

**JSCB “UZBEK INDUSTRIAL
AND CONSTRUCTION BANK”
AND ITS SUBSIDIARIES**

Consolidated Financial Statements
and Independent Auditor's Report
For the Year Ended 31 December 2020

**JOINT STOCK COMMERCIAL BANK
“UZBEK INDUSTRIAL AND CONSTRUCTION BANK” AND ITS SUBSIDIARIES**

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Management of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" ("the Bank") and its subsidiaries ("the Group") is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2020, and the related consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the Management on 3 June 2021.

On behalf of the Management Board:


Annaklichev Sakhi
Chairman of the Management Board

3 June 2021
Tashkent, Uzbekistan


Vokhidov Oybek
Chief Accountant

3 June 2021
Tashkent, Uzbekistan

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<i>Assessment of expected credit losses on loans and advances to customers</i> As at 31 December 2020, loans and advances to customers represent UZS 38,959,958 million or 81% of total assets, net of allowance for expected credit losses ("ECL") of UZS 1,143,718 million assessed on a collective basis and UZS 758,997 million on an individual basis. The collective assessment of ECL on loans and advances to customers is associated with the risk of inadequately collected historical data of the Group and its inconsistent application in the ECL models. Specifically, data on loans' maturity dates, outstanding balances, and status of arrears could be incomplete and/or inaccurate, which, as a consequence, could lead to inappropriate assumptions and inputs used in determining the risk factors such as probability of default (PD), loss given default (LGD), and exposure at default (EAD).	We updated our understanding of the credit risk management processes and ECL assessment and measurement, including identification of events leading to significant increase in credit risk ("SICR") and events of default. We assessed reasonableness of the Group's assumptions in respect of loans' staging, probabilities of default and cash flows from defaulted loans, with the reference to the historical information and market forecasts. We also analysed the assumption related to allocation of borrowers in stages after completion of the forbearance program period provided to borrowers and performed the subsequent to year end analysis ("back testing") of the repayment of the loans. We tested, on a sample basis, the accuracy and completeness of input data and other information used in

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In response to the COVID-19 pandemic, the Group has allowed borrowers to postpone monthly repayments of interest and/or principal on loans to later periods (the "forbearance program"). The implementation of this forbearance program and the unprecedented uncertainty over the economic implications created by the pandemic increased the subjectivity in assessment of ECL on loans and advances to customers.

While assessing the ECL on an individual basis, significant assumptions are used in determining whether a significant increase in credit risk or credit impairing events have occurred on loans since their initial recognition (migration between stage 1, 2 and 3). Additionally, the assessment of ECL requires an analysis of financial and non-financial data for estimating the future cash flows under different scenarios weighted for their probabilities. Information used for such analysis includes current financial performance of the borrower, forecasts of the industry trends, collateral value and costs and time required to sell the collateral.

Due to the significance of the loans and advances to customers' balance, and significant judgements in determining the key assumptions use in the assessment of expected credit losses, we identified this matter as a key audit matter.

Refer to Notes 3, 4 and 9 to the consolidated financial statements for the Group's accounting policy, critical accounting judgements and key sources of estimation uncertainty and disclosures of expected credit loss allowances.

the models, including principle balances, allocation of loans by days in arrears, and checked other parameters, such as delinquency of interest or principle, restructuring events, existence of litigation processes and statistics for recoveries of loans.

For collectively assessed loans, we challenged appropriateness of identification of significant increase in credit risk and classification of exposures into stages. For a sample of loans classified as stage 1 and stage 2, we challenged the Group's identification of SICR. For a sample of loans classified as stage 3 we challenged the Group's assessment of credit-impaired classification and whether relevant impairment events had been identified on a timely manner and whether the loans have been appropriately classified to the respective stage. We also analysed the determination of the loss given default used by the Group, including information on sale of collateral, statistics for recoveries of loans and the resultant arithmetical calculations.

For individually significant borrowers, we have challenged the Group's staging results and whether relevant impairment events had been identified on a timely basis, including overdue of interest or principal, restructuring events and certain financial performance indicators, in order to evaluate whether the loans have been appropriately classified to the respective stage.

To check appropriateness of ECL for individually significant loans in stage 3, we reviewed the Group's documentation in relation to credit assessment of the borrowers, challenged assumptions underlying ECL calculation, such as future cash flow projections, the valuation of collateral held and key assumptions applied.

We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans in accordance with IFRS requirements.

Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

"Deloitte & Touche" Audit Organisation LLC
License authorizing audit of companies registered by
the Ministry of Finance of the Republic of Uzbekistan
under #00776 dated 5 April 2019

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

3 June 2021
Tashkent, Uzbekistan

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

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

Director
"Deloitte & Touche" Audit Organisation LLC

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(in millions of Uzbek Soums)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	7,37	5,601,186	2,862,574
Due from other banks	8,37	1,859,192	2,037,090
Loans and advances to customers	9,37	38,959,958	30,039,785
Investment securities measured at amortised cost	10,37	540,222	84,648
Financial assets at fair value through other comprehensive income	11	38,024	88,714
Investment in associates	12	993	-
Premises, equipment and intangible assets	13	747,232	435,280
Deferred tax asset	20	167,619	-
Insurance assets	27	5,544	2,391
Other assets	14,37	376,520	276,693
Total assets before non-current assets held for sale		48,296,490	35,827,175
Non-current assets held for sale	15	27,355	18,943
TOTAL ASSETS		48,323,845	35,846,118
LIABILITIES			
Due to other banks	16,37	1,496,004	465,109
Customer accounts	17,37	11,616,958	9,123,970
Debt securities in issue	18,37	3,273,048	2,920,894
Other borrowed funds	19,37	25,683,457	16,803,214
Deferred tax liability	30	-	13,880
Insurance liabilities	27	44,887	15,631
Other liabilities	20,37	128,627	99,520
Subordinated debt	21,37	-	83,332
TOTAL LIABILITIES		42,242,981	29,525,550
EQUITY			
Equity attributable to owners of the Bank:			
Share capital	22	4,640,011	4,640,011
Retained earnings		1,427,469	1,669,225
Revaluation reserve on equity securities at fair value through other comprehensive income		13,384	6,404
Total equity attributable to owners of the Bank		6,080,864	6,315,640
Non-controlling interest			4,928
TOTAL EQUITY		6,080,864	6,320,568
TOTAL LIABILITIES AND EQUITY		48,323,845	35,846,118

Approved for issue and signed on behalf of the Management Board on 3 June 2021.

Annaklichev Sakhr
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	2020	2019
Continuing operations			
Interest income	24,37	3,289,632	2,290,730
Interest expense	24,37	(1,667,555)	(1,133,409)
Net interest income before allowance for expected credit losses on loans and advances to customers		1,622,077	1,157,321
Allowance for expected credit losses on loans and advances to customers	9,37	(1,200,998)	(95,454)
Initial recognition adjustment on interest bearing assets		(19,285)	(12,995)
Net interest income		401,794	1,048,872
Fee and commission income	25,37	401,784	334,039
Fee and commission expense	25	(81,461)	(76,880)
Net gain on foreign exchange translation		100,467	44,750
Net gain from trading in foreign currencies	37	72,569	21,475
Insurance operations income	26	43,444	18,754
Insurance operations expense	26	(17,713)	(5,600)
Change in insurance reserves, net	27	(26,103)	(13,240)
Dividend income		5,477	12,041
Other operating income	28,37	29,773	16,695
Provision for impairment of other assets	31	(12,323)	(17,479)
Recovery/(Provision) for Impairment of assets held for sale	15	7,233	(12,488)
Administrative and other operating expenses	29,37	(790,447)	(659,403)
Share of profits of associates		(12)	-
Profit before tax		134,482	711,536
Income tax expense	30	(22,358)	(107,056)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		112,124	604,480
Discontinued operations			
Profit/(Loss) for the year from discontinued operations		889	(14)
PROFIT FOR THE YEAR		113,013	604,466
Attributable to:			
- Owners of the Bank		113,013	604,587
- Non-controlling interest		-	(121)
PROFIT FOR THE YEAR		113,013	604,466
Total basic and diluted EPS per ordinary share (expressed in UZS per share)	32	0.46	4.46
PROFIT FOR THE YEAR		113,013	604,466
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Fair value gain on equity securities at fair value through other comprehensive income	11	8,725	5,179
Income tax relating to items that will not be reclassified subsequently to profit or loss	30	(1,745)	(1,036)
Other comprehensive income		6,980	4,143
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		119,993	608,609
Attributable to:			
- Owners of the Bank		119,993	608,730
- Non-controlling interest		-	(121)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		119,993	608,609

Approved for issue and signed on behalf of the Management Board on 3 June 2021.



Vokhidov Dybek
Chief Accountant

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(in millions of Uzbek Soums)

	Notes	Share capital	Share premium	Treasury shares	Retained earnings	Revaluation reserve on equity securities at fair value through other comprehensive income	Non-controlling interest	Total equity
31 December 2018		1,884,186	696	(1,330)	1,312,607	2,261	5,049	3,203,469
Profit for the year		-	-	-	604,587	-	(121)	604,466
Other comprehensive income for the year		-	-	-	-	4,143	-	4,143
Total comprehensive income for the year		-	-	-	604,587	4,143	(121)	608,609
Shares issued	22	292,467	-	-	-	-	-	292,467
Conversion of debt into equity by the shareholder, net of tax	22	2,465,358	(696)	-	(176,619)	-	-	2,288,043
Recognition of liability component of preference shares	22	(2,000)	-	-	-	-	-	(2,000)
Disposal of treasury shares	22	-	-	1,330	-	-	-	1,330
Dividends paid	23	-	-	-	(71,350)	-	-	(71,350)
31 December 2019		4,640,011	-	-	1,669,225	6,404	4,928	6,320,568
Profit for the year		-	-	-	113,013	-	-	113,013
Other comprehensive income for the year		-	-	-	-	6,980	-	6,980
Total comprehensive income for the year		-	-	-	113,013	6,980	-	119,993
Dividends paid	23	-	-	-	(354,769)	-	-	(354,769)
Decrease in non-controlling interest from disposal of interest in subsidiaries		-	-	-	-	-	(4,928)	(4,928)
31 December 2020		4,640,011	-	-	1,427,469	13,384	-	6,080,864

Approved for issue and signed on behalf of the Management Board on 3 June 2021.

Annaklichev Sakhi
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

(in millions of Uzbek Soums)

	Notes	2020	2019
Cash flows from operating activities			
Interest received		2,763,220	2,888,001
Interest paid		(1,560,240)	(1,767,974)
Fee and commission received		397,228	331,724
Fee and commission paid		(81,461)	(76,880)
Insurance operations income received		43,444	18,754
Insurance operations expense paid		(17,713)	(5,600)
Net gain from trading in foreign currencies		72,569	21,475
Other operating income received		24,845	7,593
Staff costs paid		(498,746)	(516,670)
Administrative and other operating expenses paid		(208,624)	(167,238)
Income tax paid		(266,102)	(140,309)
Cash flows from operating activities before changes in operating assets and liabilities		668,420	592,876
Net decrease/(increase) in due from other banks		302,728	(1,047,465)
Net increase in loans and advances to customers		(6,747,581)	(10,292,410)
Net increase in investment securities measured at amortised cost		(442,595)	(84,422)
Net (increase)/decrease in other assets		(72,844)	32,167
Net increase/(decrease) in due to other banks		817,814	(189,679)
Net increase in customer accounts		1,918,644	3,513,345
Net decrease in other liabilities		(7,790)	(2,745)
Net cash used in operating activities		(3,563,204)	(7,478,333)
Cash flows from investing activities			
Acquisition of equity securities at fair value through other comprehensive income		(12,857)	(44,998)
Proceeds from disposal of equity securities at fair value through other comprehensive income		72,272	3,267
Acquisition of premises, equipment and intangible assets		(421,255)	(448,700)
Proceeds from disposal of premises, equipment and intangible assets		19,729	14,737
Proceeds from disposal of subsidiary, net of disposed cash		889	(7)
(Acquisition)/disposal of investment in associates		(1,005)	2,907
Dividend income received		5,477	12,041
Net cash used in investing activities		(336,750)	(460,753)
Cash flows from financing activities			
Proceeds from borrowings due to other banks	23	222,218	929
Repayment of borrowings due to other banks	23	(46,122)	(77,068)
Proceeds from other borrowed funds	23	13,094,718	14,811,572
Repayment of other borrowed funds	23	(6,488,852)	(9,094,144)
Proceeds from debt securities in issue	23	168,310	2,992,944
Repayment of debt securities in issue	23	(94,400)	(144,157)
Proceeds from other subordinated debt	23	-	80,000
Repayment of other subordinated debt	23	(80,000)	-
Issue of ordinary shares		-	292,467
Dividends paid	23	(353,788)	(71,145)
Net cash from financing activities		6,422,084	8,791,398
Effect of exchange rate changes on cash and cash equivalents		216,482	113,129
Net increase in cash and cash equivalents		2,738,612	965,441
Cash and cash equivalents at the beginning of the year	7	2,862,574	1,897,133
Cash and cash equivalents at the end of the year	7	5,601,186	2,862,574
Non-cash transactions			
Transfer of loans funded by UFRD	9, 19	-	11,575,708
Conversion of debt into equity by the shareholder	9, 22	-	2,288,043

Approved for issue and signed on behalf of the Management Board on 3 June 2021.

Annaklichev Sakhi
Chairman of the Management Board

Vokhidov Oybek
Chief Accountant

The notes set out on pages 9 to 81 form an integral part of these consolidated financial statements

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(in millions of Uzbek Soums, unless otherwise indicated)

1. INTRODUCTION

JSCB "Uzbek Industrial and Construction Bank" ("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 ("the 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 31 December 2020 (31 December 2019: 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 31 December 2020, the number of Bank's employees was 4,052 (31 December 2019: 3,902).

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

At 31 December 2020 and 2019, the Group consolidated the following companies in these consolidated financial statements:

Name	Country of incorporation	The Bank's ownership		Type of operation
		31 December 2020	31 December 2019	
		%	%	
SQB Capital, LLC	Uzbekistan	100	100	Asset management
PSB Industrial Investments, LLC	Uzbekistan	100	100	Asset management
SQB Insurance, LLC	Uzbekistan	100	100	Insurance
SQB Securities, LLC	Uzbekistan	100	-	Securities brokerage
SQB Construction, LLC	Uzbekistan	100	-	Construction
Xorazm Nassli Parranda, LLC	Uzbekistan	-	57	Poultry farming

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

During 2020, the Group established new subsidiaries SQB Securities and SQB Construction while Xorazm Nassli Parranda LLC has bought back its share from the Group at par.

The table below represents the interest of the shareholders in the Bank's share capital as at 31 December 2020 and 2019:

Shareholders	31 December 2020	31 December 2019
The Fund of Reconstruction and Development of the Republic of Uzbekistan	82.09%	82.09%
The Ministry of Finance of the Republic of Uzbekistan	12.77%	0.00%
The State Assets Management Agency of the Republic of Uzbekistan	0.00%	12.77%
Other legal entities and individuals (individually hold less than 5%)	5.14%	5.14%
Total	100%	100%

According to the Presidential Decree #4487 dated 9 October 2019, shares of the State Assets Management Agency of the Republic of Uzbekistan in the Bank were transferred to the Ministry of Finance of the Republic of Uzbekistan. The Ministry of Finance is now responsible for effective transformation of the Bank's business model and introduction of modern corporate governance methods. The Ministry of Finance will retain the strategic control at least until 2022 as planned in the "Strategy for reforming of the banking system of the Republic of Uzbekistan from 2020 to 2025". This strategy envisages the plan to make State's shares in the Bank available for sale to strategic private investors. Please refer to Note 9 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

(in millions of Uzbek Soums, unless otherwise indicated)

2. OPERATING ENVIRONMENT OF THE GROUP

Operating Environment. The Uzbekistan economy displays characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the banking sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments. The largest Uzbek banks are state-controlled and act as an arm of Government to develop the country's economy. The Government distributes funds from the country's budget, which flow through the banks to various government agencies, and other state and privately owned entities.

Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government, together with other legal, regulatory and political developments, all of which are beyond the Bank's control. The Bank's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations which greatly impact Uzbek financial markets and the economy overall.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it has a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group has faced the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets.

In December 2020, S&P Global Ratings affirmed its long- and short-term foreign and local currency ratings on Uzbekistan at 'BB-/B' with the outlook to remain negative. The decision to remain the outlook as negative was made due to rapid rise in the country's external and fiscal debt, partly due to USD 1 billion (UZS 10,476,920 million at the exchange rate prevailing as at the reporting date) in additional government spending in response to the coronavirus pandemic. Also, in April and September 2020, the CBU reduced the refinancing rate from 16% to 15% and from 15% to 14%, respectively.

As at 31 December 2020, these changes in the economic environment have significantly impacted the operations of the Group through increased charges for ECL and further effects of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Uzbekistan economy. The Group continues to monitor the situation and intends to adapt strategies as needed to continue to drive the business and meet obligations.

Management of the Group is monitoring developments in the current environment and taking the following measures, it considers necessary in order to support the sustainability and development of the Group's business in the foreseeable future:

- In response to the COVID-19 pandemic, the Group introduced repayment holidays of up to six months to enable customers to take a temporary break from making loan repayments where they are experiencing, or are reasonably expected to experience, payment difficulties caused by COVID-19. During 2020, the Group provided forbearances to customers and as of year-end total outstanding balance of forbearing loans is equaled to UZS 12,932,292 million or approximately 31.7% of the gross loan portfolio. The forbearance solutions offered relief in the form of reductions to contractual payments including freezes to interest payments for a minimum period of six months, and for customers who have longer term financial difficulties. The aggregation of the above activities are defined as "Curing procedures" provided by the Management.
- As at 31 December 2020 the allowance for expected credit losses increased by UZS 1,200,998 million compared to allowance as at 31 December 2019.
- The Group has taken a number of steps to mitigate the effect on its portfolios and risk profile, performing stress-testing of various COVID-19 related scenarios, and it remains vigilant in the light of the developing situation:
 - During the pandemic the Group expanded offering of banking products through digital and distance channels, which were previously provided exclusively at the Bank's branches.
 - Towards the end of Q1 2020, the Group has also implemented remote work arrangements and restricted business travel effective mid-March 2020 and reinstated the business as usual state from September 2020.

In addition, the CBU introduced a set of regulatory changes aimed at providing relief to the Banking sector, which was negatively affected by the global economic slowdown and COVID-19 pandemic. The main directions of the changes were as follows:

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- The commercial banks were provided with additional liquid resources as a result of easing the requirements for mandatory reserves with the CBU. This measure has allowed the Bank to enjoy additional liquidity;
- The CBU made available for the commercial banks a credit line collateralized with mortgage loans and/or loans classified as "standard";
- For regulatory and statutory purposes, the commercial banks were allowed not to reduce the quality classification of the loans restructured as a result of pandemic, which in turn allowed the banks not to increase their impairment allowances;
- The CBU postponed the introduction of more stringent liquidity requirements (in particular, liquidity coverage ratio – LCR) from mid-2020 to 2021;
- Quarterly contributions to the State Deposit Insurance Fund have been reduced from 0.25% to 0.05% starting from 1 July 2020.

The Group's management monitors current changes in the economic situation and takes measures that it considers necessary to maintain the stability and development of the Group in the near future. However, the significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Uzbekistan economy. The impact of changes in the economic environment on the future results of operations and the financial position of the Group's is currently difficult to determine.

3. SIGNIFICANT ACCOUNTING POLICIES

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is as 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. The financial position and the results of the Bank continue to be significantly impacted by the reforms of the new government, including those directed at increasing living standards, incomes, and job opportunities in rural regions.

For the year ended 31 December 2020, the Group had a cash outflow from operating activities mainly as a result of on-lending the funds received from international financial institutions and the State to finance the government and investment projects increasing the loans and advances to customers by 33%.

In 2019, the Bank was in breach of certain 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 19.

As at 31 December 2020, the Bank was in a breach of return on average assets ratio stipulated in the tripartite Subsidiary loan agreements between the Republic of Uzbekistan, the Rural Restructuring Agency and the Bank #3471-UZB from April 2017, #3673-UZB from November 2018 and #L3823 (COL)-UZB dated 10 February 2020, as discussed in detail in Note 19. On 5 November 2019, the Republic of Uzbekistan confirmed to the Bank in writing that it would not take any action to demand 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 this covenant. In addition, the agreement between the Bank and Ministry of Finance does not provide a definition of an event of default. Therefore the Management considers the breach of the covenant not to be an event of default and has received a letter from the Ministry of Finance dated 31 December 2020 confirming that this breach of the covenant is not considered to be an event of default.

As at 31 December 2020, the Group classified UZS 548,938 million as "demand and less than 1 month" as a result of the non-compliance with the covenant mentioned above.

As at 31 December 2020, the Bank was not in compliance with certain covenants, stipulated in Master Trade Finance Loan Agreement (the 'Master Agreement') dated 15 October 2019 between the Bank and VTB Bank Europe, as discussed in detail in Note 19. On 24 March 2021, the Bank received a letter from VTB Bank Europe giving their consent to waive above mentioned financial covenants as of the end of the financial year 2020 with the decision to grant the waiver reached during December 2020. Hence, liquidity has not been adjusted.

The Management believes that the Group will be able to continue as a going concern for the foreseeable future based on the following:

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- Continued ongoing support by the Government of the Republic of Uzbekistan ("the State"). The Group is a state owned bank with the Ministry of Finance and UFRD as key shareholders, jointly holding 94.86% 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.
- The Bank plays a vital role as a government arm/vehicle to channel the State funds to the strategic sectors of the economy of Uzbekistan. 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.
- On the basis of the Presidential Decree #5978 dated 4 March 2020 "On additional measures to support the population, sectors of the economy and business entities during the coronavirus pandemic" commercial banks were provided with additional liquid resources in the amount of UZS 2,600,000 million by means of easing the requirements for mandatory reserves and implementation of special mechanism on the part of the CBU for providing liquidity to commercial banks up to UZS 2,000,000 million with a term of up to 3 years.
- During 2020, the Group has attracted additional long term financing from International financial institutions for the total amount of USD 360 million as described in Note 19.
- Subsequent to the reporting date on 1 February 2021 the Group has attracted further long term financing from International financial institutions for the total amount of USD 170 million as described in Note 38.
- The 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. More specifically, the balance of customer accounts as at 31 December 2020 and 2019 amounted to UZS 3,599,487 million and UZS 3,057,519 million, respectively. The 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 Group's management believes that, based on current forecasts and measures taken to manage liquidity, taking into account the financial support of the shareholder, and also taking into account the economic situation in the country in connection with the COVID-19 pandemic, the Group has enough funds to continue its activities in the foreseeable future, within 12 months after the reporting date and for the next 12 months from the date of issue of financial statements.

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except for certain financial instruments. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The Group is required to maintain its records and prepare its financial statements for regulatory purposes in accordance with Uzbekistan Accounting Legislation and related instructions ("UAL"). These consolidated financial statements are based on the Group's UAL books and records, adjusted and reclassified in order to comply with IFRS.

These consolidated financial statements are presented in millions of Uzbek Soums ("UZS"), unless otherwise indicated.

Basis of consolidation. The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to 31 December each year. Control is achieved when the Bank:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss account from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

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Profit or loss and each component of OCI are attributed to the owners of the Bank and to the non-controlling interests (NCI). Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and to the NCI even if this results in the NCI having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

NCI in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the NCI's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other NCI are initially measured at fair value. Subsequent to acquisition, the carrying amount of NCI is the amount of those interests at initial recognition plus the NCI's share of subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the NCI are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Bank.

When the Group loses control of a subsidiary, the gain/loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any NCI. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Accounting for the effects of hyperinflation. The Republic of Uzbekistan has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the statement of financial position date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of Uzbekistan indicated that hyperinflation had ceased effective from 1 January 2007. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, which are effectively share capital and premises and equipment, the amounts expressed in the measuring unit current as at 31 December 2006 are the basis for the carrying amounts in these consolidated financial statements. The restatement was calculated using the conversion factors derived from the Uzbekistan Consumer Price Index ("CPI"), provided by the State Committee on Statistics of the Republic of Uzbekistan, and from indices obtained from other sources for years prior to 1994.

Associates or joint ventures. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates or joint ventures are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates or joint ventures includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates or joint ventures reduce the carrying value of the investment in associates or joint ventures. Other post-acquisition changes in Group's share of net assets of an associate or a joint venture are recognised as follows: (i) the Group's share of profits or losses of associates or joint ventures is recorded in the consolidated profit or loss for the year as share of result of associates or joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates or joint ventures are recognised in profit or loss within the share of result of associates or joint ventures. However, when the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, including any

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other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Fair value of financial instruments. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 34.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. All investments in equity instruments and contracts on those instruments are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors,

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brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Recognition and measurement of financial instruments. The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Group accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 Financial Instruments ("IFRS 9") are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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Specifically:

- Retention of an asset to obtain the cash flows stipulated by the contract. This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets. This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "holding an asset to receive contractual cash flows" business model.
- Retention of an asset for other purposes. Within the framework of this business model, financial assets can be managed with the following purposes:
 - management with a view to selling cash flows through the sale of financial assets;
 - liquidity management to meet daily funding needs;
 - a portfolio, which management and performance is measured on a fair value basis;
 - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

Financial assets	Business Model	SPPI	Measurement Category
Cash and cash equivalents	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised cost
Restricted cash/Obligatory reserves	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised cost
Loans and advances to customers	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised cost
Balances on correspondent accounts, interbank loans/deposits, repo transactions	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised cost
Equity securities	Hold to collect contractual cash flows and to sell the equity instruments	Cash flows are solely payments of principal and interest	Fair value through other comprehensive income
Debt securities	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised cost

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

- A financial liability is classified as held for trading if:
 - it has been acquired principally for the purpose of selling in the near term; or
 - it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
 - it is a derivative that is not designated and effective as a hedging instrument.

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A financial liability other than a financial liability held for trading, may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

Equity instruments at fair value through other comprehensive income

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

Debt and equity instruments at amortised cost or at fair value through other comprehensive income ("FVTOCI").

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset. For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

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

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

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

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

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At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Business model assessment

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- What activities/products/services are performed within the business model;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- What risks affect the business model and how they are managed;
- What plans for an asset (group of assets) are reflected in the Bank's development strategy; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse loans); and
- Features that modify consideration of the time value of money (e.g., periodical reset of interest rates).

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

Impairment of financial assets

Expected credit loss measurement - definitions

ECL is a probability-weighted measurement of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and should be determined by evaluating a range of possible outcomes.

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An ECL measurement is based on four components used by the Group:

- Exposure at Default (EAD) - an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- Probability of Default (PD) - an estimate of the likelihood of default to occur over a given time period.
- Loss Given Default (LGD) - an estimate of a loss arising on default. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from any collateral. It usually expressed as a percentage of EAD.
- Discount Rate - a tool to discount an expected loss from the present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Calculation of financial assets impairment was made taking into account the following factors:

- In order to calculate the expected credit losses, the Group performs loan assessment on an individual basis and on a group basis depending on general credit risk features.
- Expected credit losses represent estimates of expected credit losses weighted at probability of a default and calculated as present value of all expected losses in amounts due. Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Group's own experience in assessing losses and the Management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- Assets classified at fair value through profit or loss are not subject to impairment under IFRS 9.

The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

ECL for collective assessment of credit losses

For collective assessment of credit losses, loans and advances to customers are segmented by criteria for determining the transition between Stages 1, 2 and 3. The presence of at least one criterion is sufficient to lead to the change of transaction classifications, reflecting the increase in credit risk.

Stage 1: Loans without significant increase in credit risk (SICR)

- All loans at initial recognition are classified into Stage 1 and remain in Stage 1 until the identification of factors that indicate a significant increase in credit risk, except for acquired or created loan-impaired loans.

Stage 2: Loans with significant increase in credit risk (SICR)

- Loans in which the maximum number of days overdue on principal or interest ranges from 31 days to 90 days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Loans that were credit-impaired (Stage 3) as at the end of the previous quarter due to one or more transition criteria of Stage 3, and which as at the end of the current quarter have signs of Stage 1 or 2;
- Loans that were restructured and repaid 25% of principal from the date of restructuring.
- In the absence of historical information about the number of overdue days for accrued interest, loans for which there is an amount of overdue interest at the end of the current quarter.

Stage 3: Financial asset is in default

- Loans for which the maximum number of overdue days on principal or interest is more than 90 days;
- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU;
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Group and when restructuring occurs at the decision of higher authorities);
- Loans for which there is a court decision or a trial is in progress (loans for which there are court decision dates in the loan portfolio);

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- Presence of debt on off-balance sheet accounts for the principal debt and accrued interest in accordance with the Regulation on the Classification Procedure of the CBU and the Regulation on Non-Accrual of Interest of the CBU;
- Loans for which the contract has expired, but the borrower has not fully repaid the debt according to the payment schedule;
- Purchased or created credit impaired financial asset (POCI).

An asset is assessed for impairment on an individual basis if the total debt of the borrower at the reporting date exceeds the materiality level. The level of materiality is determined as 1% of arithmetic average of the Group's total regulatory capital per National accounting standards for the last two years. If the materiality of the Group for determining an individually significant asset increases by more than 2 times in the calculation for the next period (fiscal year), then the materiality level for this next period (fiscal year) shall not exceed the Group's materiality level for the previous period (fiscal year) more than 2 times, and it will be equal to the level of materiality multiplied by 2 (in the case of facts or circumstances that may significantly affect the Group's estimated materiality level, which, due to these facts or circumstances, may be at an unexpected or atypical level for the corresponding period, for example, large profits or losses of the Group may occur due to one-time general economic conditions / changes or other external conditions or non-typical operations for the Group, in this case it is possible to normalize the calculated amount of capital for the relevant period by excluding from the calculation the amount of such gains / losses).

ECL for individually significant borrowers

For each individually significant borrower based on the results of the assessment at each reporting date, questionnaire with the necessary explanations and comments is filled out to identify signs of a significant increase in credit risk and credit impairment. The questionnaire is completed on the basis of the loan portfolio and the information contained in the monitoring reports, and other information in the credit folder.

After determining whether there is evidence of a significant increase in credit risk, as well as impairment, depending on the results of such analysis, the Group classifies the asset in question in one of the following stages:

Stage 1: "Loans with low credit risk"

- All loans at initial recognition are classified in Stage 1 and remain in Stage 1 if no significant increase in the level of credit risk has been identified or until the factors indicating an increase in credit risk have been identified, except for loans acquired or created credit impaired;

Stage 2: "Loans with increased credit risk"

- Breach of contract terms, such as a delay of payment from 31 to 90 calendar days;
- The Group has information about overdue debts in other credit institutions (if information is available for the Group) on the principal debt and / or the borrower's remuneration from 31 to 90 calendar days;
- Loans in the category of "substandard" according to the Regulation on the classification procedure of the CBU;
- Actual or expected significant change in the operating results of the borrower. Examples include actual or expected decrease in revenues or margins, increased operational risks, working capital inefficiencies, management problems, or changes in the scale of business or organizational structure (for example, termination of a business segment), which lead to a significant change in the borrower's ability to repay debt liabilities. The criteria is reduction of the financial condition of the borrower by one class. Class of the financial condition of the borrower score based on the calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales profitability)
- Actual or expected (based on reasonable and corroborated information) reduction of the borrower's external credit rating by 2 or more notches;
- Reduction of financial support from the state, the parent organization or another affiliated organization;
- Significant deterioration in the quality or condition of the collateral according to the data of the last monitoring report, which is expected to reduce the economic incentive for the borrower to make the scheduled payments stipulated by the contract or otherwise affect the probability of a default. When the security is a guarantee of third parties, significant financial difficulties of the guarantor or surety;
- Existing or projected adverse changes in commercial, financial or economic conditions (actual or expected increase in interest rates or actual or expected increase in unemployment) or actual or expected adverse change in regulatory, economic or technological conditions of the borrower's activity (for example, decrease in demand for the borrower of the product due to changes in technology);
- Borrower who has no evidence of impairment or evidence of a significant increase in credit risk at the reporting date, but who has been classified as credit impaired (in Stage 3) based on the calculation of expected credit loss at the previous reporting date.

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- Expected breach of contract that could lead to the provision of exemptions for covenants or amendments to covenants, provision of temporary exemption from interest payments, increase in interest rates, introduction of requirements for additional security or guarantees or other changes to the contractual base of the instrument;
- Reasonable and corroborated information about one or more of the following factors:
 - the presence of uncertainty in respect of continuous operations in the auditor's report of the financial statements of the borrower;
 - involvement in legal proceedings of the borrower (co-borrower), which may worsen its financial condition;
 - violation of covenants 1 or more times within three months before the reporting date;

Stage 3: "Credit-impaired loans"

- Breach of contract terms, such as default or delay of payments for 90 days and more;
- Cross-default, the Group has information about overdue debts in other credit institutions (if the Group has information) on the principal debt and / or interest for 90 calendar days or more;
- Loans in the category of "unsatisfactory", "doubtful" and "bad" in accordance with the Regulation on the classification procedure of the CBU.
- Presence of significant financial difficulties of the borrower. The criteria is reduction of financial condition of the borrower by two or more classes. The class of the financial condition of the borrower is based on calculations of economic indicators (ratios of coverage, liquidity, autonomy, asset turnover and net sales margin);
- Loans that have been revised since initial recognition (loans with the status "Restructured in the loan portfolio, including loans for which the repayment was less than 25% of the principal debt since the date of the last restructuring or the last revision (except in cases of restructuring of loans, when the financial condition of the borrower is stable and allows the borrower to repay the debt to the Group and when restructuring occurs at the decision of higher authorities);
- Lack of communication with the borrower (co-borrower), as well as the lack of information to determine the financial condition of the borrower (co-borrower) for the last 12 months;
- Decrease in the external credit rating of the borrower to the "CC" rating and below, assigned by the rating agencies Standard & Poor's, Moody's Investors Service and Fitch;
- Write-off of part and / or the entire amount of debt on the principal debt and / or remuneration of the borrower during the previous 2 years;
- Suspension of the accrual of interest on the loan due to the deteriorating financial condition of the borrower (non-accrual status);
- Availability of information about the death of the borrower (co-borrower) of an individual;
- Purchase or creation of a financial instrument with a large discount, which reflects the incurred credit losses;
- The borrower's appeal to the court with a statement of recognition of its bankruptcy or the filing of a claim by a third party to declare the borrower bankrupt in accordance with the legislation of the Republic of Uzbekistan and loans that have a court decision or are in court proceedings (loans that have court decision dates in the loan portfolio);
- Revocation of a license or other title document for the implementation of activities;
- Disappearance of an active market for a given financial asset.

The amount of expected credit losses for loans that are classified in Stage 1 and in Stage 2 is determined on a collective basis.

For each individually significant borrower in Stage 3, one of the following repayment strategies is determined:

- "Restructuring" strategy: restructuring the loan, revising credit conditions and developing an action plan that can allow the borrower to repay the loan;
- Strategy "Realization of collateral": liquidation of a loan by selling collateral.

The choice of the most appropriate strategy is determined based on the individual situation of the borrower, its availability and consent to cooperation, the availability of opportunities to restore activity, production or the possibility of eliminating the causes that caused losses and the inability to service the debt, the availability of funds from other business lines of the borrower, value, condition of pledges regarding debt and other factors.

In the event that the borrower incurs losses and the Group has no evidence of other sources of income and funds to service the debt, the strategy for selling collateral for the borrower is chosen.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted

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covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

If these do not clearly indicate a substantial modification, then:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification.

The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behavior following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

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On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized based on the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position. Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- For loan commitments and financial guarantee contracts: as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Collateral. The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include deposits with the CBU except mandatory reserve deposits held with CBU and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

The payments or receipts presented in the statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Investment securities measured at amortized cost. The Group has designated some investment securities measured at amortised cost using the effective interest method, with interest income recognised on an effective yield basis. The Group plans to hold these investments until maturity.

Premises and equipment. Premises and equipment are stated at cost, restated to the equivalent purchasing power of the Uzbekistan Soum at 31 December 2006 for assets acquired prior to 1 January 2007, less accumulated depreciation and provision for impairment, where required.

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Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period the Management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, the Management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation. Land and construction in progress are not depreciated. Depreciation of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Building and leasehold improvements	20
Office and computer equipment	5-10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

Intangible assets. Intangible assets with finite useful lives carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Group's intangible assets primarily comprise capitalised computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of five years.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Group uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in other financial assets, investment properties or inventories within other assets depending on their nature and the Group's

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intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Non-current assets held for sale. Non-current assets and disposal groups, which may include both non-current and current assets, are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's Management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition.

Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Due to other banks. Due to banks are initially recognised at fair value. Subsequently, amounts due are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of profit or loss over the period of the borrowings, using the effective interest method as interest expense.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Debt securities in issue. Debt securities in issue include bonds and certificates of deposit issued by the Group. Debt securities are stated at amortised cost.

Other borrowed funds. Other borrowed funds include borrowings from government and non-government funds and financial institutions. Other borrowed funds are carried at amortised cost.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which

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those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Uncertain tax positions. The Group's uncertain tax positions are reassessed by the Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on the Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Large-scale tax system transformations are taking place in the Republic of Uzbekistan associated with the adoption of the Concept for Improving the Tax Policy of the Republic of Uzbekistan. Its main reforms are implemented in the Tax Code, other regulatory acts, including the annual "budgetary" resolution and entered into force on 1 January 2019.

There were significant changes introduced in tax law of the Republic of Uzbekistan in accordance with the Presidential decree #PD-4086 on "Forecasting the main macroeconomic budget indicators and parameters for 2019 and budget guidelines for 2020-2021" dated 26 December 2018. Corporate income tax for credit organisations has been set at of 20%.

Provisions for liabilities and charges. Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Credit related commitments. The Group issues financial guarantees and loan commitments. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and loan commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

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At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

Trade payable and other liabilities. Trade payables and other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Preference shares which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised as interest expense on an amortised cost basis, using the effective interest method.

Treasury shares. Where the Group or its subsidiaries purchase the Group's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Group until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Group are the basis for profit distribution and other appropriations. Uzbek legislation identifies retained earnings as the basis for profit distribution.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

When collection of loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion.

For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

Basis of accounting for insurance activities

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

Premiums written. Premiums are recognized within insurance operations income upon inception of a contract for the full amount.

Provision for unearned premiums. The Group calculated Unearned Premium Reserve (UPR) according to legislation requirements, where insurance lines of business are divided into four accounting groups. For the first accounting group,

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the unearned premium is calculated separately for each insurance contract using the "pro rata temporis" method, which is in line with IFRS. 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. For the other accounting groups, UPR calculated differently, not in accordance with IFRS.

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 IBNR is determined by summing the IBNR estimated for each line of business. The Group calculates IBNR of at least 10 percent of the base insurance premium under insurance contracts for the period twelve months prior to the reporting date, which is in accordance with the insurance legislation (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of 20 November 2008 N 107, registered by the Ministry of Justice on 15 December 2008 N 1882). Reserves for insurance contracts primarily comprises of provision for unearned premiums and insurance loss provisions.

Preventive measures reserve. The Group is restricted in its use of a portion of premiums received by the Group on certain types of insurance under terms established by insurance legislation (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of 20 November 2008 N 107, registered by the Ministry of Justice on 15 December 2008 N 1882). The reserve is calculated as a percentage of insurance premiums earned in reporting period. The purpose of the Preventive Measures Reserve ("PMR") is to provide funds for the cost of financing measures that prevent accidents, promote general safety, and prevent the loss of or damage to insured property, as well as to finance other measures aimed at preventing the occurrence of insurance events.

Stabilization reserve An additional reserve that a Group is required by regulation to establish (Regulation on insurance reserves of insurers in accordance with Order of the Minister of Finance of Republic of Uzbekistan dated 20 November 2008 N 107, registered by the Ministry of Justice on December 15 2008 N 1882) and is necessary for the Group to hold, over and above its insurance reserves and preventive measure reserve, to ensure that, under a prescribed change in financial conditions, the Group still has enough assets to cover its liabilities.

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 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.

Foreign currency translation. The functional currency of the Group, which is the currency of the primary economic environment in which the Group operates and the presentation currency is the national currency of the Republic of Uzbekistan, Uzbek Soum ("UZS").

Monetary assets and liabilities are translated into Group's functional currency at the official exchange rate of the CBU at the end of respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into Group's functional currency at year-end official exchange rates of the CBU are recognised in profit or loss. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

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Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

As at 31 December 2020, the rate of exchange used for translating foreign currency balances was USD 1 = 10,476.92 (2019: USD 1 = UZS 9,507.56) and EUR 1 = UZS 12,786.03 (2019: EUR 1 = UZS 10,624.70).

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

Earnings per share. Preference shares are not redeemable, and are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of participating shares outstanding during the reporting year.

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

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

In the application of the Group's accounting policies the Group Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires the Management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting year. The Management evaluates its estimates and judgments on an ongoing basis. The Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Critical accounting judgements

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk. As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly

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increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

For treasury operations, the Group calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default ("PD").

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

Establishing groups of assets with similar credit risk characteristics. When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

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

Models and assumptions used. The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Recoverability of deferred tax assets. The Management of the Group is confident that no adjustment against deferred tax assets at the reporting date is considered necessary, because it is more than likely that the deferred tax asset will be fully realized.

Other borrowed funds. The Group obtains long term financing from government, state and international financial institutions at interest rates at which such institutions ordinarily lend in emerging markets and which may be lower than rates at which the Group could source the funds from local lenders. As a result of this financing, the Group is able to advance funds to specific customers at advantageous rates. The Management has considered whether gains or losses should arise on initial recognition of these instruments and its judgment is that these funds and the related lending are at the market rates and no initial recognition gains or losses should arise. In making this judgment the Management also considered that these instruments are a separate market sector.

Measurement of allowances for expected credit losses ("ECL"). Almost all sectors of the economy of Uzbekistan, both in terms of individuals and legal entities, have been adversely affected by the unprecedented economic and social disruption resulting from Covid-19 which has led to significant government interventions and support. This has caused an increased level of uncertainty and volatility in the economic activity of Uzbekistan during year 2020.

In addition, currently limited observable data available to inform a supportable, fully-modelled view on how the economic impacts of this pandemic might affect customers has further exacerbated the ability of the banking sector of Uzbekistan to assess the levels of ECL. The Group incorporates forward-looking information into a measurement of ECL when there is a statistically proven correlation between the macro-economic variables and the NPL. As at the reporting date, statistical tests have failed and ECL across all loan portfolios has not been adjusted for forward-looking information and macroeconomic scenarios. The Management updates its statistical tests for correlation as at each reporting date.

Therefore, due to the increased risk and uncertainties at this time to incorporate the specific effects of the pandemic and the related government support measures, the Management of the Group considered to apply additional overlay in measuring the ECL by introducing the additional scenarios to the existing ECL model that are discussed in the paragraph below.

In response to the COVID-19 pandemic, in the beginning of Q2 2020 the Group has introduced repayment holidays of up to six months to enable customers to take a temporary break from making loan repayments where they are experiencing, or are reasonably expected to experience, payment difficulties caused by COVID-19. During 2020, the Group provided forbearances to customers and as of year-end total outstanding balance of forbearing loans is equaled to UZS 12,932,292 million or approximately 31.7% of the gross loan portfolio. The forbearance solutions offered relief in the form of reductions to contractual payments including freezes to interest payments for up to six months. The forbearance was provided to all customers notwithstanding their financial difficulties before the COVID-19 pandemic. These measures have not been treated as a trigger for credit impairment as those were based on legislative moratoria on loan repayments applied in light of the COVID-19 crisis.

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The Group defines whether the COVID-19 pandemic is having an impact on a significant increase in the credit risk of borrowers. The Group has temporarily redefined the forbearance status by applying Curing procedure and "significant increase in credit risk" (SICR), thus adjusting the probability of default given the pandemic effect.

Curing procedure applied only to the restructured loans that had no overdue prior and during the pandemic period and subsequently had no overdue in scheduled payments.

The Management has also adjusted the calculation of loss given default rates (LGD) by excluding the loan recovery results of the second and third quarters of 2020, assuming the recovery pattern during the lockdown period does not accurately reflect the financial performance of the borrowers. Cash flows and turnover of customer accounts observed during pre and post quarantine periods suggest that significant slow-down in the recovery of loans were mainly attributable to factors other than the financial standing of the borrowers. This adjustment to LGD has been applied across all portfolios of the Group.

The Management is closely monitoring the servicing of the loan portfolio to assess the adequacy of the overlay starting from 1 October 2020, and updating the ECL measurement as more information becomes available to support an update, incorporating alternative economic scenarios.

Changes in judgements and assumptions could result in a material adjustment to those estimates in the next reporting periods.

Key sources of estimation uncertainty

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

Probability of default. PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default.

The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

Loss Given Default. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch, Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated, sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

Exposure at Default. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

Fair value measurement and valuation process. In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. Refer to notes 11 and 34 for more details on fair value measurement.

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

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

The following amendments and interpretations are effective for the Group effective 1 January 2020:

Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Basic interest rate reform</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Materiality</i>
Conceptual Framework	<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>

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

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020. The management of the Group considers that the application of these amendments did not have any significant impact on the consolidated financial statements of the Group.

Impact of the initial application of COVID-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued COVID-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- 1) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 2) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- 3) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has not applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

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.

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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 consolidated financial information.

New and revised IFRS Standards in issue but not yet effective

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

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles)	<i>Classification of Liabilities as Short-Term or Long-Term</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendments to IFRS 3	<i>Business combinations - Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property and equipment - Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Provisions, contingent liabilities and contingent assets - Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IFRS 1, IFRS 9, IAS 41; and illustrative examples accompanying IFRS 16.	<i>Annual Improvements to IFRS 2018-2020 cycles</i>

IFRS 17 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2023 (previously – on or after 1 January 2021).

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The management of the Group expects that the application of this standard may have potential impact on the consolidated financial statements of the Group in the future.

Amendments to IAS 1 Classification of Liabilities as Short-Term or Long-Term (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles). The amendments are intended to facilitate the understanding that a liability is classified as long-term if the organization expects and has the authority to refinance the liability or postpone its maturity by at least 12 months after the reporting period under the existing credit line with the previous lender, on equal or similar terms.

The amendments only amend the presentation of liabilities in the statement of financial position, i.e. not regarding the amount, the moment of recognition or disclosure of information.

The amendments clarify that the classification should be based on the existence at the end of the reporting period of the right to defer repayment of a liability for at least 12 months. Thus, the amendments explicitly indicate that only those rights that exist "at the end of the reporting period" should affect the classification of the liability. Moreover, the

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classification does not depend on expectations as to whether the organization will use the right to defer repayment of the liability, which means transferring funds, equity instruments, or other assets or services to a counterparty.

The amendments apply retrospectively to the periods beginning on or after 1 January 2023. Early application is acceptable.

The management of the Group expects that the application of this standard may have potential impact on the consolidated financial statements of the Group in the future.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2. The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the impact of the interest rate benchmark reform on the modification of financial assets, financial liabilities and lease liabilities, hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

Modification of financial assets, financial liabilities and lease liabilities. The IASB introduces a practical expedient for changes in contractual cash flows as a direct consequence of the interest rate benchmark reform provided that the new cash flow basis is economically equivalent to the original basis. According to the practical exception these modifications are accounted prospectively for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

Disclosures. The amendments require that an entity discloses additional information in order to allow users to understand the nature and extent of risks arising from the IBOR and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required, however, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

The management of the Group is assessing the impact of the changes in Interest Rate Benchmark Reform – Phase 2 to its consolidated financial statements in future periods. If the impact is significant the Group will include additional disclosures in order to allow users to understand the nature and extent of risks arising from the IBOR and how the entity will manage the transition.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the board; however, earlier application of the amendments is permitted. The management of the Company anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions occur.

Annual Improvements to IFRS 2018-2020 Cycles. The list of amendments includes amendments to the three standards, as well as annual improvements to the Board, which are changes that clarify the wording or eliminate minor inconsistencies, omissions or contradictions between the requirements in the standards.

- **The amendments to IFRS 3 Business Combinations** update the reference in IFRS 3 to the Conceptual Framework for Financial Statements without changing the accounting requirements for a business combination.
- **Amendments to IAS 16 Property, Plant and Equipment** prohibit deducting from the value of property, plant and equipment the amounts received from the sale of manufactured goods while preparing the asset for its intended use. Instead, these sales revenue and related costs are recognised in profit or loss.
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** determine the costs to be included in assessing whether the contract is unprofitable.
- **Annual improvements** introduce minor amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and illustrative examples accompanying IFRS 16 "Leases".

All amendments are effective on 1 January 2022, early application is permitted.

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The management of the Group does not expect that the application of these amendments could have a significant impact on the Group's financial statements in future periods.

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

	31 December 2020	31 December 2019
Cash on hand	1,022,474	662,864
Cash balances with the CBU (other than mandatory reserve deposits)	2,624,648	1,014,834
Correspondent accounts and placements with other banks with original maturities of less than three months	1,954,225	1,184,977
Less: allowance for expected credit losses	(161)	(101)
Total cash and cash equivalents	5,601,186	2,862,574

Cash balances with the CBU are maintained at a level to ensure compliance with the CBU liquidity ratio.

The credit quality of cash and cash equivalents at 31 December 2020 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
<i>Neither past due nor impaired</i>			
- The CBU	2,624,648	-	2,624,648
- Rated AA+ to A+	-	1,666,788	1,666,788
- Rated below A-	-	287,437	287,437
Less: allowance for expected credit losses	(69)	(92)	(161)
Total cash and cash equivalents, excluding cash on hand	2,624,579	1,954,133	4,578,712

The credit quality of cash and cash equivalents at 31 December 2019 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
<i>Neither past due nor impaired</i>			
- The CBU	1,014,834	-	1,014,834
- Rated AA to A-	-	812,749	812,749
- Rated below A-	-	372,228	372,228
Less: allowance for expected credit losses	(53)	(48)	(101)
Total cash and cash equivalents, excluding cash on hand	1,014,781	1,184,929	2,199,710

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8. DUE FROM OTHER BANKS

	31 December 2020	31 December 2019
Mandatory cash balances with the CBU	141,437	373,156
Placements with other banks with original maturities of more than three months	1,458,096	1,350,298
Restricted cash	278,088	329,802
Less: allowance for expected credit losses	(18,429)	(16,166)
Total due from other banks	1,859,192	2,037,090

In order to provide relief to the banking sector, which was negatively affected by the global economic slowdown and COVID-19 pandemic, the CBU has eased the requirements for mandatory reserves to support banking sector liquidity. Hence, the mandatory cash balances with the CBU has decreased in 2020.

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 31 December 2020 is as follows:

	Mandatory cash balances with the CBU	Placements with other banks with original maturities of more than three months	Restricted cash	Total
<i>Neither past due nor impaired</i>				
- The CBU	141,437	-	-	141,437
- Rated A+ to A-	-	-	5,268	5,268
- Rated below A- Unrated	-	1,458,096	272,820	1,730,916
Less: allowance for expected credit losses	-	(18,155)	(274)	(18,429)
Total due from other banks	141,437	1,439,941	277,814	1,859,192

Analysis by credit quality of due from other banks outstanding at 31 December 2019 is as follows:

	Mandatory cash balances with the CBU	Placements with other banks with original maturities of more than three months	Restricted cash	Total
<i>Neither past due nor impaired</i>				
- The CBU	373,156	-	-	373,156
- Rated AA to A-	-	3,803	260,232	264,035
- Rated below A- Unrated	-	1,342,045	69,570	1,411,615
		4,450	-	4,450
Less: allowance for expected credit losses	(13)	(15,987)	(166)	(16,166)
Total due from other banks	373,143	1,334,311	329,636	2,037,090

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.

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9. LOANS AND ADVANCES TO CUSTOMERS

The Bank uses the following classification of loans:

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

Loans and advances to customers comprise:

	31 December 2020	31 December 2019
Corporate loans	21,938,171	14,532,135
State and municipal organisations	14,562,532	13,030,368
Loans to individuals	4,361,970	3,123,699
Total loans and advances to customers, gross	40,862,673	30,686,202
Less: allowance for expected credit losses	(1,902,715)	(646,417)
Total loans and advances to customers	38,959,958	30,039,785

In response to the COVID-19 pandemic, the Group introduced repayment holidays of up to six months to enable customers to take a temporary break from making loan repayments where they are experiencing, or are reasonably expected to experience, payment difficulties caused by COVID-19. During 2020, the Group provided forbearances to customers and as of year-end total outstanding balance of forbearing loans is equaled to UZS 12,932,292 million or approximately 31.7% of the gross loan portfolio.

In relation to restructured loans above, interest continued to accrue on the outstanding principal of the loans and was distributed over the remaining period of the loans with final maturities predominantly extended by six months.

The table below represents loans and advances to customer's classification by stages:

	31 December 2020	31 December 2019
Originated loans to customers	40,423,399	30,654,925
Overdrafts	439,274	31,277
Total loans and advances to customers, gross	40,862,673	30,686,202
Stage 1 (12 month ECL)	26,201,628	21,174,347
Stage 2 (Lifetime ECL)	11,970,209	8,644,898
Stage 3 (Lifetime ECL)	2,690,836	866,957
Total loans and advances to customers, gross	40,862,673	30,686,202
Less: Allowance for expected credit losses	(1,902,715)	(646,417)
Total loans and advances to customers	38,959,958	30,039,785

On 9 October 2019, a Presidential Decree #PD-4487 ("the Decree") was issued outlining priority measures to strengthen the financial standing of the banking sector which, among other plans for action, stipulated a withdrawal of government directed low-margin and subsidized assets out from the State owned banks, including the Group, to improve their return on assets and performance.

Specifically, the Decree required the Group to execute the following transactions by the end of the year ending 31 December 2019:

- Reduce the share of low-margin loans funded by the Government in the loan portfolio of the Group. The Group executed the transaction by transferring from its loan portfolio 22 loans specified in the Decree ("the Non-core loans") to the UFRD. To compensate for the reduction of assets, the Group simultaneously discharged from its liabilities by decreasing the 'Other borrowed funds' from the UFRD for the same amount. In accordance with the Decree, these loans, denominated predominantly in USD and lesser in EUR, were provided to twelve large

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State owned companies to fund national projects in the energy, oil & gas, chemicals and transportation sectors of the economy and amounted to an equivalent of UZS 11,575,708 million on the date of transaction as described in Note 19.

- In accordance with the Decree, increase the Share capital of the Group and the UFRD's stake in it, respectively, by capitalizing 7 loans ("the Capitalized loans") funded by the UFRD. The transaction occurred by converting the Group's borrowings, obtained from the UFRD to fund these loans, into the Group's share capital. These loans were provided to three large State owned companies to fund the national projects in oil & gas, chemicals and transportation sectors of economy and amounted to USD 258.5 million (UZS 2,465,358 million) as at the date of actual transaction which has been executed as at 31 October 2019, as described in Note 22.
- Also, the Government, in its capacity as a shareholder of the Group, has instructed to substantially modify initial terms of the capitalized loans by changing their currency profile, interest rates and maturity. These modifications resulted in derecognition of old assets with the carrying value of UZS 2,465,358 million and recognition of new assets with the fair value on initial recognition of UZS 2,243,000 million. As a result, loss on initial recognition of the asset in the amount of UZS 222,357 million was recognized directly in shareholder's equity by utilizing the available share premium and reducing the retained earnings for the remaining amount net of tax for UZS 45,044 million, as described in Note 22.

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amount as at 31 December 2019	21,174,347	8,644,898	866,957	30,686,202
Changes in the gross carrying amount				
- Transfer from stage 1	(7,204,019)	6,821,162	382,857	-
- Transfer from stage 2	4,949,799	(5,570,150)	620,351	-
- Transfer from stage 3	58,699	85,348	(144,047)	-
- Changes in EAD*	(4,155,234)	2,111,460	951,661	(1,092,113)
New loans and advances to customers issued or acquired	13,627,344			13,627,344
Matured or derecognized loans and advances to customers (except for write off)	(4,180,128)	(962,683)	(139,582)	(5,282,393)
Recovery of written off loans and advances to customers	-	-	7,640	7,640
Written off loans and advances to customers	-	-	-	-
Foreign exchange differences	1,930,820	840,174	144,999	2,915,993
Gross carrying amount as at 31 December 2020	26,201,628	11,970,209	2,690,836	40,862,673
Loss allowance for ECL as at 31 December 2020	(191,757)	(215,464)	(1,495,494)	(1,902,715)
Total loans and advances to customers	26,009,871	11,754,745	1,195,342	38,959,958

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Gross carrying amount as at 31 December 2018	24,580,970	3,341,788	559,203	28,481,961
Changes in the gross carrying amount				
- Transfer from stage 1	(2,907,052)	2,510,568	396,484	-
- Transfer from stage 2	315,431	(493,493)	178,062	-
- Transfer from stage 3	18,705	107,734	(126,439)	-
- Changes in EAD*	(3,541,080)	2,139,075	34,754	(1,367,251)
New loans and advances to customers issued or acquired	21,544,064			21,544,064
Matured or derecognized loans and advances to customers (except for write off)	(20,801,314)	(371,392)	(231,594)	(21,404,300)
Recovery of written off loans and advances to customers			25,838	25,838
Written off loans and advances to customers			(4,382)	(4,382)
Foreign exchange differences	1,964,623	1,410,618	35,031	3,410,272
Gross carrying amount as at 31 December 2019	21,174,347	8,644,898	866,957	30,686,202
Loss allowance for ECL as at 31 December 2019	(136,991)	(193,828)	(315,598)	(646,417)
Total loans and advances to customers	21,037,356	8,451,070	551,359	30,039,785

* The line "Changes in EAD" represents changes in the gross carrying amount of loans issued in prior periods which have not been fully repaid during 2020 and transfers of new issued loans between stages.

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance for ECL as at 31 December 2019	136,991	193,828	315,598	646,417
Changes in the gross carrying amount				
- Transfer from stage 1	(41,864)	39,322	2,542	-
- Transfer from stage 2	94,899	(117,172)	22,273	-
- Transfer from stage 3	7,671	71,960	(79,631)	-
- Changes in EAD*	(175,652)	35,329	1,231,688	1,091,365
New loans and advances to customers issued or acquired	180,088	-	-	180,088
Matured or derecognized loans and advances to customers (except for write off)	(22,609)	(23,130)	(24,716)	(70,455)
Recovery of loans and advances to customers previously written off	-	-	7,640	7,640
Written off loans and advances to customers	-	-	-	-
Foreign exchange differences	12,233	15,327	20,100	47,660
Loss allowance for ECL as at 31 December 2020	191,757	215,464	1,495,494	1,902,715

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance for ECL as at 31 December 2018	175,253	70,747	215,332	461,332
Changes in the gross carrying amount				
- Transfer from stage 1	(26,203)	20,967	5,236	-
- Transfer from stage 2	17,966	(24,399)	6,433	-
- Transfer from stage 3	1,992	86,316	(88,308)	-
- Changes in EAD*	(207,675)	5,780	189,704	(12,191)
New loans and advances to customers issued or acquired	293,830	-	-	293,830
Matured or derecognized loans and advances to customers (except for write off)	(124,657)	(13,046)	(48,482)	(186,185)
Recovery of loans and advances to customers previously written off	-	-	25,838	25,838
Written off loans and advances to customers	-	-	(4,382)	(4,382)
Foreign exchange differences	6,485	47,463	14,227	68,175
Loss allowance for ECL as at 31 December 2019	136,991	193,828	315,598	646,417

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

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

	31 December 2020		31 December 2019	
	Amount	%	Amount	%
Manufacturing	12,165,253	30%	9,201,743	30%
Oil and gas & chemicals	9,999,561	24%	6,762,641	22%
Individuals	4,361,970	11%	3,123,699	10%
Trade and Services	4,338,733	11%	3,650,471	12%
Agriculture	3,616,095	9%	1,642,841	5%
Energy	3,396,794	8%	3,621,465	12%
Transport and communication	2,198,157	5%	1,867,812	6%
Construction	786,110	2%	815,530	3%
Total loans and advances to customers, gross	40,862,673	100%	30,686,202	100%
Less: Allowance for expected credit losses	(1,902,715)		(646,417)	
Total loans and advances to customers	38,959,958		30,039,785	

As at 31 December 2020, the Group granted loans to 12 (31 December 2019: 10) borrowers in the amount of UZS 12,563,610 million (31 December 2019: UZS 10,434,535 million), which individually exceeded 10% of the Group's equity.

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Information about loans and advances to individuals as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Mortgage loans	2,867,127	1,792,916
Microloans	628,107	357,977
Car loans	536,708	525,977
Consumer loans	256,592	300,598
Other	73,436	146,231
Total loans and advances to individuals, gross	4,361,970	3,123,699
Less: allowance for expected credit losses	(223,544)	(30,355)
Total loans and advances to individuals	4,138,426	3,093,344

Information about collateral as at 31 December 2020 are as follows:

	Corporate loans	State and municipal organisations	Loans to individuals	31 December 2020
Loans collateralised by:				
Letter of surety	7,748,268	2,230,264	804,776	10,783,308
Real estate	6,980,088	137,576	2,544,451	9,662,115
State guarantee	2,179	7,871,577	-	7,873,756
Equipment	4,231,746	957,259	-	5,189,005
Inventory and receivables	717,007	2,055,641	1,151	2,773,799
Insurance policy	1,912,279	15,016	348,154	2,275,449
Cash deposits	52,955	1,054,919	4,623	1,112,497
Vehicles	290,185	73,101	236,322	599,608
Not collateralized	3,464	2,998	422,493	428,955
Equity securities	-	164,181	-	164,181
Total loans and advances to customers, gross	21,938,171	14,562,532	4,361,970	40,862,673
Less: allowance for expected credit losses	(1,550,214)	(128,957)	(223,544)	(1,902,715)
Total loans and advances to customers	20,387,957	14,433,575	4,138,426	38,959,958

Information about collateral as at 31 December 2019 are as follows:

	Corporate loans	State and municipal organisations	Loans to individuals	31 December 2019
Loans collateralised by:				
Letter of surety	4,998,533	1,975,298	1,079,732	8,053,563
State guarantee	-	7,344,937	-	7,344,937
Real estate	4,150,752	171,715	1,146,855	5,469,322
Equipment	2,592,782	1,060,371	34	3,653,187
Inventory and receivables	827,384	1,037,299	349,464	2,214,147
Insurance policy	1,127,543	504	230,588	1,358,635
Cash deposits	56,596	964,025	379	1,021,000
Vehicles	335,232	161,702	201,279	698,213
Equity securities	209,504	314,517	-	524,021
Not collateralised	233,809	-	115,368	349,177
Total loans and advances to customers, gross	14,532,135	13,030,368	3,123,699	30,686,202
Less: Allowance for expected credit losses	(468,394)	(147,668)	(30,355)	(646,417)
Total loans and advances to customers	14,063,741	12,882,700	3,093,344	30,039,785

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Analysis by credit quality of loans to State and municipal organisations, Corporate and Individual customers that are collectively and individually assessed for impairment as at 31 December 2020 are as follows:

31 December 2020	State and municipal organisations	Corporate loans	Loans to individuals	Total
<i>Loans assessed for impairment on a collective basis (gross)</i>				
Not past due loans	14,228,723	17,897,823	3,826,146	35,952,692
Past due loans				
- less than 30 days overdue	-	593,668	279,244	872,912
- 31 to 90 days overdue	59,829	1,927,487	193,959	2,181,275
- 91 to 180 days overdue	-	81,407	33,325	114,732
- 181 to 360 days overdue	-	93,052	27,906	120,958
- over 360 days overdue	-	31,439	1,390	32,829
Total loans assessed for impairment on a collective basis, gross	14,288,552	20,624,876	4,361,970	39,275,398
<i>Loans individually determined to be impaired (gross):</i>				
Restructured loans	273,980	1,313,295	-	1,587,275
Total loans individually determined to be impaired, gross	273,980	1,313,295	-	1,587,275
- Impairment provisions for individually impaired loans	-	(758,997)	-	(758,997)
- Impairment provisions assessed on a collective basis	(128,957)	(791,217)	(223,544)	(1,143,718)
Less: Allowance for expected credit losses	(128,957)	(1,550,214)	(223,544)	(1,902,715)
Total loans and advances to customers	14,433,575	20,387,957	4,138,426	38,959,958

The Group's allowance for expected credit losses on loans individually determined to be impaired increased significantly due to charge of UZS 715,025 million of allowance on only one borrower with gross carrying amount of UZS 1,397,213 million, the operations of which were significantly impacted by Covid-19. The main activities of the borrower include exploration, production and transportation of hydrocarbons, construction of industrial and infrastructural objects.

The loans to this one borrower were issued and restructured in line with the Government's instructions. Currently, the Group is working closely with the Government on different solutions to support the operations of the borrower to recover the outstanding loan balances and reverse the allowance.

Analysis by credit quality of loans to State and municipal organisations, Corporate and Individual customers that are collectively and individually assessed for impairment as at 31 December 2019 are as follows:

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	State and municipal organisations	Corporate loans	Loans to individuals	Total
31 December 2019				
<i>Loans assessed for impairment on a collective basis (gross)</i>				
Not past due loans	13,017,467	13,627,010	3,065,257	29,709,734
Past due loans				
- less than 30 days overdue	10,622	258,313	31,722	300,657
- 31 to 90 days overdue	1,911	421,577	14,019	437,507
- 91 to 180 days overdue	368	58,840	10,130	69,338
- 181 to 360 days overdue	-	37,801	2,402	40,203
- over 360 days overdue	-	215	169	384
Total loans assessed for impairment on a collective basis, gross	13,030,368	14,403,756	3,123,699	30,557,823
<i>Loans individually determined to be impaired (gross):</i>				
Restructured loans	-	128,379	-	128,379
Total loans individually determined to be impaired, gross	-	128,379	-	128,379
- Impairment provisions for individually impaired loans	-	(113,604)	-	(113,604)
- Impairment provisions assessed on a collective basis	(147,668)	(354,790)	(30,355)	(532,813)
Less: Allowance for expected credit losses	(147,668)	(468,394)	(30,355)	(646,417)
Total loans and advances to customers	12,882,700	14,063,741	3,093,344	30,039,785

The components of net investment in finance lease as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Not later than one year	79,270	71,317
From one year to five years	111,817	150,078
More than five years	-	-
Minimum lease payments	191,087	221,395
Less: unearned finance income	(36,713)	(53,800)
	154,374	167,595
Less: allowance for expected credit losses	(1,406)	(846)
Net investment in finance lease	152,968	166,749
Current portion	56,146	45,596
Long-term portion	96,822	121,153
Net investment in finance lease	152,968	166,749

As at 31 December 2020, finance lease receivables include four lease agreements for the total amount of UZS 172,320 million (31 December 2019: UZS 174,040 million) with one-year grace period for repayment of principal amounts.

10. INVESTMENT SECURITIES MEASURED AT AMORTISED COST

	Currency	Annual coupon/ interest rate %	EIR %	Maturity date month/year	31 December 2020	31 December 2019
Government Bonds	UZS	13 - 16	14 - 18	Apr.21 - Jan. 22	365,319	83,095
The CBU Bonds	UZS	14	14	May.21 - Oct. 21	174,089	-
Corporate bonds	UZS	18	18	Jul. 2026	2,503	2,503
Less: allowance for expected credit losses					(1,689)	(950)
Total investment securities measured at amortised cost					540,222	84,648

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As at 31 December 2020, the Group holds government bonds of the Ministry of Finance of the Republic of Uzbekistan in the quantity of 370,000 (31 December 2019: 79,009) with nominal value of UZS 1,000,000 and coupon rate of 13-16% p.a. (31 December 2019: 15% p.a.). As at 31 December 2020, 250,000 of the above 370,000 government bonds were placed with the CBU under a repurchase agreement with a maturity of 3 months and an interest rate of 15.93%.

As at 31 December 2020, the Group holds bonds of the CBU in the amount of UZS 170,000 million at 14% p.a. coupon rate.

As at 31 December 2020, the subsidiary PSB Insurance LLC holds corporate bonds of JSCB "Asia Alliance Bank" in quantity 2,500 with nominal value of UZS 1,000,000 and coupon rate of CBU refinancing rate (14%) + 4% p.a.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Ownership	31 December 2020	31 December 2019
Visa Inc.	0.0%	13,203	10,338
JSC "Uzbekistan Mortgage Refinancing Company"	8.0%	8,000	-
JSC "Qurilishmashlizing"	6.5%	5,577	1,821
JSC "Republican Currency Exchange"	11.1%	4,734	4,528
LLC "Yagona Umumrespublika Protsessing Markazi"	6%	2,530	-
LLC "Credit Information Services CRIF"	3.2%	2,081	-
JSC "Tashkent" Stock Exchange	6.8%	478	554
JSC "UzMed-Leasing"	16.7%	357	356
LLC "Xojayli Agrosanoat markazi"	0.0%	-	116
LLC "Steel Property Construction"	0.0%	-	41,662
LLC "Binokor"	0.0%	-	28,736
Other	3-8%	1,064	603
Total financial assets at fair value through other comprehensive income		38,024	88,714

Financial assets at FVTOCI as at 31 December 2020, other than Visa Inc., include equity securities registered in Uzbekistan and not actively traded. Due to the nature of the local financial markets, it is not possible to obtain current market value for these investments.

As at 31 December 2020 and 2019, Visa Inc. is measured using level 1 hierarchy and investment securities other than Visa Inc. are measured using level 3 hierarchy of fair value measurement.

Starting from 1 January 2018, the fair value of the financial assets at fair value through other comprehensive income were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities. A significant unobservable input used in determining the fair value of financial assets at FVTOCI is WACC. The higher the WACC the lower the fair value of the financial assets at FVTOCI.

Investments to which the dividends valuation approach is not applicable, i.e. dividends were not paid during the period, Management may use the Assets based valuation approach focused on the investment company's net assets value (NAV), or fair market value of its total assets minus its total liabilities, to determine what would cost to recreate the business. The Management believes that such approach accurately reflects the fair value of these securities.

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 41,662 million during the year ended 31 December 2019.

In accordance with the Presidential Decree "On additional measures for acceleration of development of the construction materials industry" dated 23 May 2019, the Group made an additional investment in share capital of LLC "Binokor" in the amount of USD 3 million, equivalent to UZS 31,431 million (UZS 28,736 million in 2019).

In 2020, the investments in LLC "Steel Property Construction" and LLC "Binokor" have been sold.

As at 31 December 2020 and 2019, none of the financial assets at FVTOCI were pledged.

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The table below represents the movement of financial instruments at FVTOCI for the year ended 31 December 2020:

	31 December 2019	Additions	Disposal	FV Adjustments	31 December 2020
Financial assets at FVTOCI	88,714	12,857	(72,272)	8,725	38,024

	31 December 2018	Additions	Disposal	FV Adjustments	31 December 2019
Financial assets at FVTOCI	41,804	44,998	(3,267)	5,179	88,714

12. INVESTMENT IN ASSOCIATES

Name	Principal activity	Country	Ownership interest and carrying amount of investment			
			31 December 2020	31 December 2019		
LLC "SQB Consult"	Consulting	Uzbekistan	40.00%	14	0.00%	-
LLC "Khorezm Invest Project"	Asset management	Uzbekistan	34.00%	978	0.00%	-
Total investment in associates				993		-

13. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and Premises	Office and computer equipment	Construction in progress	Total premises and equipment	Intangible assets	Total
Carrying amount as at 1 January 2019	99,444	64,869	34,947	199,260	1,147	200,407
Additions	2,737	111,841	151,167	265,745	2,228	267,973
Disposals (net of depreciation)	(4,300)	(837)	(293)	(5,430)	(205)	(5,635)
Transfers	38,997	9,020	(48,065)	(48)	48	-
Depreciation/amortization charge (Note 29)	(5,254)	(21,672)	-	(26,926)	(539)	(27,465)
Carrying amount as at 31 December 2019	131,624	163,221	137,756	432,601	2,679	435,280
Cost as at 31 December 2019	168,637	257,579	137,756	563,972	12,057	576,029
Accumulated depreciation/amortisation	(37,013)	(94,358)	-	(131,371)	(9,378)	(140,749)
Carrying amount as at 31 December 2019	131,624	163,221	137,756	432,601	2,679	435,280
Additions	306	89,005	269,065	358,376	25,632	384,008
Disposals (net of depreciation)	(13,156)	(1,204)	(5,091)	(19,451)	(278)	(19,729)
Transfers	87,706	48,544	(135,964)	286	(286)	-
Depreciation/amortization charge (Note 29)	(6,472)	(45,355)	-	(51,827)	(500)	(52,327)
Carrying amount as at 31 December 2020	200,008	254,211	265,766	719,985	27,247	747,232
Cost as at 31 December 2020	243,493	393,924	265,766	903,183	37,125	940,308
Accumulated depreciation/amortisation	(43,485)	(139,713)	-	(183,198)	(9,878)	(193,076)
Carrying amount as at 31 December 2020	200,008	254,211	265,766	719,985	27,247	747,232

In 2019, the Group has signed a contract with construction company Shanghai Construction Group Co.Ltd on design and construction of the Headquarters for Group in the amount of USD 136.5 million. As at 31 December 2020, in accordance

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with the contract, the Group invested USD 37.8 million (equivalent to UZS 377,888 million) of which UZS 200,661 million was recorded in CIP.

During 2020, the Group invested UZS 54,819 million (2019: UZS 151,167 million) on renovation of its branches which was recorded in CIP:

- UZS 18,845 million on renovation of the Head office;
- UZS 9,698 million on renovation of Shargun branch;
- UZS 6,307 million on renovation of Kashkadarya regional branch;
- UZS 3,378 million on renovation of Namangan regional branch;
- Others UZS 16,581 million.

During the financial year ending 31 December 2020, the Group purchased banking software to update its accounting system and recorded within Intangible Assets for the amount UZS 22,469 million.

As at 31 December 2020 and 2019, included in premises and equipment were fully depreciated assets totaling UZS 51,714 million and UZS 45,495 million, respectively.

As at 31 December 2020 and 2019, premises and equipment of the Group were not pledged.

14. OTHER ASSETS

	31 December 2020	31 December 2019
Other financial assets		
Commission income receivable	11,024	6,468
Security deposit on money transfer systems	213	
Receivable from Republican Currency Exchange	64	137
Other receivables	6,316	836
Less: Allowance for expected credit losses	(1,409)	(2,279)
Total other financial assets	16,208	5,162
Other non-financial assets		
Prepayment for construction of building	245,903	209,997
Prepaid income tax	58,379	26,536
Prepaid expenses and advances	30,144	20,819
Tax settlements, other than income tax	17,907	6,291
Inventory	5,716	3,378
Prepayments for equipment and property	2,026	685
Repossessed collateral	617	212
Other	1,259	3,742
Less: allowance for impairment	(1,639)	(129)
Total other non-financial assets	360,312	271,531
Total other assets	376,520	276,693

As at 31 December 2020, the prepayment for construction of building comprises prepayment to Shanghai Construction company in the amount of UZS 171,227 million (equivalent USD 17.4 million) (31 December 2019: UZS 194,848 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.

15. NON-CURRENT ASSETS HELD FOR SALE

	31 December 2020	31 December 2019
Repossessed assets:		
- Buildings held for sale	27,355	17,706
- Others assets held for sale		1,237
Total repossessed assets	27,355	18,943
Total non-current assets (or disposal groups) held for sale	27,355	18,943

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As of 31 December 2020, buildings held for sale include the repossessed property of "Toshbozorsavdo" LLC (UZS 8,086 million) and "Beltepa Master Story" LLC (UZS 19,277 million). In December 2019 and 2020, the Group's management approved and initiated active customer search programs within one year. The assets received were measured at the lower of their carrying amount and fair value less costs to sell. As of 31 December 2020, an impairment of reacquired assets classified as held for sale was recognized in the amount of UZS 5,255 million (31 December 2019: UZS 12,488 million).

16. DUE TO OTHER BANKS

	31 December 2020	31 December 2019
Long term placements of other banks	584,783	358,687
Short term placements of other banks	279,438	68,427
Payable to the CBU under repo agreement	259,165	-
Correspondent accounts and overnight placements of other banks	372,618	37,995
Total due to other banks	1,496,004	465,109

As at 31 December 2020 and 2019, "Long term placements of other banks" comprised borrowings from National Bank of Uzbekistan and Halk Bank for the amount of UZS 472,264 million and borrowings from Halk Bank for the amount of UZS 358,259 million, respectively, obtained to finance strategic government infrastructural projects.

As at 31 December 2020, 250,000 government bonds were placed with the CBU under a repurchase agreement with a maturity of 3 months and an interest rate of 15.93%.

17. CUSTOMER ACCOUNTS

	31 December 2020	31 December 2019
State and public organisations		
Current/demand accounts	3,171,211	1,283,604
- Term deposits	2,705,206	3,149,784
Other legal entities		
Current/settlement accounts	3,360,112	2,666,070
- Term deposits	239,375	391,449
Individuals		
Current/demand accounts	925,599	760,410
- Term deposits	1,215,455	872,653
Total customer accounts	11,616,958	9,123,970

Economic sector concentrations within customer accounts are as follows:

	31 December 2020		31 December 2019 (Restated)	
	Amount	%	Amount	%
Public administration	2,744,161	24%	2,907,265	32%
Oil and gas	2,348,720	20%	777,904	9%
Individuals	2,141,054	19%	1,633,063	18%
Manufacturing	1,363,581	12%	1,276,139	14%
Energy	1,324,435	11%	354,517	4%
Services	347,780	3%	366,095	4%
Trade	318,599	3%	270,093	3%
Communication	260,275	2%	201,206	2%
Construction	246,051	2%	224,443	2%
Finance	181,740	2%	161,873	2%
Engineering	155,739	1%	126,877	1%
Transportation	87,060	1%	92,788	1%
Agriculture	57,036	0%	30,654	0%
Mining	17,414	0%	679,486	8%
Medicine	16,015	0%	7,029	0%
Other	7,298	0%	14,538	0%
Total customer accounts	11,616,958	100%	9,123,970	100%

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During 2020, the Group has revisited the approach of classification of customer accounts balances by economic sector and has identified errors in the note. As a result of the retrospective correction of the classification error the customer account balances by sector were adjusted within the Note 17.

As at 31 December 2020, the Group had two (31 December 2019: two) customers, the Ministry of Finance of the Republic of Uzbekistan and NHC "Uzbekneftegaz", with a total balance UZS 4,291,575 million (31 December 2019: UZS 3,188,457), which individually exceeded 10% (31 December 2019: 10%) of the Group's equity.

18. DEBT SECURITIES IN ISSUE

	31 December 2020			31 December 2019		
	Amount	Nominal interest, %	Maturity, year	Amount	Nominal interest, %	Maturity, year
Eurobonds	3,118,189	5.75	2024	2,808,987	5.75	2024
Certificates of deposit	78,566	14-16	2021-2022	79,627	5-18	2022
Bonds	76,293	14-16	2021-2024	32,280	7.5-18	2024
Total debt securities in issue	3,273,048			2,920,894		

In December 2019, the Group has issued Eurobonds in London Stock Exchange with nominal value of USD 300,000 thousand with a discount of USD 3,198 thousand and five years maturity. Amortised cost of Eurobonds equivalent to UZS 3,118,189 million represent the present value of future cash payments discounted using effective interest rate of 6.193%. The present value calculation includes all costs directly associated with the issuance and form an integral part of the effective interest rate.

The debt securities issued do not stipulate financial covenants except for Eurobonds, which stipulate the Group is required to comply with certain financial covenants, non-compliance of which may give the lender a right to demand repayment.

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19. OTHER BORROWED FUNDS

	31 December 2020	31 December 2019
International financial institutions		
The Export-Import Bank of China	5,167,808	4,959,868
Credit Suisse	2,122,431	530,136
Commerzbank AG	1,632,046	1,480,537
International Bank of Reconstruction and Development	1,298,161	1,000,829
The Export-Import Bank of Russia	995,354	588,330
Landesbank Baden-Wuerttemberg	967,246	761,952
China Development Bank	886,739	859,232
Daryo Finance B.V.	770,900	-
Raiffeisen Bank International AG	819,035	594,624
Gazprombank	789,796	268,974
ICBC (London) plc	671,172	-
International Development Association of World Bank	602,590	570,406
Asian Development Bank	584,938	416,656
Promsvyazbank PJSC	540,737	-
European Bank for Reconstruction and Development	517,297	-
VTB Bank Europe	436,654	203,333
Japan International Cooperation Agency (JICA)	323,180	-
Credit Bank of Moscow	263,233	-
OPEC Fund for International Development	208,719	-
OJSB Transcapitalbank	187,908	130,332
Halyk Savings Bank of Kazakhstan JSC	179,788	-
Turk Eximbank	216,946	-
AK BARS Bank	162,298	-
Baobab Securities Limited	162,180	232,573
The Export-Import Bank of Korea	141,464	100,959
KfW IPEX-Bank	57,417	36,317
Aktif Yatirim Bankasi Anonim Sirketi	54,298	-
Citibank Europe PLC	46,110	115,094
John Deere	42,822	-
ODDO Bank	21,442	77,111
Sberbank Europe AG	18,342	6,661
AKA Ausfuhrkredit-Gesellschaft mbH	13,811	118,302
Sberbank Kazakhstan	5,942	12,816
Jusan Bank JSC	2,682	-
The Taipei EXIMBANK	2,647	-
International Fund for Agricultural Development	2,320	2,495
Amsterdam Trade Bank N.V.	-	323,041
UniCredit	-	19,427
Financial institutions of Uzbekistan		
Long term borrowings from the Ministry of Finance	3,233,042	1,998,012
Fund for Reconstruction and Development of Uzbekistan	1,384,626	1,299,791
Long term borrowings from the CBU	68,358	73,889
Uzbekistan Mortgage Refinancing Company (UzMRC)	61,213	-
Preference shares	9,944	8,647
Khokimiyat of Tashkent Region	5,927	5,953
Children's Sports Development Fund of Uzbekistan	-	1,478
Ipak Yuli Bank	-	687
Other	3,894	4,752
Total other borrowed funds	25,683,457	16,803,214

On 9 October 2019, a Presidential Decree #PD-4487 ("the Decree") was issued outlining priority measures to strengthen the financial standing of the banking sector which, among other plans for action, stipulated a withdrawal of government directed low-margin and subsidized assets out from the State owned banks, including the Group, to improve their return on assets and performance.

Specifically, the Decree required the Group to execute the following transactions by the end of the year ending 31 December 2019:

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- Reduce the share of low-margin loans funded by the Government in the loan portfolio of the Group. As at 31 October 2019, the Group executed the transaction by transferring from its loan portfolio 22 loans in the amount of equivalent of UZS 11,575,708 million specified in the Decree ("the Non-core loans") to the UFRD. To compensate for the reduction of assets, the Group simultaneously discharged from its liabilities by decreasing the 'Other borrowed funds' from the UFRD for the same amount. In accordance with the Decree, these loans, denominated predominantly in USD and lesser in EUR, were provided to twelve large State owned companies to fund national projects in the energy, oil & gas, chemicals and transportation sectors of the economy.

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").

In November 2019, the ADB advanced another Subsidiary Loan Agreement to the Republic of Uzbekistan in connection with the financing of livestock value chain development projects in Uzbekistan (the "Project"). The Republic on-lent a portion of this loan to the Bank under subsidiary loan agreements No. L3823 (COL)-UZB dated 10 February 2020 between the Republic, the Agro Industries and Food Security Agency and the Bank.

The loan agreements between ADB and the Republic require the Republic to cause the Bank to ensure the maintenance of certain financial covenants throughout the implementation period of the Project. The same financial covenants are included in the Subsidiary Loan Agreements.

As at 31 December 2020, the Bank was not in compliance with return on average assets ratio stipulated in the Subsidiary Loan Agreements.

Under the terms of the Subsidiary Loan Agreements, any non-compliance with covenants gives the Republic the right to demand prepayment of the loans advanced to the Bank. Hence, as at 31 December 2020, the Group classified UZS 548,938 million as "demand and less than 1 month" as a result of the non-compliance with the covenant mentioned above.

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 covenant 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. 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 this covenant. The agreement between the Bank and Ministry of Finance does not provide a definition of an event of default. Therefore the Management considers the breach of the covenant not to be an event of default and has received a letter from the Ministry of Finance dated 31 December 2020 confirming that this breach of the covenant is not considered to be an event of default.

As at 31 December 2020, the Bank was not in compliance with following covenants stipulated in Master Trade Finance Loan Agreement (the 'Master Agreement') dated 15 October 2019 between the Bank and VTB Bank Europe:

- the percentage of problem loans (Stage 3 loans) in relation to loans and advances to customers (gross);
- loan loss reserves to problem loans (Stage 3 loans).

On 24 March 2021, the Bank received a letter from VTB Bank Europe giving their consent to waive above mentioned financial covenant as of the end of the financial year 2020 with the decision to grant the waiver reached during December 2020. Hence, liquidity has not been adjusted.

20. OTHER LIABILITIES

As at 31 December 2020 and 2019, trade payables comprise payables for 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.

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	31 December 2020	31 December 2019
Trade payables	29,152	18,956
Provision for Bank's guarantees and letters of credit	22,845	12,077
Payable to other creditors	6,231	3,292
Dividends payable	2,758	1,777
Total other financial liabilities	60,986	36,102
Other non-financial liabilities		
Payable to employees	35,485	2,022
Taxes payable other than income tax	15,852	10,759
Unearned income from guarantees and letters of credit	3,412	17,575
Income tax payable	-	28,657
Other	12,892	4,405
Total other non-financial liabilities	67,641	63,418
Total other liabilities	128,627	99,520

On 1 January 2020 preferential income tax rates for branches with long-term investment financing in the structure of the loan portfolio which considered taxable ranges from 14% till 20% for each branch as a separate tax payer, has expired and in accordance with the new tax legislation, the Bank pays income tax on a consolidated basis as a single tax payer at a single rate of 20%. Thus income tax payable and prepayment for income tax are presented on a net basis as at 31 December 2020.

21. SUBORDINATED DEBT

Subordinated debt amounting to UZS 80,000 million was repaid to JSCB Asaka Bank on 31 December 2020 based on the decision by the CBU dated 28 December 2020 #19-20/78.

22. SHARE CAPITAL

	Number of outstanding shares	Ordinary and preference shares	Share premium	Treasury shares	Total
1 January 2019	98,773	1,884,186	696	(1,330)	1,883,552
Issue of new shares	15,393	292,467	-	-	292,467
Conversion of debt into equity by the shareholder	129,756	2,465,358	(696)	-	2,464,662
Disposal of treasury shares	-	-	-	1,330	1,330
Recognition of liability component of preference shares	-	(2,000)	-	-	(2,000)
31 December 2019	243,922	4,640,011	-	-	4,640,011
31 December 2020	243,922	4,640,011	-	-	4,640,011

As at 31 December 2020 and 2019, the nominal registered amount of the Bank's issued share capital was UZS 4,634,514 million, prior to restatement of capital contributions to the purchasing power of the UZS in the amount of UZS 12,527 million (effects of hyperinflation in accordance with IAS 29) and adjustment for liability component of preference shares.

The share capital was increased in 2019 by total amount of UZS 2,757,825 million through two emissions executed:

- The first emission was executed in accordance with Presidential Decree #PD-4015 dated 13 November 2018 and the Shareholders' resolution #27 dated 25 December 2018 on the issuance of 21,963,818,421 pieces of ordinary shares (19 UZS each) in the total amount of UZS 417,313 million of which UZS 124,846 million and UZS 292,467 were paid in 2018 and 2019, respectively.
- The second emission was executed in accordance with the Shareholders' resolution #28 dated 18 October 2019 on the issuance of 133,000,000,000 pieces of ordinary shares (19 UZS each) with 40 days expire period of payment in the total amount of UZS 2,527,000 of which UZS 2,465,358 million was exchanged with the Group's liability to the UFRD in accordance with the Presidential Decree #PD-4487 ("the Decree") dated 9 October 2019 and remaining pieces of ordinary shares were cancelled due to the expiration maturity. In accordance with the Decree, increase the Share capital of the Group and the UFRD's stake in it, respectively, by capitalizing 7 loans ("the Capitalized loans") funded by the UFRD. The transaction occurred by converting the Group's borrowings, obtained from the UFRD to

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fund these loans, into the Group's share capital. These loans were provided to three large State owned companies to fund the national projects in oil & gas, chemicals and transportation sectors of economy and amounted to USD 258.5 million (UZS 2,465,358 million) as at the date of actual transaction which has been executed as at 31 October 2019.

Also, the Government, in its capacity as a shareholder of the Group, has instructed to substantially modify initial terms of the discussed above capitalized 7 loans by changing their currency profile, interest rates and maturity. These modifications resulted in derecognition of old assets with the carrying value of UZS 2,465,358 million and recognition of new assets with the fair value on initial recognition of UZS 2,243,000 million. As a result, loss on initial recognition of the asset in the amount of UZS 222,357 million was recognized directly in shareholder's equity by utilizing the available share premium and reducing the retained earnings for the remaining amount net of tax in the amount of UZS 45,044 million. (Note 30).

As at 31 December 2020 and 2019, the total authorised number of ordinary shares is 243,552 million with a par value of UZS 19 per share. Each share carries one vote. Dividends on preference shares will not be less than dividends on ordinary shares.

The number of ordinary shares issued but not fully paid in was Nil (31 December 2019: Nil).

As at 31 December 2020 and 2019, the total authorised number of preference shares is 370 million, with a par value of UZS 19 per share in the amount of UZS 7,030 million.

The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Group's liquidation. The preference shares give the holders the right to participate in general shareholders' meetings without voting rights, except in instances where decisions are made in relation to reorganisation and liquidation of the Group, and where changes and amendments to the Group's charter which restrict the rights of preference shareholders are proposed. Preference share rank above ordinary shares and if preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until such time that the dividend is paid.

In 2019 and 2020, the minimum rate of return of 20% on preference shares remains unchanged.

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23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	31 December 2019	Financing cash inflows/ (outflow)	Interest paid	Effect of exchange rate changes	Dividends declared	Non-cash changes Interest accrued	Transfer of loans funded by UFRD	Conversion of debt into equity by the shareholder	Other changes	31 December 2020
Debt securities in issue	2,920,894	73,910	(197,807)	278,819	-	220,716	-	-	(23,484)	3,273,048
Other borrowed funds	16,803,214	6,605,866	(838,473)	2,199,354	-	913,496	-	-	-	25,683,457
Due to other banks (long term placements of other banks) (Note 16)	358,687	176,096	(130,267)	-	-	130,267	-	-	50,000	584,783
Subordinated debt	83,332	(80,000)	(16,438)	-	-	13,106	-	-	-	-
Dividends payable	1,777	(353,788)	-	-	354,769	-	-	-	-	2,758

	31 December 2018	Financing cash inflows/ (outflow)	Interest paid	Effect of exchange rate changes	Dividends declared	Non-cash changes Interest accrued	Transfer of loans funded by UFRD	Conversion of debt into equity by the shareholder	Other changes	31 December 2019
Debt securities in issue	67,741	2,848,787	(12,159)	3,800	-	12,725	-	-	-	2,920,894
Other borrowed funds	21,756,155	5,717,428	(1,379,791)	3,075,350	-	708,391	(11,575,708)	(2,465,358)	966,747	16,803,214
Due to other banks (long term placements of other banks) (Note 16)	434,827	(76,139)	(123,952)	-	-	123,951	-	-	-	358,687
Subordinated debt	-	80,000	-	-	-	3,332	-	-	-	83,332
Dividends payable	1,572	(71,145)	-	-	71,350	-	-	-	-	1,777

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24. INTEREST INCOME AND EXPENSE

	2020	2019
Interest income		
Interest income on assets recorded at amortised cost comprises:		
Interest on loans and advances to customers	3,049,625	2,193,553
Interest on balances due from other banks	137,503	88,186
Interest on investment securities measured at amortised cost	102,504	8,991
Total interest income	3,289,632	2,290,730
Interest expense		
Interest expense on liabilities recorded at amortised cost comprises:		
Interest on other borrowed funds	(913,496)	(708,391)
Interest on customer accounts	(389,970)	(285,010)
Interest on balances due to other banks	(130,267)	(123,951)
Interest on debt securities in issue	(220,716)	(12,725)
Interest on subordinated debt	(13,106)	(3,332)
Total interest expense	(1,667,555)	(1,133,409)
Net interest income before allowance for expected credit losses on loans and advances to customers	1,622,077	1,157,321

The total interest income calculated using the EIR method for financial assets measured at amortized cost is UZS 3,289,632 million during the year 2020 (year 2019: UZS 2,290,730 million). The total interest expense calculated using the EIR method for financial liabilities measured at amortized cost is UZS 1,667,555 million during the year 2020 (year 2019: UZS 1,133,409 million).

During 2020 and 2019, the Group had accrued interest income from loans individually determined to be impaired for the amount of UZS 26,117 million and UZS 2,438 million, respectively.

25. FEE AND COMMISSION INCOME AND EXPENSE

	2020	2019
Fee and commission income		
Settlement transactions	240,987	219,272
Foreign currency exchange	62,945	55,060
International money transfers	41,055	34,206
Guarantees issued	36,746	9,076
Letters of credit	10,879	6,937
Services of engineers for conducting control measurements	8,146	8,076
Other	1,026	1,412
Total fee and commission income	401,784	334,039
Fee and commission expense		
Settlement transactions	(53,232)	(35,994)
Foreign currency exchange	(13,919)	(5,647)
Cash collection	(8,195)	(26,566)
Other	(6,115)	(8,673)
Total fee and commission expense	(81,461)	(76,880)
Net fee and commission income	320,323	257,159

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26. INSURANCE OPERATIONS INCOME AND EXPENSE

	2020	2019
Insurance operations income		
Loan insurance	19,254	6,470
Property insurance	21,662	11,869
Civil liability insurance	1,212	320
Accident insurance	597	13
Obligatory insurance of third party liability of motor vehicle owners (OMTPL)	463	18
Insurance from other financial risks	256	64
Total insurance operations income	43,444	18,754
Insurance operations expense		
Loan insurance	(7,529)	(4,610)
Civil liability insurance	(4,340)	-
Property insurance	(5,290)	(990)
Obligatory insurance of third party liability of motor vehicle owners (OMTPL)	(544)	-
Accident insurance	(10)	-
Total insurance operations expense	(17,713)	(5,600)
Net insurance operations income	25,731	13,154

27. CHANGE IN INSURANCE RESERVES, NET

	Insurance assets	Insurance liabilities	Change in insurance reserves, net
1 January 2019	-	-	-
Unearned premium reserve	2,154	13,855	(11,701)
Reserves for incurred but not reported losses	237	1,776	(1,539)
31 December 2019	2,391	15,631	(13,240)
Unearned premium reserve	2,903	26,885	(23,982)
Reserves for incurred but not reported losses	250	2,371	(2,121)
31 December 2020	5,544	44,887	(26,103)

28. OTHER OPERATING INCOME

	2020	2019
Gain on disposal of subsidiaries mandatorily measured at FVTPL	25,741	-
Gain on disposal of premises and equipment	1,036	9,102
Income from rent of POS terminals	776	651
Other	2,220	6,942
Total other operating income	29,773	16,695

During 2020, one of the assets management companies (investment entity) of the Group has acquired Zomin Non SQB, Zarbdor Non SQB and established six Urganch Texnopark companies exclusively for resale and measured them at fair value through profit or loss. As of 31 December 2020, all of these entities were disposed and resulted in the gain on disposal of subsidiaries mandatorily measured at FVTPL.

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29. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2020	2019
Staff costs	532,209	479,322
Depreciation and amortisation	52,327	27,465
Taxes other than income tax	40,219	8,085
Security services	30,304	28,587
Consultancy fee	18,689	13,064
Stationery and other low value items	18,080	16,083
Charity expenses	15,914	3,435
Membership fees	14,784	11,106
Advertising expenses	8,056	7,603
Repair and maintenance of buildings	7,273	4,086
Communication expenses	6,894	5,683
Legal and audit fees	6,282	13,707
Medical, Dental and Hospitalization	6,244	-
Utilities expenses	4,998	3,974
Rent expenses	4,506	4,268
Travel expenses	3,265	5,909
Fuel	1,594	1,587
Representation and entertainment	941	5,907
Other operating expenses	17,868	19,532
Total administrative and other operating expenses	790,447	659,403

New 12% rate (2019: 25%) for statutory social security contributions has become effective from 2020 in accordance with the "On amendments and additions, as well as invalidation of some legislative acts of the Republic of Uzbekistan in connection with the adoption of the tax code of the Republic of Uzbekistan" adopted by the Legislative Chamber on 9 December 2019 and approved by the Senate on 14 December 2019.

Taxes other than income tax include VAT on imported construction services and banking software.

30. INCOME TAXES

	2020	2019
Current income tax expense	205,602	136,033
Deferred tax (benefit)/expense:		
- <i>Deferred tax benefit</i>	(183,244)	(28,977)
- <i>Deferred tax expense relating to the components of other comprehensive income</i>	1,745	1,036
Total income tax expense through profit or loss and other comprehensive income	24,103	108,092
- Deferred tax relating to conversion of debt into equity by the shareholder	-	(45,044)

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

	2020	2019
IFRS profit before tax	134,482	711,536
Theoretical tax charge at the applicable statutory rate - 20% (2019: 20%)	26,896	142,307
- Non deductible expenses (employee compensation, representation and other non-deductible expenses)	24,451	7,401
- Tax rate difference	-	(39,715)
- Tax exempt income	(23,185)	(2,432)
- Other	(5,804)	(505)
Income tax expense	22,358	107,056
Net income tax expense relating to the components of other comprehensive income	1,745	1,036
Total income tax expense through profit or loss and other comprehensive income	24,103	108,092

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"Tax rate differences" comprises of tax effects from reduction of standard income tax rate to encourage the banks to increase the share of long-term loans to customers in the total loan portfolio.

On 1 January 2020 preferential income tax rates for branches with long-term investment financing in the structure of the loan portfolio which considered taxable ranges from 14% till 20% for each branch as a separate tax payer, has expired and in accordance with the new tax legislation, the bank pays income tax on a consolidated basis as a single tax payer at a single rate of 20%.

Tax exempt income includes interest income on government bonds and the CBU bonds.

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% (2019: 20%).

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	31 December 2020	(Debited)/ credited to profit or loss	Charged to other comprehensive income	31 December 2019	(Debited)/ credited to profit or loss	Charged to other comprehensive income	Tax credit in equity on conversion of debt into equity by the shareholder	31 December 2018
Tax effect of deductible/(taxable) temporary differences								
Cash and cash equivalents	(4)	(123)	-	119	108	-	-	11
Due from other banks	3,686	265	-	3,421	2,641	-	-	780
Loans and advances to customers	164,659	181,967	-	(17,308)	18,980	-	45,044	(81,332)
Financial assets at fair value through other comprehensive income	(2,961)	-	(1,745)	(1,216)	(996)	(1,036)	-	816
Property, equipment and intangible assets	5,484	5,130	-	354	119	-	-	235
Investments in associates and subsidiaries	(1,424)	4,981	-	(6,405)	2,945	-	-	(9,350)
Investment securities measured at amortised cost	3,055	2,865	-	190	190	-	-	-
Other assets	3,874	2,104	-	1,770	956	-	-	814
Non-current assets held for sale	858	(1,640)	-	2,498	2,498	-	-	-
Customer accounts	-	458	-	(458)	(458)	-	-	-
Debt securities in issue	(2,538)	738	-	(3,276)	(3,276)	-	-	-
Other borrowed funds	(11,643)	(12,704)	-	1,061	1,061	-	-	-
Other liabilities	4,573	(131)	-	4,704	3,543	-	-	1,161
Subordinated debt	-	(666)	-	666	666	-	-	-
Net deferred tax asset/(liability)	167,619	183,244	(1,745)	(13,880)	28,977	(1,036)	45,044	(86,865)
Recognised deferred tax asset	186,185	182,048	-	14,783	33,707	-	45,044	3,817
Recognised deferred tax liability	(18,566)	1,196	(1,745)	(28,663)	(4,730)	(1,036)	-	(90,682)
Net deferred tax asset/(liability)	167,619	183,244	(1,745)	(13,880)	28,977	(1,036)	45,044	(86,865)

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31. ALLOWANCES FOR IMPAIRMENT LOSSES

The tables below analyse information about the changes in the ECL amount of financial assets, commitments and other non-financial assets during 2020 and 2019:

	Other financial assets (Note 14)		Cash and cash equivalents (Note 7)	Due from other Banks (Note 8)	Investment securities at amortised cost (Note 10)	Letters of Credit and Guarantees (Note 33)			TOTAL	Other non- financial assets (Note 14)
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
Loss allowance for ECL as at 1 January 2020	1,236	1,043	101	16,166	950	12,077	-	-	31,573	129
- Transfer from stage 2	(369)	369	-	-	-	(126)	126	-	-	-
- Transfer from stage 3	65	(65)	-	-	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	(169)	30	9	(2,002)	30	(4,755)	3,347	-	(3,510)	1,510
New assets issued or acquired	296	141	92	6,808	1,629	9,607	3,341	-	21,914	-
Matured or derecognized assets (except for write off)	(764)	(457)	(48)	(3,728)	(920)	(1,674)	-	-	(7,591)	-
Foreign exchange differences	11	42	7	1,185	-	522	380	-	2,147	-
Loss allowance for ECL as at 31 December 2020	306	1,103	161	18,429	1,689	15,651	7,194	-	44,533	1,639

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	Other financial assets (Note 14)		Cash and cash equivalents (Note 7)	Due from other Banks (Note 8)	Investment securities at amortised cost (Note 10)	Letters of Credit and Guarantees (Note 33)				Other non- financial assets (Note 14)
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL	
Loss allowance for ECL as at 1 January 2019	175	310	54	4,811	-	5,922	361	247	11,880	309
- Transfer from stage 2	(3)	3	-	-	-	-	-	-	-	-
- Transfer from stage 3	13	(13)	-	-	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	319	117	47	(1,161)	-	(1,007)	-	-	(1,685)	(180)
New assets issued or acquired	706	695	9	12,323	950	6,539	-	-	21,222	-
Matured or derecognized assets (except for write off)	(30)	(117)	(21)	(346)	-	(756)	(361)	(247)	(1,878)	-
Foreign exchange differences	56	48	12	539	-	1,379	-	-	2,034	-
Loss allowance for ECL as at 31 December 2019	1,236	1,043	101	16,166	950	12,077	-	-	31,573	129

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32. EARNINGS PER SHARE

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

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

According to the charter of the Group, and as described in Note 22, 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.

	2020	2019
Profit for the year attributable to ordinary shareholders	111,396	602,815
Profit for the year attributable to preference shareholders	1,617	1,651
Profit/(Loss) for the year from discontinued operations attributable to ordinary shareholders	889	(14)
Profit/(Loss) for the year from discontinued operations attributable to preference shareholders		
Earnings used in calculation of earnings per ordinary share from continuing operations	110,507	602,829
Earnings used in calculation of earnings per preference share from continuing operations	1,617	1,651
Weighted average number of ordinary shares for the purpose of earnings per share	243,922,000,000	135,077,691,812
From continuing operations		
Basic EPS per ordinary share in UZS	0.46	4.46
Total basic earnings per ordinary share (expressed in UZS per share)	0.46	4.46

33. 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 consolidated financial statements.

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

The Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, as at 31 December 2020, no provision for potential tax liabilities had been recorded (2019: Nil). The Group estimates that it has no potential obligations from exposure to other than remote tax risks.

Capital expenditure commitments. As at 31 December 2020 and 31 December 2019, the Group had contractual capital expenditure commitments for the total amount of UZS 1,033,849 million and UZS 1,114,823 million in respect of premises and equipment, respectively.

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

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

	31 December 2020	31 December 2019
Guarantees issued	2,424,042	1,599,403
Letters of credit, non post-financing	336,446	390,788
Letters of credits, post-financing with commencement after reporting period end	457,743	260,499
Undrawn credit lines	518,506	297,764
Total gross credit related commitments	3,736,737	2,548,454
Less - Cash held as security against letters of credit and guarantees	(155,267)	(270,951)
Less – Provision for expected credit losses	(22,845)	(12,077)
Total credit related commitments	3,558,625	2,265,426

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.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (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.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

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

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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/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation model(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2020	31 December 2019				
Equity securities at FVTOCI						
- Visa Inc.	13,203	10,338	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Other	24,821	78,376	Level 3	Discounted cash flows. Discount rate estimated based on WACC	Discount rate	The greater discount- the smaller fair value

The fair value of the equity instruments at fair value through other comprehensive income disclosed in Note 11 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. A significant unobservable input used in determining the fair value of equity securities at FVTOCI is the Group's WACC. The higher the WACC the lower the fair value of the equity securities at FVTOCI. 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.

Investments to which the dividends valuation approach is not applicable, i.e. dividends were not paid during the period, Management may use the Assets based valuation approach focused on the investment company's net assets value (NAV), or fair market value of its total assets minus its total liabilities, to determine what would cost to recreate the business. The Management believes that such approach accurately reflects the fair value of these securities.

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Below is presented the fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required). Except as detailed in the following table, the Management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Loans and advances to customers	38,959,958	34,401,244	30,039,785	26,681,120
Due from other banks	1,859,192	1,739,931	2,037,090	1,883,309
Debt securities in issue				
- Eurobonds (Note 18)	3,118,189	3,312,173	2,808,987	2,987,751
Other borrowed funds	25,683,457	26,703,457	16,803,214	16,963,385

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Loans and advances to customers		34,401,244		34,401,244
Due from other banks			1,739,931	1,739,931
Debt securities in issue				
- Eurobonds (Note 18)	3,312,173			3,312,173
Other borrowed funds			26,703,457	26,703,457

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Loans and advances to customers		26,681,120		26,681,120
Due from other banks			1,883,309	1,883,309
Debt securities in issue				
- Eurobonds (Note 18)	2,987,751			2,987,751
Other borrowed funds			16,963,385	16,963,385

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

As at 31 December 2020 and 2019, the Group determined fair value for some of its financial assets and liabilities using the discounted cash flow model by applying CBU statistical bulletin, which became open to public starting 2019. 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. 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.

35. 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):

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- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13% (31 December 2019: 13%). Actual ratio as at 31 December 2020: 17% (31 December 2019: 23%);
- Ratio of Group's tier 1 capital to risk weighted assets ("Capital adequacy ratio") above a prescribed minimum level of 10% (31 December 2019: 10%). Actual ratio as at 31 December 2020: 13% (31 December 2019: 18%); and
- Ratio of Group's tier 1 capital to total assets less intangibles ("Leverage ratio") above a prescribed minimum level of 6% (31 December 2019: 6%). Actual ratio as at 31 December 2020: 10.3% (31 December 2019: 13.4%).

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

	31 December 2020 (unaudited)	31 December 2019 (unaudited)
Tier 1 capital	5,543,925	5,335,685
Less: Deductions from capital	(46,485)	(100,001)
Tier 1 capital (adjusted)	5,497,440	5,235,684
Tier 2 capital	1,619,786	1,463,606
Total regulatory Capital	7,117,226	6,699,290

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.

36. RISK MANAGEMENT POLICIES

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

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

Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

Group's internal ratings scale:

Standard	1	Timely repayment of these loans is not in doubt. The borrower is a financially stable company, which has an adequate capital level, high level profitability and sufficient cash flow to meet its all existing obligations, including present debt. When estimating the reputation of the borrower such factors as the history of previous repayments, marketability of collateral (movable and immovable property guarantee) are taken into consideration.
Sub-standard	2	"Sub-standard" loans are loans, secured with a reliable source of secondary repayment (guarantee or collateral). On the whole, the financial situation of borrower is stable, but some unfavourable circumstances or tendencies are in the present, which raise doubts on the ability of the borrower to repay on time. "Standard" loans with insufficient information in the credit file or missed information on collateral could be also classified as "sub-standard" loans.
Unsatisfactory	3	Unsatisfactory loans have obvious deficiencies, which make for doubtful repayment of the loan on the conditions, envisaged by the initial agreement. As for "unsatisfactory" loans, the primary source of repayment is not sufficient and the Group has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful	4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as "unsatisfactory" with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable.

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Loss	5	Loans classified as "loss" are considered uncollectible and have such little value that their continuance as bankable assets of the Group is not warranted. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that it is not practical or desirable to defer writing off these essentially worthless assets even though partial recovery may be effected in the future and the Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.
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Risk limits control and mitigation policies. The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Group's Council.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantee. However, a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

(a) Limits. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Loan applications, along with financial analysis of loan applicant which includes liquidity, profitability, interest coverage and debt service coverage ratios, originated by the relevant client relationship managers are passed on to the relevant credit committee or Bank Council for approval of credit limit.

(b) Collateral. The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

Collateral before being accepted by the Group is thoroughly analysed and physically verified, where applicable. Debt securities, treasury and other eligible bills are generally unsecured.

The principal collateral types for loans and advances as well as finance lease receivables are:

- State guarantees
- Cash deposits;
- Motor vehicle;
- Inventory;
- Letter of surety;
- Residential house;
- Equipment;
- Building; and
- Other assets

(c) Concentration of risks of financial assets with credit risk exposure. The Group's Management focuses on concentration risk:

- The maximum risk to single borrower or group of affiliated borrowers shall not exceed 25 percent of the Group's tier 1 capital;
- Total amount of unsecured credits to single borrower or group of affiliated borrowers shall not exceed 5 percent of Group's tier 1 capital;
- Total amount of all large credits shall not exceed Group's tier 1 capital by more than 8 times; and
- Total loan amount to related party shall not exceed Group's tier 1 capital.

The Bank is required to prepare and submit stand-alone financial information of the Bank to the Central Bank of Uzbekistan on a monthly basis. The consolidated financial statements are prepared under IFRS only once in a year.

In order to monitor credit risk exposures, weekly reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance, which includes overdue balances, disbursements and repayments, outstanding balances and maturity of loan and as well as grade of loan and collateral.

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Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the Management daily. The Management monitors and follows up past due balances.

Impairment and provisioning policies. The internal and external rating systems described above focus on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

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

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) individual financial assets in stage 1 and 2 that are above certain materiality thresholds, by using the available empirical data, experienced judgment and statistical techniques.

The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments.

However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring.

Maximum exposure of credit risk. The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

31 December 2020	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Cash collateral	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	5,674,754	(73,568)	5,601,186	(1,022,474)	-	4,578,712
Due from other banks	1,859,192	-	1,859,192	-	-	1,859,192
Loans and advances to customers	38,959,958	-	38,959,958	(1,112,497)	(37,418,506)	428,955
Financial assets at fair value through other comprehensive income	38,024	-	38,024	-	-	38,024
Investment securities measured at amortised cost	540,222	-	540,222	-	-	540,222
Other financial assets	107,087	(90,879)	16,208	-	-	16,208
<i>Off-balance sheet items:</i>						
Letters of credit and guarantees issued	3,195,386	-	3,195,386	(155,267)	(755,526)	2,284,593

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31 December 2019	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Cash collateral	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	2,877,386	(14,812)	2,862,574	(662,864)	-	2,199,710
Due from other banks	2,037,090	-	2,037,090	-	-	2,037,090
Loans and advances to customers	30,074,232	(34,447)	30,039,785	(1,021,000)	(28,669,608)	349,177
Financial assets at fair value through other comprehensive income	88,714	-	88,714	-	-	88,714
Investment securities measured at amortised cost	84,648	-	84,648	-	-	84,648
Other financial assets	64,069	(58,907)	5,162	-	-	5,162
<i>Off-balance sheet items:</i>						
Letters of credit and guarantees issued	2,238,613	-	2,238,613	(270,951)	(66,150)	1,901,512

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 10% of Group's total equity;
- Total net position on all currencies should not exceed 15% of Group's total equity.

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

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Non-derivative monetary assets and liabilities:

	USD	EUR	Other currencies	UZS	Total
31 December 2020					
Cash and cash equivalents	3,768,254	138,176	138,499	1,556,257	5,601,186
Due from other banks	944,034	61,634	149,885	703,639	1,859,192
Loans and advances to customers	20,391,586	6,290,620	-	12,277,752	38,959,958
Investment securities measured at amortised cost	-	-	-	540,222	540,222
Other financial assets	646	5,058	-	10,504	16,208
Total monetary assets	25,104,520	6,495,488	288,384	15,088,374	46,976,766
Due to other banks	857,428	180	-	638,396	1,496,004
Customer accounts	6,991,777	237,180	198,854	4,189,147	11,616,958
Debt securities in issue	3,118,189	-	-	154,859	3,273,048
Other borrowed funds	14,643,855	6,147,006	-	4,892,596	25,683,457
Other financial liabilities	21,430	-	29	39,527	60,986
Total monetary liabilities	25,632,679	6,384,366	198,883	9,914,525	42,130,453
Net balance sheet position	(528,159)	111,122	89,501	5,173,849	4,846,313

	USD	EUR	Other currencies	UZS	Total
31 December 2019					
Cash and cash equivalents	1,640,812	94,358	106,364	1,021,040	2,862,574
Due from other banks	1,081,143	11,827	34,638	909,482	2,037,090
Loans and advances to customers	16,846,573	3,595,623	-	9,597,589	30,039,785
Investment securities measured at amortised cost	-	-	-	84,648	84,648
Other financial assets	823	2,812	-	1,527	5,162
Total monetary assets	19,569,351	3,704,620	141,002	11,614,286	35,029,259
Due to other banks	42,738	32	-	422,339	465,109
Customer accounts	4,777,978	274,280	111,267	3,960,445	9,123,970
Debt securities in issue	2,808,987	-	-	111,907	2,920,894
Other borrowed funds	10,644,036	3,506,863	-	2,652,315	16,803,214
Other financial liabilities	812	-	-	35,290	36,102
Subordinated debt	-	-	-	83,332	83,332
Total monetary liabilities	18,274,551	3,781,175	111,267	7,265,628	29,432,621
Net balance sheet position	1,294,800	(76,555)	29,735	4,348,658	5,596,638

The CBU sets a number of requirements for foreign currency position. As at 31 December 2019, the Bank has a long position in respect of USD currency above statutory requirements. 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 reduced its other borrowed funds from the Government (UFRD) by transferring low margin and subsidized loans and advances to customers. As a result, the Group had foreign currency surplus in USD currency in monetary financial assets as at 31 December 2019.

The CBU may take measures to regulate the foreign currency position in accordance with the established order on the foreign currency position. According to Order # 19-33/110-1 of the CBU dated 28 October 2019, to meet the regulatory requirement the Bank was provided with the exception to disregard the amount of USD 150 million as at 31 December 2019, which related to loans issued to JSC "Uzbekneftegaz" that was valid up until 31 March 2020. The Group was in compliance with the CBU regulatory requirement for foreign currency position after the stipulated date and as at 31 December 2020.

Changes of the possible movement of the currency rates from 2019 to 2020 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:

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	As at 31 December 2020 Impact on profit or loss	As at 31 December 2019 Impact on profit or loss
US Dollars strengthening by 20% (31 December 2019: 20%)	(105,632)	275 890
US Dollars weakening by 20% (31 December 2019: 20%)	105,632	(275 890)
EUR strengthening by 20% (31 December 2019: 20%)	22,224	(15 311)
EUR weakening by 20% (31 December 2019: 20%)	(22,224)	15 311

The above sensitivity analysis include limitations in terms of the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes, based on historical change in foreign currency rates, and which cannot be predicted with any certainty.

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.

	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
31 December 2020							
Assets							
Cash and cash equivalents	897,254				-	-	897,254
Due from other banks	4,895	117,251	303,659	621,215		392,812	1,439,832
Loans and advances to customers	2,140,336	6,622,391	4,328,945	9,866,727	7,611,236	7,964,099	38,533,734
Investment securities measured at amortised cost	-	405,524	69,561	47,800		2,440	525,325
Total % bearing financial assets	3,042,485	7,145,166	4,702,165	10,535,742	7,611,236	8,359,351	41,396,145
Liabilities							
Due to other banks	259,165	315,200		19,898	449,146	9,534	1,052,943
Customer accounts	151,475	436,199	237,271	574,422	1,787,025	600,521	3,786,913
Debt securities in issue	30,063	38,750	13,500	70,599	3,095,382		3,248,294
Other borrowed funds	1,029,301	3,618,683	4,257,476	9,103,108	2,139,086	4,783,069	24,930,723
Total financial % bearing liabilities	1,470,004	4,408,832	4,508,247	9,768,027	7,470,639	5,393,124	33,018,873
Net interest sensitivity gap	1,572,481	2,736,334	193,918	767,715	140,597	2,966,227	8,377,272

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	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
31 December 2019							
Assets							
Cash and cash equivalents	256,933						256,933
Due from other banks	3,496	71,218	114,857	698,730	3,572	445,999	1,337,872
Loans and advances to customers	1,056,345	4,000,702	3,156,815	8,496,128	6,125,037	6,704,737	29,539,764
Investment securities measured at amortised cost			74,923			2,504	77,427
Total % bearing financial assets	1,316,774	4,071,920	3,346,595	9,194,858	6,128,609	7,153,240	31,211,996
Liabilities							
Due to other banks		57,372	9,146	27,298	80,107	242,965	416,888
Customer accounts	228,361	789,256	563,816	516,982	1,635,942	504,538	4,238,895
Debt securities in issue	9,903	29,850	38,750	31,560	2,808,987		2,919,050
Other borrowed funds	1,020,611	1,203,960	1,791,775	3,066,109	2,574,204	6,505,692	16,162,351
Subordinated debt	-	-	-	-	-	80,000	80,000
Total financial % bearing liabilities	1,258,875	2,080,438	2,403,487	3,641,949	7,099,240	7,253,195	23,817,184
Net interest sensitivity gap	57,899	1,991,482	943,108	5,552,909	(970,631)	(99,955)	7,394,812

As at 31 December 2020, if interest rates at that date had been 165 basis points lower (2019: 140 basis points lower) with all other variables held constant, profit for the year would have been UZS 114,093 million higher (2019: UZS 9,435 million higher).

If interest rates had been 165 basis points higher (2019: 140 basis points higher), with all other variables held constant, profit would have been UZS 114,093 million lower (2019: UZS 9,435 million lower).

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

In % p.a.	31 December 2020			
	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	0-0	0-1.6	0-0	0-0.5
Due from other banks	0-20	0-7.3	0-0	0-0
Loans and advances to customers	1 - 36	0.25 - 15	2 - 15	-
Investment securities measured at amortised cost	13 - 18	-	-	-
Liabilities				
Due to other banks	0-15.93	0-6.5	0-0	0-0
Customer accounts:				
-term deposits	0-25	4-7	5	5
Debt securities in issue	14-16	5,75	-	-
Other borrowed funds:				
-International Financial Institutions	4.5 - 19.25	0.82 - 7	0.23 - 5.05	-
-Local Financial Institutions	0 - 15	0 - 7	-	-

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In % p.a.	31 December 2019			
	UZS	USD	EUR	Other
Assets				
Cash and cash equivalents	-	0-7.3	-	-
Due from other banks	0-19	0-7.3	-	-
Loans and advances to customers	2-47.9	2-15	2.95-12	-
Investment securities measured at amortised cost	15-20	-	-	-
Liabilities				
Due to other banks	0-18	-	-	-
Customer accounts:				
-term deposits	1-35	4-17	5-6	5
Debt securities in issue	5-18	6	-	-
Other borrowed funds:				
-International Financial Institutions	13-19.26	1-7	0.23-8	-
-Local Financial Institutions	0-16	0-7	-	-
Subordinated debt	16	-	-	-

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

Geographical risk concentration. The geographical concentration of the Group's financial assets and liabilities at 31 December 2020 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	3,658,933	1,875,324	66,929	5,601,186
Due from other banks	1,581,319	272,594	5,279	1,859,192
Loans and advances to customers	38,959,958	-	-	38,959,958
Investment securities measured at amortised cost	540,222	-	-	540,222
Financial assets at fair value through other comprehensive income	24,821	13,203	-	38,024
Other financial assets	16,130	-	78	16,208
Total financial assets	44,781,383	2,161,121	72,286	47,014,790
Liabilities				
Due to other banks	1,221,829	262,437	11,738	1,496,004
Customer accounts	11,616,958	-	-	11,616,958
Debt securities in issue	154,859	3,118,189	-	3,273,048
Other borrowed funds	4,767,006	11,146,580	9,769,871	25,683,457
Other financial liabilities	39,556	-	21,430	60,986
Total financial liabilities	17,800,208	14,527,206	9,803,039	42,130,453
Net balance sheet position	26,981,175	(12,366,085)	(9,730,753)	4,884,337
Credit related commitments (Note 32)	3,558,625	-	-	3,558,625

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The geographical concentration of the Group's financial assets and liabilities at 31 December 2019 is set out below:

	Uzbekistan	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,954,937	900,972	6,665	2,862,574
Due from other banks	1,661,265	301,531	74,294	2,037,090
Loans and advances to customers	30,039,785	-	-	30,039,785
Financial assets at fair value through other comprehensive income	78,376	10,338	-	88,714
Investment securities measured at amortised cost	84,648	-	-	84,648
Other financial assets	4,429	240	493	5,162
Total financial assets	33,823,440	1,213,081	81,452	35,117,973
Liabilities				
Due to other banks	456,822	1,100	7,187	465,109
Customer accounts	9,123,970	-	-	9,123,970
Debt securities in issue	111,907	2,808,987	-	2,920,894
Other borrowed funds	3,393,210	6,297,467	7,112,537	16,803,214
Other financial liabilities	36,102	-	-	36,102
Subordinated debt	83,332	-	-	83,332
Total financial liabilities	13,205,343	9,107,554	7,119,724	29,432,621
Net balance sheet position	20,618,097	(7,894,473)	(7,038,272)	5,685,352
Credit related commitments (Note 32)	2,265,426	-	-	2,265,426

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. 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 CBU. These ratios are calculated using figures based on National Accounting Standards.

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

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

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

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The undiscounted maturity analysis of financial instruments at 31 December 2020 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	653,958	397,187	27,093	124,181	524,047	10,924	1,737,390
Customer accounts	5,925,986	689,463	418,200	2,727,185	1,933,544	819,946	12,514,324
Debt securities in issue	48,120	149,083	116,301	463,862	3,272,377	-	4,049,743
Other borrowed funds	1,153,167	4,202,521	4,788,640	10,750,559	2,490,447	5,607,441	28,992,775
Other financial liabilities	60,986	-	-	-	-	-	60,986
Undrawn credit lines	48,534	108,872	51,981	164,553	136,384	8,182	518,506
Guarantees issued	48,230	729,985	55,229	-	246,240	1,319,511	2,399,195
Letters of credit	9,946	619,743	11,235	-	-	-	640,924
Total potential future payments for financial obligations	7,948,927	6,896,854	5,468,680	14,230,340	8,603,039	7,766,004	50,913,843

The undiscounted maturity analysis of financial instruments at 31 December 2019 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	53,788	81,476	36,490	133,361	173,742	267,468	746,325
Customer accounts	4,740,001	537,498	745,800	1,355,343	1,011,853	1,579,526	9,970,021
Debt securities in issue	25,410	103,327	123,698	194,725	3,282,366	-	3,729,526
Other borrowed funds	1,075,611	1,559,551	2,028,916	4,143,930	3,099,972	7,473,794	19,381,774
Other financial liabilities	36,102	-	-	-	-	-	36,102
Subordinated debt	3,332	5,331	6,418	25,600	25,635	97,061	163,377
Undrawn credit lines	5,364	110,495	69,517	59,854	36,597	15,937	297,764
Guarantees issued	136,010	21,109	50,481	-	67,361	1,283,724	1,558,685
Letters of credit	32,734	279,741	94,552	1,950	-	-	408,977
Total potential future payments for financial obligations	6,075,618	2,698,528	3,155,872	5,914,763	7,697,526	10,717,510	35,883,574

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.

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The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at 31 December 2020:

31 December 2020	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	5,601,186	-	-	-	-	-	5,601,186
Due from other banks	148,127	324,311	372,726	621,215	-	392,813	1,859,192
Loans and advances to customers	2,147,523	6,647,182	4,350,766	9,953,937	7,766,068	8,094,482	38,959,958
Investment securities measured at amortised cost	14,897	405,524	69,561	47,800	-	2,440	540,222
Financial assets at fair value through other comprehensive income	-	-	-	38,024	-	-	38,024
Other financial assets	16,208	-	-	-	-	-	16,208
Total financial assets	7,927,941	7,377,017	4,793,053	10,660,976	7,766,068	8,489,735	47,014,790
Liabilities							
Due to other banks	646,684	370,728	14	19,898	449,146	9,534	1,496,004
Customer accounts	5,900,846	585,060	299,983	2,443,524	1,787,025	600,520	11,616,958
Debt securities in issue	30,095	63,471	13,500	70,600	3,095,382	-	3,273,048
Other borrowed funds	1,066,290	3,798,602	4,386,007	9,392,454	2,164,228	4,875,876	25,683,457
Other financial liabilities	60,986	-	-	-	-	-	60,986
Undrawn credit lines	48,534	108,872	51,981	164,553	136,384	8,182	518,506
Guarantees issued	48,230	729,985	55,229	-	246,240	1,319,511	2,399,195
Letters of credit	9,946	619,743	11,235	-	-	-	640,924
Total financial liabilities	7,811,611	6,276,461	4,817,949	12,091,029	7,878,405	6,813,623	45,689,078
Net liquidity gap	116,330	1,100,556	(24,896)	(1,430,053)	(112,337)	1,676,112	1,325,712
Cumulative liquidity gap	116,330	1,216,886	1,191,990	(238,063)	(350,400)	1,325,712	

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The analysis by remaining contractual maturities may be summarised as follows at 31 December 2019:

31 December 2019	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	2,862,574	-	-	-	-	-	2,862,574
Due from other banks	412,400	305,773	170,616	698,730	3,572	445,999	2,037,090
Loans and advances to customers	1,556,366	4,000,702	3,156,815	8,496,128	6,125,037	6,704,737	30,039,785
Financial assets at fair value through other comprehensive income	-	-	-	88,714	-	-	88,714
Investment securities measured at amortised cost	-	-	82,144	-	-	2,504	84,648
Other financial assets	5,162	-	-	-	-	-	5,162
Total financial assets	4,836,502	4,306,475	3,409,575	9,283,572	6,128,609	7,153,240	35,117,973
Liabilities							
Due to other banks	48,221	57,372	9,146	27,298	80,107	242,965	465,109
Customer accounts	4,710,833	430,187	629,544	1,202,836	694,959	1,455,611	9,123,970
Debt securities in issue	10,311	31,286	38,750	31,560	2,808,987	-	2,920,894
Other borrowed funds	1,029,026	1,339,792	1,801,274	3,414,962	2,599,136	6,619,024	16,803,214
Other financial liabilities	36,102	-	-	-	-	-	36,102
Subordinated debt	3,332	-	-	-	-	80,000	83,332
Undrawn credit lines	5,364	110,495	69,517	59,854	36,597	15,937	297,764
Guarantees issued	136,010	21,109	50,481	-	67,361	1,283,724	1,558,685
Letters of credit	32,734	279,741	94,552	1,950	-	-	408,977
Total financial liabilities	6,011,933	2,269,982	2,693,264	4,738,460	6,287,147	9,697,261	31,698,047
Net liquidity gap	(1,175,431)	2,036,493	716,311	4,545,112	(158,538)	(2,544,021)	3,419,926
Cumulative liquidity gap	(1,175,431)	861,062	1,577,373	6,122,485	5,963,947	3,419,926	

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	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
31 December 2019							
Assets							
Cash and cash equivalents	2,862,574	-	-	-	-	-	2,862,574
Due from other banks	412,400	305,773	170,616	698,730	3,572	445,999	2,037,090
Loans and advances to customers	1,556,366	4,000,702	3,156,815	8,496,128	6,125,037	6,704,737	30,039,785
Financial assets at fair value through other comprehensive income	-	-	-	88,714	-	-	88,714
Investment securities measured at amortised cost	-	-	82,144	-	-	2,504	84,648
Other financial assets	5,162	-	-	-	-	-	5,162
Total financial assets	4,836,502	4,306,475	3,409,575	9,283,572	6,128,609	7,153,240	35,117,973
Liabilities							
Due to other banks	48,221	57,372	9,146	27,298	80,107	242,965	465,109
Customer accounts	4,710,833	430,187	629,544	1,202,836	694,959	1,455,611	9,123,970
Debt securities in issue	10,311	31,286	38,750	31,560	2,808,987	-	2,920,894
Other borrowed funds	1,029,026	1,339,792	1,801,274	3,414,962	2,599,136	6,619,024	16,803,214
Other financial liabilities	36,102	-	-	-	-	-	36,102
Subordinated debt	3,332	-	-	-	-	80,000	83,332
Undrawn credit lines	5,364	110,495	69,517	59,854	36,597	15,937	297,764
Guarantees issued	136,010	21,109	50,481	-	67,361	1,283,724	1,558,685
Letters of credit	32,734	279,741	94,552	1,950	-	-	408,977
Total financial liabilities	6,011,933	2,269,982	2,693,264	4,738,460	6,287,147	9,697,261	31,698,047
Net liquidity gap	(1,175,431)	2,036,493	716,311	4,545,112	(158,538)	(2,544,021)	3,419,926
Cumulative liquidity gap	(1,175,431)	861,062	1,577,373	6,122,485	5,963,947	3,419,926	

The above analysis is based on remaining contractual maturities.

In 2019, the Bank was in breach of certain 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 19.

As at 31 December 2020, the Bank was in a breach return on average assets ratios stipulated in the tripartite Subsidiary loan agreements between the Republic of Uzbekistan, the Rural Restructuring Agency and the Bank #3471-UZB from April 2017, #3673-UZB from November 2018 and #L3823 (COL)-UZB dated 10 February 2020, as discussed in detail in Note 19. On 5 November 2019, the Republic of Uzbekistan confirmed to the Bank in writing that it would not take any action to demand 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 this covenant. In addition, the agreement between the Bank and Ministry of Finance does not provide a definition of an event of default. Therefore the Management considers the breach of the covenant not to be an event of default and has received a letter from the Ministry of Finance dated 31 December 2020 confirming that this breach of the covenant is not considered to be an event of default.

As at 31 December 2020, the Group classified UZS 548,938 million as "demand and less than 1 month" as a result of the non-compliance with the covenant mentioned above.

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As at 31 December 2020, the Bank was not in compliance with certain covenants, stipulated in Master Trade Finance Loan Agreement (the 'Master Agreement') dated 15 October 2019 between the Bank and VTB Bank Europe, as discussed in detail in Note 19. On 24 March 2021, the Bank received a letter from VTB Bank Europe giving their consent to waive above mentioned financial covenant as of the end of the financial year 2020 with the decision to grant the waiver reached during December 2020. Hence, liquidity has not been adjusted.

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

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

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

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

As at 31 December 2020, 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.

Due to the effects of the pandemic on the Uzbek economy and banking sector, the State has announced and adopted various measures to combat its negative impact. Among the measures taken by the CBU, the following had direct and indirect impact on the Bank's liquidity:

- The commercial banks were provided with additional liquid resources as a result of easing the requirements for mandatory reserves with the CBU. This measure has allowed the Bank to enjoy additional liquidity;
- The CBU made available for the commercial banks a credit line collateralized with mortgage loans and/or loans classified as "standard";
- For regulatory and statutory purposes, the commercial banks were allowed not to reduce the quality classification of the loans restructured as a result of pandemic, which in turn allowed the banks not to increase their impairment allowances;
- The CBU postponed the introduction of more stringent liquidity requirements (in particular, liquidity coverage ratio – LCR) from mid-2020 to 2021;
- Quarterly contributions to the State Deposit Insurance Fund have been reduced from 0.25% to 0.05% starting from 1 July 2020.

The Management of the Group is of the view that through their contingency plans the Group will be able to attract resources sufficient to cover any potential negative liquidity gap as at 31 December 2020.

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37. 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;
- "Key management personnel" – members of the Management Board and the Council of the Bank;
- "Entities under common control" – entities that are controlled, jointly controlled or significantly influenced by the Government.

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

	31 December 2020		31 December 2019	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and cash equivalents				
- entities under common control	2,636,460	47%	1,291,956	45%
Due from other banks				
- entities under common control	1,327,746	71%	1,444,897	71%
Loans and advances to customers				
- key management personnel	269	0%	166	0%
- significant shareholders	6,011,991	15%	3,767,645	13%
- entities under common control	8,550,541	21%	9,262,723	31%
Investment securities measured at amortised cost				
- significant shareholders	364,378	67%	-	-
- entities under common control	173,401	32%	84,648	100%
Financial assets at fair value through other comprehensive income				
- entities under common control	10,788	28%	6,903	8%
Other Assets				
- significant shareholders	9,814	3%	-	0%
Due to other banks				
- entities under common control	1,192,679	80%	435,690	94%
Customer accounts				
- key management personnel	1,204	0%	1,265	0%
- significant shareholders	4,698,047	40%	363,226	4%
- entities under common control	1,136,610	10%	4,310,188	47%
Debt securities in issue				
- entities under common control	21,180	0%	32,320	1%
Other borrowed funds				
- significant shareholders	4,617,668	18%	1,299,160	8%
- entities under common control	145,442	1%	2,088,610	12%
Other liabilities				
- significant shareholders	71	0%	76	0%
- entities under common control	22,128	17%	42,683	92%
Subordinated debt				
- entities under common control	-	0%	83,332	100%

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	2020		2019	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Interest income				
- key management personnel	77	0%	51	0%
- significant shareholders	180,207	5%	36,645	2%
- entities under common control	251,762	8%	93,110	4%
Interest expense				
- key management personnel	(62)	0%	(66)	0%
- significant shareholders	(153,893)	10%	(17,343)	2%
- entities under common control	(159,712)	10%	(71,313)	6%
(Provision for)/ recovery of credit losses on loans and advances to customers				
- significant shareholders	(13,162)	1%	62,479	65%
Fee and commission income				
- significant shareholders	14,798	4%	12,234	4%
- entities under common control	25,995	6%	23,802	7%
Net gain from trading in foreign currencies				
- significant shareholders	23	0%	347	4%
- entities under common control	1,695	2%	632	8%
Other operating income				
- significant shareholders	1,118	4%	271	2%
- entities under common control	56	0%	73	0%
Administrative and other operating expenses				
- key management personnel	(6,647)	1%	(4,296)	1%
- entities under common control	(60,001)	8%	(23,165)	4%

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

Key management compensation is presented below:

	2020	2019
Salaries and other benefits	2,240	2,061
Bonuses	3,054	1,323
Social security contributions	1,353	912
Total	6,647	4,296

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 February 2021, the Group and the Islamic Corporation for the Development of the Private Sector ("ICD") signed the Financing Agreement on the amount of USD 25 million. In accordance with the Agreement, ICD will support the Group in financing investment projects of small and medium-sized businesses of Uzbekistan via usage of Islamic financing methods.

In March 2021, the Group attracted a loan from AKA Ausfuhrkredit GmbH in the amount of EUR 15 million for financing of business enterprises in expansion of production and rendering services.

On 17 March 2021, the European Bank for Reconstruction and Development and the Group signed the agreement to attract a synthetic credit line totaling USD 25 million. The funds will be used to finance projects and support business initiatives implemented by small and medium-sized businesses (SMEs) of Uzbekistan, thereby providing access to financing and stimulating sustainable growth in the development of the SME segment, especially during a pandemic caused by COVID 19.

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In accordance with the Decree of the President of the Republic of Uzbekistan dated 23 March 2021 No.5033 "On measures to accelerate the development and support of pottery", the Group signed an Agreement on 9 April 2021 on subordinated debt in the amount of UZS 100 billion with the Fund for Reconstruction and Development of the Republic of Uzbekistan. Financial resources under this agreement will be used to finance the creation of pottery centers under in the Rishtan district of the Fergana region, the allocation of mortgage loans to potters for the purchase of finished housing in the centers of pottery, as well as the allocation of consumer loans to the population for the purchase of pottery produced in the domestic market of the country.

In April of 2021, the Group attracted further financing in the amount equivalent to USD 20 million through a private placement of unsecured credit notes in national currency among international investors. The transaction itself was structured as a private placement of credit notes by a Dutch financial institution that provided debt financing to the Group. To avoid the currency risks exposure the loan was denominated in UZS and to be used to finance the projects in SME sector.

In April 2021 PSB Industrial Investments, LLC was subsequently liquidated on the basis of the decision of Management Board.