**

Economic sector risk concentrations within the loans and advances to customer are as follows:

	30 June 2019 (unaudited)		31 December 2018	
	Amount	%	Amount	%
Oil and gas & chemicals	14,674,210	45.9%	14,152,593	49.7%
Manufacturing	4,499,479	14.1%	3,429,674	12.0%
Energy	4,448,414	13.9%	4,633,970	16.3%
Individuals	2,279,052	7.1%	1,673,984	5.9%
Transport and communication	1,929,847	6.0%	1,677,406	5.9%
Services	1,152,846	3.6%	740,501	2.6%
Agriculture	1,142,134	3.6%	1,010,762	3.5%
Trade	1,117,307	3.5%	630,441	2.2%
Construction	699,059	2.2%	532,630	1.9%
Total loans and advances to customers, gross	**31,942,348**	**100%**	**28,481,961**	**100%**
Less: Allowance for expected credit losses	(663,771)		(461,332)	
Total loans and advances to customers	**31,278,577**		**28,020,629**	

As at 30 June 2019 (unaudited), the Group granted loans to 8 (31 December 2018: 7) borrowers in the amount of UZS 19,122,074 million (31 December 2018: UZS 18,563,205 million), which individually exceeded 10% of the Group's equity.

Information about collateral as at 30 June 2019 and 31 December 2018:

	State and municipal organisations	Corporate loans	Loans to individuals	30 June 2019 (unaudited)
Loans collateralised by:				
State guarantee	14,002,755	167,372	-	**14,170,127**
Letter of surety	2,412,178	1,617,799	719,059	**4,749,036**
Real estate	1,699,240	5,586,683	1,097,204	**8,383,127**
Equipment	1,783,106	565,517	-	**2,348,623**
Equity securities	610,892	35,524	-	**646,416**
Vehicles	6,567	299,422	321,875	**627,864**
Insurance policy	2,325	464,432	89,755	**556,512**
Inventory and receivables	16,986	89,614	-	**106,600**
Cash deposits	3,126	1,378	793	**5,297**
Not collateralised	227,931	70,449	50,366	**348,746**
Total loans and advances to customers, gross	**20,765,106**	**8,898,190**	**2,279,052**	**31,942,348**
Less: Allowance for expected credit losses	(179,502)	(478,656)	(5,613)	**(663,771)**
Total loans and advances to customers	**20,585,604**	**8,419,534**	**2,273,439**	**31,278,577**

(In millions of Uzbek Soums, unless otherwise indicated)

	State and municipal organisations	Corporate loans	Loans to individuals	31 December 2018
Loans collateralised by:				
State guarantee	13,455,000	-	-	**13,455,000**
Letter of surety	3,714,688	2,468,354	641,093	**6,824,135**
Real estate	1,509,079	2,182,677	761,336	**4,453,092**
Equipment	1,097,279	886,819	-	**1,984,098**
Equity securities	615,667	-	-	**615,667**
Vehicles	103	311,120	122,072	**433,295**
Insurance policy	6,651	186,643	148,724	**342,018**
Inventory and receivables	134,722	104,900	-	**239,622**
Cash deposits	11	53,278	704	**53,993**
Not collateralised	80,986	-	55	**81,041**
Total loans and advances to customers, gross	**20,614,186**	**6,193,791**	**1,673,984**	**28,481,961**
Less: Allowance for expected credit losses	(144,489)	(314,521)	(2,322)	**(461,332)**
Total loans and advances to customers	**20,469,697**	**5,879,270**	**1,671,662**	**28,020,629**

Analysis by credit quality of loans and advances to customers that are collectively and individually assessed for impairment as at 30 June 2019 is as follows:

	State and municipal organisations	Corporate loans	Loans to individuals	Total 30 June 2019 (unaudited)
Loans assessed for impairment on a collective basis				
Not past due loans	19,774,526	7,938,795	2,211,390	**29,924,711**
Past due loans				
- less than 30 days overdue	926,405	280,691	46,784	**1,253,880**
- 31 to 90 days overdue	1,999	223,350	12,087	**237,436**
- over 90 days overdue	-	27,797	8,791	**36,588**
Total loans assessed for impairment on a collective basis, gross	**20,702,930**	**8,470,633**	**2,279,052**	**31,452,615**
Loans individually determined to be impaired (gross):				
Not past due loans	39,970	101,419	-	**141,389**
Restructured loans	4,958	212,788	-	**217,746**
Past due loans				
- less than 30 days overdue	17,248	57,806	-	**75,054**
- 31 to 90 days overdue	-	55,544	-	**55,544**
Total loans individually determined to be impaired, gross	**62,176**	**427,557**	**-**	**489,733**
- Impairment provisions for individually impaired loans	(32,538)	(306,809)	-	**(339,347)**
- Impairment provisions assessed on a collective basis	(146,964)	(171,847)	(5,613)	**(324,424)**
Less: Allowance for expected credit losses	**(179,502)**	**(478,656)**	**(5,613)**	**(663,771)**
Total loans and advances to customers	**20,585,604**	**8,419,534**	**2,273,439**	**31,278,577**

(In millions of Uzbek Soums, unless otherwise indicated)

Analysis by credit quality of loans and advances to customers that are collectively and individually assessed for impairment as at 31 December 2018 is as follows:

	State and municipal organisations	**Corporate loans**	**Loans to individuals**	**Total 31 December 2018**
Loans assessed for impairment on a collective basis				
Not past due loans	20,563,999	5,703,413	1,656,456	**27,923,868**
Past due loans				
- less than 30 days overdue	1,044	153,237	6,141	**160,422**
- 31 to 90 days overdue	18,549	109,076	7,788	**135,413**
- over 90 days overdue	3,691	45,402	3,599	**52,692**
Total loans assessed for impairment on a collective basis, gross	**20,587,283**	**6,011,128**	**1,673,984**	**28,272,395**
Loans individually determined to be impaired (gross):				
Not past due loans	26,903	68,688	-	**95,591**
Restructured loans	-	87,486	-	**87,486**
Past due loans	-	-	-	
- 31 to 90 days overdue	-	26,489	-	**26,489**
Total loans individually determined to be impaired, gross	**26,903**	**182,663**	**-**	**209,566**
- Impairment provisions for individually impaired loans	(781)	(104,689)	-	**(105,470)**
- Impairment provisions assessed on a collective basis	(143,708)	(209,832)	(2,322)	**(355,862)**
Less: Allowance for expected credit losses	**(144,489)**	**(314,521)**	**(2,322)**	**(461,332)**
Total loans and advances to customers	**20,469,697**	**5,879,270**	**1,671,662**	**28,020,629**

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In accordance with the Presidential Decree "On the development of the innovative business in Tashkent regions" dated 21 December 2018, the Group made an investment in share capital of LLC "Steel Property Construction" in the amount of UZS 24,938 million and UZS 184,513 million during the year ended 31 December 2018 and six months ended 30 June 2019, respectively.

As a result, the Group's ownership share in LLC "Steel Property Construction" comprised 12.4% and 25% as at 31 December 2018 and 30 June 2019, respectively. The Group has neither control nor significant influence over the Entity during the periods. The Group's plan is to earn from this investment in the form of dividends, as such classified it as Financial assets at fair value through other comprehensive income.

As at 30 June 2019 and 31 December 2018, none of the financial assets at FVTOCI were pledged.

11. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

In 2018, the Group has started rebranding its logo and renovation of its branches. On 25 December 2018, the management of the Group approved the Budget on reconstruction of branches and the Head office of the Bank.

For the financial year ending 31 December 2019, the Group budgeted to invest UZS 218,026 million on renovation of its branches of which UZS 89,304 million was recorded in CIP as at 30 June 2019:

- UZS 27,371 million on renovation of the Head office;
- UZS 10,002 million on renovation of Chilanzar branch;
- UZS 8,644 million on renovation of Yashnabad branch;
- UZS 6,724 million on renovation of Mirzo Ulugbek branch;
- UZS 3,189 million on construction of Tashkent City), and;
- Others UZS 33,374 million.

(In millions of Uzbek Soums, unless otherwise indicated)

12. OTHER ASSETS

	30 June 2019 (unaudited)	31 December 2018
Other financial assets		
Receivable from JSC "Republican Currency Exchange"	51,415	-
Receivables from other banks for Uzcard transfers	5,685	-
Commission income receivable	3,899	4,153
Other receivables	6,516	3,306
Less: Allowance for expected credit losses	(1,171)	(485)
Total other financial assets	**66,344**	**6,974**
Other non-financial assets		
Prepayment for construction of building	199,406	29,142
Prepaid income tax	24,489	5,762
Prepaid expenses and advances	7,157	7,845
Inventory	5,876	139
Prepayments for equipment and property	1,470	813
Repossessed collateral	-	574
Other	3,279	1,673
Less: Provision for impairment	(398)	(309)
Total other non-financial assets	**241,279**	**45,639**
Total other assets	**307,623**	**52,613**

As at 30 June 2019, receivable from JSC "Republican Currency Exchange" includes UZS equivalent of USD 6 million of the customers' funds deposited with JSC "Republican Currency Exchange" to carry out foreign currency conversion, which normally takes 1-2 banking days.

As at 30 June 2019, the prepayment for the construction of a building comprises prepayment to Shanghai Construction company in the amount of UZS 180,045 million equivalent (USD 20.48 million) for construction of building in Tashkent city in accordance with the Decree of Cabinet of Ministers #961 dated 27 November 2018. The construction works have started on 20 June 2019 and expected to be completed by the end of 2021.

13. DUE TO OTHER BANKS

	30 June 2019 (unaudited)	31 December 2018
Long term placements of other banks	465,295	434,827
Short term placements of other banks	377,932	187,535
Correspondent accounts and overnight placements of other banks	71,529	54,338
Total due to other banks	**914,756**	**676,700**

As at 30 June 2019 and 31 December 2018, "Long term placements of other banks" consists of borrowings from National Bank of Uzbekistan and Halk Bank obtained to finance strategic government infrastructural projects.

14. CUSTOMER ACCOUNTS

	30 June 2019 (unaudited)	31 December 2018
State and public organisations		
- Current/settlement accounts	673,909	1,313,514
- Term deposits	1,908,197	560,420
Other legal entities		
- Current/settlement accounts	2,273,337	2,078,622
- Term deposits	357,264	76,529
Individuals		
- Current/demand accounts	463,304	405,623
- Term deposits	796,305	694,468
Total customer accounts	**6,472,316**	**5,129,176**

(In millions of Uzbek Soums, unless otherwise indicated)

Economic sector concentrations within customer accounts are as follows:

	30 June 2019 (unaudited)		31 December 2018	
	Amount	**%**	**Amount**	**%**
Public administration	1,947,005	30%	549,218	11%
Individuals	1,259,609	18%	1,100,091	21%
Manufacturing	1,020,073	16%	1,472,136	29%
Mining	294,648	5%	363,430	7%
Oil and gas	265,647	4%	602,301	12%
Finance	251,176	4%	190,245	4%
Services	250,442	4%	108,121	2%
Engineering	228,692	4%	55,663	1%
Trade	215,062	3%	183,992	4%
Construction	186,309	3%	150,062	3%
Communication	178,608	3%	87,489	2%
Energy	118,234	2%	59,299	1%
Transportation	106,529	2%	20,607	0%
Agriculture	77,359	1%	120,156	2%
Medicine	187	0%	709	0%
Other	72,736	1%	65,657	1%
Total customer accounts	**6,472,316**	**100%**	**5,129,176**	**100%**

15. DEBT SECURITIES IN ISSUE

	30 June 2019 (unaudited)			31 December 2018		
	Amount	**Interest, %**	**Maturity, year**	**Amount**	**Interest, %**	**Maturity, year**
Bonds	32,061	14-16	2020-2022	42,201	14-16	2019-2022
Certificates of deposit	26,893	3-16	2019-2022	25,540	7-16	2019-2021
Total debt securities issued	**58,954**			**67,741**		

As at 30 June 2019 and 31 December 2018, debt securities in issue are denominated in UZS and do not have any covenants.

16. OTHER BORROWED FUNDS

	30 June 2019 (unaudited)	31 December 2018
International financial institutions:		
The Export-Import Bank of China	4,556,236	4,468,352
China Development Bank	622,763	586,801
International Bank of Reconstruction and Development	665,647	570,042
International Development Association of the World Bank	494,463	485,878
Landesbank Baden-Wurttemberg	338,255	219,093
The Export-Import Bank of Russia	205,040	175,372
Commerzbank AG	494,548	161,308
Asian Development Bank	300,429	151,492
Raiffeisen Bank International AG	244,696	113,023
Gazprombank	163,403	-
ODDO Bank	66,134	-
The Export-Import Bank of Korea	71,451	47,600
Amsterdam Trade Bank N.V.	3,014	-
International Fund for Agricultural Development	2,578	2,737
KfW	2,063	1,749
Financial institutions of Uzbekistan:		
Fund for Reconstruction and Development of Uzbekistan	14,451,114	13,072,873
Long term borrowings from Ministry of finance	1,412,362	1,418,359
Long term borrowings from CBU	22,461	269,238
Preference shares	8,647	8,647
Other	2,045	3,591
Total other borrowed funds	**24,127,349**	**21,756,155**

(In millions of Uzbek Soums, unless otherwise indicated)

The borrowing agreements do not stipulate financial covenants except for the agreement with China Development Bank (CDB), The Export-Import Bank of Russia (Rosexim), Gazprombank and Asian Development Bank (ADB), which is provided through subsidiary loans from the Ministry of Finance. The Group is required to comply with certain financial covenants, non-compliance of which may give the lender a right to demand repayment.

In 2017 and 2018, the ADB advanced two loans to the Republic of Uzbekistan (the "**Republic**") in connection with the financing of horticulture projects in Uzbekistan (the "**Project**"). The Republic on-lent a portion of these loans to the Bank under tripartite subsidiary loan agreements No. 3471-UZB dated April 2017 and No. 3673-UZB dated November 2018 between the Republic, the Rural Restructuring Agency and the Bank (the "**Subsidiary Loan Agreements**"). The loan agreements between ADB and the Republic require the Republic to cause the Bank to ensure the maintenance of certain financial covenants throughout the implementation period of the Project. The same financial covenants are included in the Subsidiary Loan Agreements.

As at 30 June 2019, the Bank was not in compliance with the following covenants in the Subsidiary Loan Agreements:

(i) a cost to income ratio;
(ii) a return on average assets ratio; and
(iii) a maximum limit on individual related party exposure.

Under the terms of the Subsidiary Loan Agreements, any non-compliance with such covenants gives the Republic the right to demand prepayment of the loans advanced to the Bank. As at 30 June 2019, in accordance with IFRS, the Bank classified the long-term borrowings from the Republic under the Subsidiary Loan Agreements as "demand and less than 1 month".

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

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

As a result of implementation of the Presidential Decree #4487 (Note 29), on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group. In addition, the loans and advances to customers in the amount of USD 1,217 million (equivalent to UZS 11,475,320 million as at 1 October 2019) will be transferred back to UFRD within two months from the date of the Decree.

17. OTHER LIABILITIES

	30 June 2019 (unaudited)	31 December 2018
Other financial liabilities		
Trade payables	17,505	3,364
Payable to other creditors	2,129	817
Dividends payable	1,498	1,572
Total other financial liabilities	**21,132**	**5,753**
Other non-financial liabilities		
Unearned income from guarantees and letters of credit	10,849	15,463
Income tax payable	5,477	14,657
Provision for Bank's guarantees and letters of credit	4,710	6,530
Taxes payable other than income tax	3,019	20,944
Payable to employees	236	39,370
Other	2,332	3,255
Total other non-financial liabilities	**26,623**	**100,219**
Total other liabilities	**47,755**	**105,972**

As at 30 June 2019, trade payables comprise for obtained terminals for "Humo" cards in accordance with contract with CBU dated 25 March 2019. Payment will be made upon receipt of the full number of terminals required by the CBU.

(In millions of Uzbek Soums, unless otherwise indicated)

18. SHARE CAPITAL

During the six months ended 30 June 2019, there was a capital injection of UZS 292,466 million by the UFRD. The funds were received on 18 January 2019.

19. INTEREST INCOME AND EXPENSE

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Interest income		
Interest income on assets recorded at amortized cost comprises:		
Interest on loans and advances to customers	993,358	577,300
Interest on balances due from other banks	20,856	15,156
Total interest income	**1,014,214**	**592,456**
Interest expense		
Interest expense on liabilities recorded at amortized cost comprises:		
Interest on other borrowed funds	(317,873)	(244,068)
Interest on customer accounts	(125,078)	(44,436)
Interest on balances due to other banks	(58,930)	(15,375)
Interest on debt securities in issue	(4,109)	(3,776)
Total interest expense	**(505,990)**	**(307,655)**
Net interest income before provision on loans and advances to customers	**508,224**	**284,801**

20. FEE AND COMMISSION INCOME AND EXPENSE

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Fee and commission income		
Settlement transactions	102,972	74,799
Foreign currency exchange	21,225	22,139
International money transfers	13,579	8,468
Guarantees issued	12,888	1,496
Services of engineers for conducting control measurements	2,695	4,477
Letters of credit	2,532	2,339
Other	641	-
Total fee and commission income	**156,532**	**113,718**
Fee and commission expense		
Settlement transactions	(21,486)	(9,330)
Cash collection	(12,298)	(10,319)
Foreign currency exchange	(2,147)	(1,434)
Other	(2,134)	(2,121)
Total fee and commission expense	**(38,065)**	**(23,204)**
Net fee and commission income	**118,467**	**90,514**

(In millions of Uzbek Soums, unless otherwise indicated)

21. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Staff costs	137,457	107,063
Security services	13,512	9,669
Depreciation and amortisation	11,676	9,929
Stationery and other low value items	6,556	5,147
Membership fees	3,401	4,759
Consultancy fee	4,055	1,071
Taxes other than income tax	3,815	27,686
Advertising expenses	3,260	1,453
Legal and audit fees	2,957	1,046
Rent expenses	2,626	1,256
Travel expenses	2,536	1,832
Communication expenses	2,553	1,350
Utilities expenses	1,757	1,041
Repair and maintenance of buildings	1,710	1,752
Representation and entertainment	1,081	794
Charity expenses	1,065	8,810
Fuel	882	963
Other operating expenses	5,045	6,959
Total administrative and other operating expenses	**205,944**	**192,580**

According to the Presidential Decree #5468 dated 29 June 2018 "On the concept of improvement of tax policy of the Republic of Uzbekistan", significant changes occurred in tax rates:

- mandatory contributions to the State special purpose funds levied on the turnover (revenue) of legal entities at 3.2% was cancelled starting from 1 January 2019;
- Property tax rate reduced from 5% to 2%;

22. INCOME TAXES

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Current income tax expense	34,599	18,248
Deferred tax expense:		
-Deferred tax expense	9,258	15,367
-Deferred tax expense relating to the components of other comprehensive income	1,284	515
Total income tax expense through profit or loss and other comprehensive income	**45,141**	**34,130**

In 2018, corporate income tax rate was 22%. In accordance with the Presidential Decree #4086 dated 26 December 2018 "On the forecast of major macroeconomic indicators and parameters of the State budget of the Republic of Uzbekistan for 2019 and budget guidelines for 2020-2021", the new corporate income tax rate for banks was substantially enacted at 20%, effective from 1 January 2019.

(In millions of Uzbek Soums, unless otherwise indicated)

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

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
IFRS profit before tax	**241,043**	**140,284**
Theoretical tax charge at the applicable statutory rate - 20% (2018: 22%)	48,209	30,862
- Non deductible expenses (employee compensation, representation and other non-deductible expenses)	1,598	5,392
- Tax rate difference	(6,793)	(2,944)
- Tax incentives	(40)	(701)
- Tax exempt income	(1,049)	(283)
- Change of tax rate	-	(969)
- Other	1,932	2,258
Income tax expense for the year through profit or loss	**43,857**	**33,615**
Net income tax expense relating to the components of other comprehensive income	1,284	515
Income tax expense through profit or loss and other comprehensive income	**45,141**	**34,130**

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

(In millions of Uzbek Soums, unless otherwise indicated)

	30 June 2019 (unaudited)	(Debited)/ credited to profit or loss (unaudited)	Charged to other comprehensive income (unaudited)	31 December 2018	30 June 2018 (unaudited)	(Debited)/ credited to profit or loss (unaudited)	(Debited)/ charged to other comprehensive income (unaudited)	1 January 2018	IFRS 9	31 December 2017
Tax effect of deductible/(taxable) temporary differences										
Cash and cash equivalents	10	(1)	-	11	13	(11)	-	24	24	-
Due from other banks	1,709	929	-	780	163	74	-	89	89	-
Loans and advances to customers	(89,410)	(8,078)	-	(81,332)	(111,910)	(14,643)	-	(97,267)	(37,380)	(59,887)
Property, equipment and intangible assets	120	(115)	-	235	-	328	-	(328)	-	(328)
Financial assets at fair value through other comprehensive income	(468)	-	(1,284)	816	(571)	-	(515)	(56)	946	(1,002)
Investment in associates and subsidiaries	(9,350)	-	-	(9,350)	(2,629)	(188)	-	(2,441)	-	(2,441)
Other assets	(960)	(1,774)	-	814	705	(199)	-	904	95	809
Other liabilities	942	(219)	-	1,161	576	(728)	-	1,304	1,304	-
Net deferred tax liability	**(97,407)**	**(9,258)**	**(1,284)**	**(86,865)**	**(113,653)**	**(15,367)**	**(515)**	**(97,771)**	**(34,922)**	**(62,849)**
Recognised deferred tax asset	2,641	929	-	3,817	1,457	402	-	2,321	2,458	809
Recognised deferred tax liability	(100,048)	(10,187)	(1,284)	(90,682)	(115,110)	(15,769)	(515)	(100,092)	(37,380)	(63,658)
Net deferred tax liability	**(97,407)**	**(9,258)**	**(1,284)**	**(86,865)**	**(113,653)**	**(15,367)**	**(515)**	**(97,771)**	**(34,922)**	**(62,849)**

(In millions of Uzbek Soums, unless otherwise indicated)

23. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shares by the weighted average number of ordinary shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal basic earnings per share.

According to the charter of the Group, dividend payments per ordinary share cannot exceed the dividends per share on preferred shares for the same period and the minimum dividends payable to the owners of preference shares comprise not less than 20%. Therefore, net profit for the period is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

	Six months ended 30 June 2019 (unaudited)	**Six months ended 30 June 2018 (unaudited)**
Profit for the year from continuing operations attributable to ordinary shareholders	195,780	105,263
Profit for the year from continuing operations attributable to preference shareholders	1,406	1,406
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	105,277,260,949	76,042,814,208
Weighted average number of preference shares for the purpose of basic and diluted earnings per share	370,000,000	370,000,000
From continuing operations		
Basic and diluted EPS per ordinary share in UZS	2	1
Basic and diluted EPS per equity component of preference share in UZS	4	4
Total basic and diluted EPS per ordinary share in UZS	**2**	**1**
Total basic and diluted EPS per equity component of preference share in UZS	**4**	**4**

24. COMMITMENTS AND CONTINGENCIES

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

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

The Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, as at 30 June 2019, no provision for potential tax liabilities had been recorded (2018: Nil). The Group estimates that it has no potential obligations from exposure to other than remote tax risks.

Capital expenditure commitments. As at 30 June 2019, the Group had contractual capital expenditure commitments for the total amount of UZS 1,018,599 million in respect of premises and equipment (2018: UZS 16,790 million).

(In millions of Uzbek Soums, unless otherwise indicated)

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

	30 June 2019 (unaudited)	31 December 2018
Guarantees issued	1,197,027	932,286
Letters of credit, non post-financing	862,623	682,212
Letters of credits, post-financing with commencement after reporting period end	1,949,238	1,542,353
Undrawn credit lines	369,446	77,561
Total gross credit related commitments	**4,378,334**	**3,234,412**
Less - Cash held as security against letters of credit and guarantees	(1,510,290)	(895,798)
Less – Provision for expected credit losses	(4,710)	(6,530)
Total credit related commitments	**2,863,334**	**2,332,084**

The total outstanding contractual amount of letters of credit, guarantees issued and undrawn credit lines does not necessarily represent future cash requirements as these financial instruments may expire or terminate without being funded.

Operating Environment. Emerging markets such as Uzbekistan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. During the first half of 2019 and 2018, the government of Uzbekistan remained committed to carry out social-economic reforms started in 2016 and liberalization of the market with an emphasis predominantly on broadening the export potential and improvement of business climate of Uzbekistan to attract foreign direct investment. As a result, laws and regulations, including tax and regulatory frameworks, affecting businesses in Uzbekistan started to change rapidly. The future economic direction of the Republic of Uzbekistan heavily depends on the new fiscal and monetary policies the government plans to adopt during the on-going reforms, together with developments in the legal, regulatory, and political environment.

The Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

25. FAIR VALUE

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

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). The Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

(In millions of Uzbek Soums, unless otherwise indicated)

The Group considers that the accounting estimate related to the valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to changes from year to year, as it requires the Management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on the consolidated statement of financial position, as well as, the related profit or loss reported on the consolidated statement of profit or loss, could be material.

Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and financial liabilities recognised in the interim condensed consolidated financial information approximate their fair values:

Financial Assets/ Liabilities as at 30 June 2019 (unaudited)	**Carrying value**	**Fair value**	**Fair value hierarchy**	**Valuation model(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
Loans and advances to customers	31,278,577	23,172,281	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	N/A	The greater discount- the smaller fair value
Due from other banks	1,455,272	1,285,524	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	N/A	The greater discount- the smaller fair value
Due to other banks	914,756	921,004	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	N/A	The greater discount- the smaller fair value
Customer accounts	6,472,316	6,493,130	Level 2	Future cash flows are estimated based on average interest rates (from observable Statistical bulletin of the CBU)	N/A	The greater discount- the smaller fair value
Other borrowed funds	24,127,349	22,041,804	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value

Starting from 30 June 2019, the Group determines the fair value for some of its financial instruments using the discounted cash flow model and publicly available interest rates published by CBU in the Statistical bulletin, which became available starting from 2019, as a proxy market rate taking into account the risk characteristics (tenor, currency, etc) of the respective financial instruments. Such financial instruments were categorised as Level 2.

For those financial instruments where interest rates were not directly available in the CBU's Statistical bulletin, the Management uses discounted cash flow model by applying market interest rates based on the rates of the deals concluded towards the end of the reporting period, thereby, categorizing such instruments as Level 3.

(In millions of Uzbek Soums, unless otherwise indicated)

Financial Assets/ Liabilities as at 31 December 2018	Carrying value	Fair value	Fair value hierarchy	Valuation model(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Loans and advances to customers	28,020,629	23,130,481	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Due from other banks	812,092	802,125	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Due to other banks	676,700	895,900	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Customer accounts	5,129,176	5,063,919	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value
Other borrowed funds	21,756,155	21,680,150	Level 3	Valuation model based on internal model	Percentage discount	The greater discount- the smaller fair value

As at 31 December 2018, the Group determined the fair value of financial instruments using the discounted cash flow model based on the rates of the deals concluded towards the end of the reporting period. Due to the absence of an active market or observable inputs for instruments with characteristics similar to the Bank's financial instruments, the Management considered the latest rates as the most appropriate input from all available data for calculation of the fair value of financial assets and financial liabilities. Therefore, these long-term financial instruments that are not measured at fair value on a recurring basis but where fair value disclosures are required, are categorised within Level 3.

The fair value of the equity instruments at fair value through other comprehensive income disclosed in note 10 were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities, given they are not traded. Such financial instruments were categorised as Level 3.

26. CAPITAL RISK MANAGEMENT

The Group manages regulatory capital as Group's capital. The Group's objectives when managing capital are to comply with the capital requirements set by the CBU, and to safeguard the Group's ability to continue as a going concern. Compliance with capital adequacy ratios set by the CBU is monitored monthly with reports outlining their calculation reviewed and signed by the Chairman and Chief Accountant.

Under the current capital requirements set by the CBU, banks have to maintain ratios of (actual ratios given below are unaudited):

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13% (31 December 2018: 12.5%). Actual ratio as at 30 June 2019: 14.2% (31 December 2018: 13.4%);

- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2018: 9.5%). Actual ratio as at 30 June 2019: 12.5% (31 December 2018: 12.6%); and

- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2018: 6%). Actual ratio as at 30 June 2019: 7.4% (31 December 2018: 7%).

(In millions of Uzbek Soums, unless otherwise indicated)

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

	30 June 2019 (unaudited)	31 December 2018 (unaudited)
Tier 1 capital	3,087,694	2,570,953
Less: Deductions from capital	(7,051)	(5,705)
Tier 1 capital (adjusted)	**3,080,643**	**2,565,248**
Tier 2 capital	**375,590**	**166,324**
Total regulatory Capital	**3,456,233**	**2,731,572**

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, preference shares, retained earnings excluding current year profit and less intangible assets. The other component of regulatory capital is Tier 2 capital, which includes current year profit.

27. RISK MANAGEMENT POLICIES

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

Credit risk. The Group takes on exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets.

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

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages its market risk through risk-based limits established by the Bank Supervisory Board on the value of risk that may be accepted. The risk-based limits are subject to review by the Bank Council on a quarterly basis. Overall Group's position is split between Corporate and Retail banking positions. The exposure of Corporate and Retail banking operations to market risk is managed through the system of limits monitored by the Treasury Department on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. The Group takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In respect of currency risk, the Council sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's Treasury Department measures its currency risk by matching financial assets and liabilities denominated in same currency and analyses effect of actual annual appreciation/depreciation of that currency against Uzbekistan Soum to the profit and loss of the Group.

The Group measures its currency risk by:

- Net position on each currency should not exceed 5 % of Group's total equity;
- Total net position on all currencies should not exceed 10 % of Group's total equity.

(In millions of Uzbek Soums, unless otherwise indicated)

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of reporting period:

Non-derivative monetary assets and monetary liabilities:

30 June 2019 (unaudited)	USD	EUR	Other currencies	UZS	Total
Cash and cash equivalents	1,227,554	27,175	125,393	407,596	**1,787,718**
Due from other banks	673,112	61,901	-	720,259	**1,455,272**
Loans and advances to customers	22,791,949	1,290,956	-	7,195,672	**31,278,577**
Other financial assets	57,353	1,683	-	7,308	**66,344**
Total monetary financial assets	**24,749,968**	**1,381,715**	**125,393**	**8,330,835**	**34,587,911**
Due to other banks	265,474	48,689	29	600,564	**914,756**
Customer accounts	3,064,164	44,213	35,517	3,328,422	**6,472,316**
Debt securities in issue	-	-	-	58,954	**58,954**
Other borrowed funds	21,306,302	1,144,698	-	1,676,349	**24,127,349**
Other financial liabilities	-	-	-	21,132	**21,132**
Total monetary financial liabilities	**24,635,940**	**1,237,600**	**35,546**	**5,685,421**	**31,594,507**
Net Balance sheet position	**114,028**	**144,115**	**89,847**	**2,645,414**	**2,993,404**

31 December 2018	USD	EUR	Other currencies	UZS	Total
Cash and cash equivalents	1,208,088	100,890	81,143	507,012	**1,897,133**
Due from other banks	409,614	115,930	277	286,271	**812,092**
Loans and advances to customers	19,903,401	949,544	-	7,167,684	**28,020,629**
Other financial assets	3,511	2,472	-	991	**6,974**
Total monetary financial assets	**21,524,614**	**1,168,836**	**81,420**	**7,961,958**	**30,736,828**
Due to other banks	63,702	24	26	612,948	**676,700**
Customer accounts	1,827,770	246,142	26,962	3,028,302	**5,129,176**
Debt securities in issue	-	-	-	67,741	**67,741**
Other borrowed funds	19,538,645	785,203	-	1,432,307	**21,756,155**
Other financial liabilities	105	-	-	5,648	**5,753**
Total monetary financial liabilities	**21,430,222**	**1,031,369**	**26,988**	**5,146,946**	**27,635,525**
Net Balance sheet position	**94,392**	**137,467**	**54,432**	**2,815,012**	**3,101,303**

The CBU sets a number of requirements for foreign currency position.

Changes of the possible movement of the currency rates from 2018 to six months ended 2019 were associated with the increase in the volatility of the exchange rate. The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of reporting period, with all other variables held constant:

(In millions of Uzbek Soums, unless otherwise indicated)

	Six month period ended 30 June 2019 (unaudited) Impact on profit or loss	At 31 December 2018 Impact on profit or loss
US Dollars strengthening by 20% (31 December 2018: 10%)	22,806	9,439
US Dollars weakening by 20% (31 December 2018: 10%)	(22,806)	(9,439)
EUR strengthening by 20% (31 December 2018: 10%)	28,823	13,747
EUR weakening by 20% (31 December 2018: 10%)	(28,823)	(13,747)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group. Impact on equity would be the same as impact on statement of profit or loss and other comprehensive income.

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

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

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

30 June 2019 (unaudited)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	248,298	-	-	-	-	-	**248,298**
Due from other banks	5	279,135	3,425	179,748	47,495	317,016	**826,824**
Loans and advances to customers	525,260	1,993,503	2,422,640	14,525,079	4,873,171	6,122,847	**30,462,500**
Total % bearing financial assets	**773,563**	**2,272,638**	**2,426,065**	**14,704,827**	**4,920,666**	**6,439,863**	**31,537,622**
Liabilities							
Due to other banks	70,000	240,715	58,973	36,424	73,569	296,328	**776,009**
Customer accounts	261,209	867,364	436,936	450,259	604,179	441,818	**3,061,765**
Debt securities in issue	553	9,200	17,550	22,360	8,000	-	**57,663**
Other borrowed funds	545,928	388,196	760,020	2,882,605	9,782,260	8,683,207	**23,042,216**
Total financial % bearing liabilities	**877,690**	**1,505,475**	**1,273,479**	**3,391,648**	**10,468,008**	**9,421,353**	**26,937,653**
Net interest sensitivity gap	**(104,127)**	**767,163**	**1,152,586**	**11,313,179**	**(5,547,342)**	**(2,981,490)**	

(In millions of Uzbek Soums, unless otherwise indicated)

31 December 2018	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	542,071	-	-	-			**542,071**
Due from other banks	-	108,149	3,336	219,781	48,097	-	**379,363**
Loans and advances to customers	666,568	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	**26,966,364**
Total % bearing financial assets	**1,208,639**	**2,112,976**	**1,795,148**	**11,526,683**	**5,018,840**	**6,225,512**	**27,887,798**
Liabilities							
Due to other banks	100,000	72,460	-	36,525	-	-	**208,985**
Customer accounts	156,076	491,452	357,461	319,514	1,167	287	**1,325,957**
Debt securities in issue	3	22,250	11,200	25,010	8,000	-	**66,463**
Other borrowed funds	401,989	789,964	395,556	2,519,808	7,329,128	9,001,520	**20,437,965**
Total financial % bearing liabilities	**658,068**	**1,376,126**	**764,217**	**2,900,857**	**7,338,295**	**9,001,807**	**22,039,370**
Net interest sensitivity gap	**550,571**	**736,850**	**1,030,931**	**8,625,826**	**(2,319,455)**	**(2,776,295)**	

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	30 June 2019 (unaudited)			
In % p.a.	**UZS**	**USD**	**EUR**	**Other**
Assets				
Cash and cash equivalents	-	2.05	-	-
Due from other banks	3 - 5	0-5	-	-
Loans and advances to customers	0-47.5	0.25-15	0.75-12	
Liabilities				
Due to other banks	0-16	0-4	-	-
Customer accounts:				
-term deposits	1-35	4-17	5-6	5
Debt securities in issue	7.5-16	-	-	-
Other borrowed funds:				
-International Financial Institutions	5-13%	2-6.5	2-5%	-
-Local Financial Institutions	0-16	0-7.2	1	-

	31 December 2018			
In % p.a.	**UZS**	**USD**	**EUR**	**Other**
Assets				
Cash and cash equivalents	-	2.05	-	-
Due from other banks	3.1-5	0-5	-	-
Loans and advances to customers	0-48	0.25-15	0.75-10	-
Liabilities				
Due to other banks	0-16	-	-	-
Customer accounts:				
-term deposits	0-35	4-17	5-6	5
Debt securities in issue	7-16	-	-	-
Other borrowed funds:				
-International Financial Institutions	-	0-6	Euribor+1.6-5	-
-Local Financial Institutions	0-12	0-6	0.5-1	-

Other price risk. The Group is exposed to prepayment risk through providing loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current year profit or loss and equity at the current reporting date would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers. The Group has no significant exposure to equity price risk.

(In millions of Uzbek Soums, unless otherwise indicated)

Geographical risk concentration. The geographical concentration of the Group's financial assets and liabilities at 30 June 2019 (unaudited) is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	940,873	843,865	2,980	**1,787,718**
Due from other banks	1,183,383	171,317	100,572	**1,455,272**
Loans and advances to customers	31,278,577	-	-	**31,278,577**
Financial assets at fair value through other comprehensive income	224,374	8,511	-	**232,885**
Other financial assets	59,862	3,870	2,612	**66,344**
Total financial assets	**33,687,069**	**1,027,563**	**106,164**	**34,820,796**
Liabilities				
Due to other banks	908,125	-	6,631	**914,756**
Customer accounts	6,472,316	-	-	**6,472,316**
Debt securities in issue	58,954	-	-	**58,954**
Other borrowed funds	15,896,630	2,546,251	5,684,468	**24,127,349**
Other financial liabilities	21,132	-	-	**21,132**
Total financial liabilities	**23,357,157**	**2,546,251**	**5,691,099**	**31,594,507**
Net balance sheet position	**10,329,912**	**(1,518,688)**	**(5,584,935)**	**3,226,289**
Credit related commitments (Note 24)	**2,863,334**	**-**	**-**	**2,863,334**

The geographical concentration of the Group's financial assets and liabilities at 31 December 2018 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,275,203	614,243	7,687	**1,897,133**
Due from other banks	574,008	237,805	279	**812,092**
Loans and advances to customers	28,020,629	-	-	**28,020,629**
Financial assets at fair value through other comprehensive income	35,473	6,331	-	**41,804**
Other financial assets	3,673	3,210	91	**6,974**
Total financial assets	**29,908,986**	**861,589**	**8,057**	**30,778,632**
Liabilities				
Due to other banks	674,396	-	2,304	**676,700**
Customer accounts	5,129,176	-	-	**5,129,176**
Debt securities in issue	67,741	-	-	**67,741**
Other borrowed funds	14,772,708	1,601,430	5,382,017	**21,756,155**
Other financial liabilities	5,753	-	-	**5,753**
Total financial liabilities	**20,649,774**	**1,601,430**	**5,384,321**	**27,635,525**
Net balance sheet position	**9,259,212**	**(739,841)**	**(5,376,264)**	**3,143,107**
Credit related commitments (Note 24)	**2,332,084**	**-**	**-**	**2,332,084**

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

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

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

(In millions of Uzbek Soums, unless otherwise indicated)

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

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

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

The undiscounted maturity analysis of financial instruments at 30 June 2019 (unaudited) is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	216,242	271,782	92,173	155,722	182,319	345,706	**1,263,944**
Customer accounts	2,846,919	1,424,870	827,408	557,649	766,121	561,953	**6,984,920**
Debt securities in issue	1,326	13,823	20,583	25,586	9,430	-	**70,748**
Other borrowed funds	705,259	736,617	1,061,873	4,398,289	10,776,593	9,255,342	**26,933,973**
Other financial liabilities	21,132	-	-	-	-	-	**21,132**
Undrawn credit lines	14,843	98,897	154,948	61,334	14,812	24,612	**369,446**
Guarantees issued	1,929	43,298	24,642	-	-	479,491	**549,360**
Letters of credit	23,437	200,885	239,998	664,113	345,441	475,364	**1,949,238**
Total potential future payments for financial obligations	**3,831,087**	**2,790,172**	**2,421,625**	**5,862,693**	**12,094,716**	**11,142,468**	**38,142,761**

(In millions of Uzbek Soums, unless otherwise indicated)

The undiscounted maturity analysis of financial instruments at 31 December 2018 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities							
Due to other banks	176,122	100,052	33,031	161,934	159,923	429,359	**1,060,421**
Customer accounts	3,969,697	536,292	386,091	332,108	4,512	418	**5,229,118**
Debt securities in issue	1,992	25,371	14,287	29,272	9,999	-	**80,921**
Other borrowed funds	621,862	1,172,713	707,188	4,346,182	8,059,701	9,860,788	**24,768,434**
Other financial liabilities	5,753	-	-	-	-	-	**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,504	**718,701**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total potential future payments for financial obligations	**4,819,071**	**2,041,356**	**1,204,587**	**6,181,604**	**8,263,238**	**10,973,406**	**33,483,262**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Group does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The table below shows the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities, except for assets that are readily saleable if it should be necessary to meet cash outflows on financial liabilities. Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows.

(In millions of Uzbek Soums, unless otherwise indicated)

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at 30 June 2019 (unaudited):

	Demand and less than 1 month	**From 1 to 6 months**	**From 6 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Assets							
Cash and cash equivalents	1,787,718	-	-	-	-	-	**1,787,718**
Due from other banks	326,685	396,214	170,375	197,487	47,495	317,016	**1,455,272**
Loans and advances to customers	1,341,337	1,993,503	2,422,640	14,525,079	4,873,171	6,122,847	**31,278,577**
Financial assets at fair value through other comprehensive income	-	-	-	232,885	-	-	**232,885**
Other financial assets	66,344	-	-	-	-	-	**66,344**
Total financial assets	**3,522,084**	**2,389,717**	**2,593,015**	**14,955,451**	**4,920,666**	**6,439,863**	**34,820,796**
Liabilities							
Due to other banks	208,747	240,715	58,973	36,424	73,569	296,328	**914,756**
Customer accounts	2,824,128	1,364,440	765,532	472,219	604,179	441,818	**6,472,316**
Debt securities in issue	584	10,460	17,550	22,360	8,000	-	**58,954**
Other borrowed funds	653,651	490,452	768,582	3,332,887	10,104,243	8,777,534	**24,127,349**
Other financial liabilities	21,132	-	-	-	-	-	**21,132**
Undrawn credit lines	14,843	98,897	154,948	61,334	14,812	24,612	**369,446**
Guarantees issued	1,929	43,298	24,642	-	-	479,491	**549,360**
Letters of credit	23,437	200,885	239,998	664,113	345,441	475,364	**1,949,238**
Total financial liabilities	**3,748,451**	**2,449,147**	**2,030,225**	**4,589,337**	**11,150,244**	**10,495,147**	**34,462,551**
Net liquidity gap	**(226,367)**	**(59,430)**	**562,790**	**10,366,114**	**(6,229,578)**	**(4,055,284)**	**358,245**
Cumulative liquidity gap	**(226,367)**	**(285,797)**	**276,993**	**10,643,107**	**4,413,529**	**358,245**	

(In millions of Uzbek Soums, unless otherwise indicated)

The analysis by remaining contractual maturities may be summarised as follows at 31 December 2018:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	1,897,133	-	-	-	-	-	**1,897,133**
Due from other banks	331,538	212,563	48,210	171,684	48,097	-	**812,092**
Loans and advances to customers	1,720,833	2,004,827	1,791,812	11,306,902	4,970,743	6,225,512	**28,020,629**
Financial assets at fair value through other comprehensive income	-	-	-	41,804	-	-	**41,804**
Other financial assets	6,974	-	-	-	-	-	**6,974**
Total financial assets	**3,956,478**	**2,217,390**	**1,840,022**	**11,520,390**	**5,018,840**	**6,225,512**	**30,778,632**
Liabilities							
Due to other banks	169,416	72,460	-	36,525	44,223	354,076	**676,700**
Customer accounts	3,959,295	491,452	357,461	319,514	1,168	286	**5,129,176**
Debt securities in issue	1,281	22,250	11,200	25,010	8,000	-	**67,741**
Other borrowed funds	574,831	951,361	440,822	3,343,437	7,349,138	9,096,566	**21,756,155**
Other financial liabilities	5,753	-	-	-			**5,753**
Undrawn credit lines	861	6,056	18,103	16,101	29,103	7,337	**77,561**
Guarantees issued	18,903	14,979	9,315	-	-	675,504	**718,701**
Letters of credit	23,881	185,893	36,572	1,296,007	-	-	**1,542,353**
Total financial liabilities	**4,754,221**	**1,744,451**	**873,473**	**5,036,594**	**7,431,632**	**10,133,769**	**29,974,140**
Net liquidity gap	**(797,743)**	**472,939**	**966,549**	**6,483,796**	**(2,412,792)**	**(3,908,257)**	**804,492**
Cumulative liquidity gap	**(797,743)**	**(324,804)**	**641,745**	**7,125,541**	**4,712,749**	**804,492**	

The above analysis is based on remaining contractual maturities.

As at 30 June 2019, the Group had a cumulative liquidity shortfall of UZS 285,797 million up to six months, which partially reflects the effects of the decision to classify UZS 299,130 million due to the Republic of Uzbekistan as “demand and less than 1 month” as a result of a breach of certain financial covenants stipulated in the Subsidiary Loan Agreements as discussed in detail in Note 16. Subsequent to 30 June 2019, the Republic of Uzbekistan confirmed to the Bank in writing that it will not take any action to demand prepayment of the loans as a consequence of past and/or ongoing breaches of these Subsidiary Loan Agreements. In addition, as a result of implementation of the Presidential Decree #4487 (Note 29), on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group.

Although the Group does not have the right to use the mandatory deposits held in Central bank of Uzbekistan for the purposes of funding its operating activities, the Management classifies them as demand deposits in the liquidity gap analysis on the basis that their nature is inherently to fund sudden withdrawal of customer accounts.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the Management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

(In millions of Uzbek Soums, unless otherwise indicated)

The Management believes that in spite of a substantial portion of customer accounts being on demand, the fact that significant portion of these customer accounts are of large state controlled entities which are either the Group’s shareholders or its entities under common control and the past experience of the Group, indicate that these customer accounts provide a long-term and stable source of funding for the Group.

As part of liquidity risk management, the Group maintains a contingency plan, periodically reviewed and adjusted, to be able to withstand any unexpected outflow of customers and to respond to financial stress. The contingency plan is developed primarily on the basis of the Group’s ability to access the State resources due to its state ownership and strategic importance to the national banking system of the Republic of Uzbekistan.

As at 30 June 2019, the contingency plan of the Group consisted of the following:

- Attraction of long-term deposits of State funds under the Ministry of Finance – Pension Fund, State Deposit Insurance Fund and others;
- Attraction of budgetary funds up to one year through weekly electronic bidding platform run by the State Treasury under the Ministry of Finance;
- Utilization of the CBU’s short-term liquidity loans;
- Attraction of deposits from inter-bank money markets within the limits set by the local commercial banks.

The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap as at 30 June 2019 and 31 December 2018.

28. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

- “Significant shareholders” - legal entities-shareholders which have a significant influence to the Group through Government;
- “Senior management” – members of the Management Board and the Council of the Bank.

Details of transactions between the Group and related parties are disclosed below:

30 June 2019 (unaudited)	**Significant shareholders**	**Senior management**	**Total**
Loans and advances to customers	14,393,220	181	**14,393,401**
Customer accounts	1,774,518	1,540	**1,776,058**
Other borrowed funds	16,541,208	-	**16,541,208**
Other liabilities	5,127	-	**5,127**

31 December 2018	**Significant shareholders**	**Senior management**	**Total**
Loans and advances to customers	14,870,027	219	**14,870,246**
Customer accounts	912,552	2,715	**915,267**
Other borrowed funds	14,491,232	-	**14,491,232**
Other liabilities	9,712	543	**10,255**

Six months ended 30 June 2019 (unaudited)	**Significant shareholders**	**Senior management**	**Total**
Interest income	286,659	26	**286,685**
Interest expense	250,771	80	**250,851**
Recovery of provision credit losses on loans and advances to customers	4,011	-	**4,011**
Commission income	28,742	-	**28,742**
Gain from trading in foreign currencies	118	-	**118**
Other income	271	-	**271**
Administrative and other operating expenses	-	1,193	**1,193**

(In millions of Uzbek Soums, unless otherwise indicated)

Six months ended 30 June 2018 (unaudited)	**Significant shareholders**	**Senior management**	**Total**
Interest income	253,989	1	**253,990**
Interest expense	174,521	40	**174,561**
Recovery of provision credit losses on loans and advances to customers	205,672	-	**205,672**
Commission income	12,387	-	**12,387**
Gain from trading in foreign currencies	904	-	**904**
Other income	24	-	**24**
Administrative and other operating expenses	-	1	**1**

	Six months ended 30 June 2019 (unaudited)	**Six months ended 30 June 2018 (unaudited)**
Salaries and other benefits	697	465
Bonuses	452	207
Social security contributions	44	79
Total	**1,193**	**751**

The Group enters into transaction with other government related entities in the normal course of business.

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the reporting date, during July-August 2019, the Group received additional funding in the total amount of UZS 206,000 million from the Ministry of Finance, UZS 57,400 million from UFRD under the program of stimulating families to open small businesses in accordance with the Presidential Decrees #4231 and #4172.

A reduction of the Government control in the banking sector of Uzbekistan was determined to be one of the core pillars of the government reforms. As part of these reforms, the Presidential Decree #4487 was issued on 9 October 2019, which, among other initiatives, stipulated a withdrawal of government directed low-margin and subsidized assets out from the State owned banks, including the Group, to improve their return on assets. As part of this Decree, the Group plans to reduce its Other borrowed funds from the Government (UFRD) in the amount of USD 1,217 million (equivalent to UZS 11,475,320 million as at 1 October 2019) by transferring low margin and subsidized loans and advances to customers. In addition, on 31 October 2019, borrowings from UFRD in the amount of UZS 2,465,358 million have been converted into the share capital of the Group.

On 5 November 2019, a new Law on "Banks and banking activity" has been signed which the management of the Group has started assessing to understand its impact on its activities.