

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

Interim condensed consolidated  
financial information (unaudited)  
for the six months ended 30 June 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)**

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Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the interim condensed consolidated statement of financial position of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2020, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

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

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

Management is also responsible for:

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


The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 was authorized for issue by the Management Board on 27 November 2020.

On behalf of the Management Board:

  
Annaklichev Sakhi  
Chairman of the Management Board

27 November 2020  
Tashkent, Uzbekistan



  
Vokhidov Oybek  
Chief Accountant

27 November 2020  
Tashkent, Uzbekistan

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

## Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Joint Stock Commercial Bank "Uzbek Industrial and Construction Bank" and its subsidiaries ("the Group") as at 30 June 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

## Scope of Review

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

## Conclusion

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



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

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

27 November 2020  
Tashkent, Uzbekistan

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

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


Director  
"Deloitte & Touche" Audit Organisation LLC

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020 (UNAUDITED)  
(in millions of Uzbek Soums)

	Notes	30 June 2020 (unaudited)	31 December 2019
<b>ASSETS</b>			
Cash and cash equivalents	8	5,093,732	2,862,574
Due from other banks	9	1,971,250	2,037,090
Loans and advances to customers	10	35,899,587	30,039,785
Investment securities measured at amortised cost	11	1,085,853	84,648
Financial assets at fair value through other comprehensive income		100,258	88,714
Premises, equipment and intangible assets	12	638,648	435,280
Deferred tax asset	20	51,490	-
Insurance assets		2,787	2,391
Other assets		355,547	276,693
Non-current assets held for sale	13	100,336	18,943
<b>TOTAL ASSETS</b>		<b>45,299,488</b>	<b>35,846,118</b>
<b>LIABILITIES</b>			
Due to other banks	14	1,710,338	465,109
Customer accounts	15	10,443,821	9,123,970
Debt securities in issue		3,140,382	2,920,894
Other borrowed funds	16	23,335,949	16,803,214
Deferred tax liability	20	-	13,880
Insurance liabilities		24,282	15,631
Other liabilities		111,330	99,520
Subordinated debt		82,708	83,332
Liabilities directly associated with disposal groups held for sale	13	1,327	-
<b>TOTAL LIABILITIES</b>		<b>38,850,137</b>	<b>29,525,550</b>
<b>EQUITY</b>			
Share capital		4,640,011	4,640,011
Retained earnings		1,792,434	1,669,225
Revaluation reserve of financial assets at fair value through other comprehensive income		13,939	6,404
Net assets attributable to the Bank's owners		6,446,384	6,315,640
Non-controlling interest		2,967	4,928
<b>TOTAL EQUITY</b>		<b>6,449,351</b>	<b>6,320,568</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>45,299,488</b>	<b>35,846,118</b>

Approved for issue and signed on behalf of the Management Board on 27 November 2020.

  
Annaklichev Sakhi  
Chairman of the Management Board



  
Vokhidov Oybek  
Chief Accountant


INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
 OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

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

	Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>Continuing operations</b>			
Interest income	17	1,495,954	1,014,214
Interest expense	17	(769,346)	(505,990)
Net interest income before provision on loans and advances to customers		726,608	508,224
Provision for credit losses on loans and advances to customers	10	(434,197)	(201,842)
Initial recognition adjustment on interest bearing assets		(8,551)	(1,661)
<b>Net interest income</b>		<b>283,860</b>	<b>304,721</b>
Fee and commission income	18	157,965	156,532
Fee and commission expense	18	(42,330)	(38,065)
Net gain on foreign exchange translation		38,173	7,307
Net gain from trading in foreign currencies		26,774	8,367
Insurance operations income		15,970	119
Insurance operations expense		(16,604)	(494)
Dividend income		681	5,243
Other operating income		1,840	6,669
Provision for impairment of other assets		(11,212)	(3,412)
Impairment of assets held for sale	13	(11,309)	-
Administrative and other operating expenses	19	(277,014)	(205,944)
<b>Profit before tax</b>		<b>166,794</b>	<b>241,043</b>
Income tax expense	20	(31,904)	(43,857)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>134,890</b>	<b>197,186</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	13	(174)	-
<b>PROFIT FOR THE PERIOD</b>		<b>134,716</b>	<b>197,186</b>
<b>Attributable to:</b>			
- Owners of the Bank		136,709	197,296
- Non-controlling interest		(1,993)	(110)
<b>PROFIT FOR THE PERIOD</b>		<b>134,716</b>	<b>197,186</b>
<b>Total basic and diluted EPS per ordinary share (expressed in UZS per share)</b>			
	23	<b>0.55</b>	<b>1.86</b>
<b>PROFIT FOR THE PERIOD</b>		<b>134,716</b>	<b>197,186</b>
<b>Other comprehensive income:</b>			
<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		9,419	6,418
Tax effect		(1,884)	(1,284)
<b>Other comprehensive income</b>		<b>7,535</b>	<b>5,134</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>142,251</b>	<b>202,320</b>
<b>Attributable to:</b>			
- Owners of the Bank		144,244	202,430
- Non-controlling interest		(1,993)	(110)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>142,251</b>	<b>202,320</b>

Approved for issue and signed on behalf of the Management Board on 27 November 2020.

  
 Annaklichev Sakhi  
 Chairman of the Management Board



  
 Yokhidov Oybek  
 Chief Accountant

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)**


(in millions of Uzbek Soums)

	Share capital	Revaluation reserve of financial assets at fair value through other comprehensive income	Retained earnings	Non-controlling interest	Total equity
<b>31 December 2019</b>	4,640,011	6,404	1,669,225	4,928	6,320,568
Profit for the period	-	-	136,709	(1,993)	134,716
Other comprehensive income for the period	-	7,535	-	-	7,535
Total comprehensive income for the period	-	7,535	136,709	(1,993)	142,251
Dividends paid in advance*	-	-	(13,500)	-	(13,500)
Non-controlling interest arising on acquisition of subsidiary	-	-	-	32	32
<b>30 June 2020 (unaudited)</b>	4,640,011	13,939	1,792,434	2,967	6,449,351

\*Dividends paid in advance to Ministry of Finance in accordance with the Presidential Decree PP-4679 "On measures to provide stability of state budget of the Republic of Uzbekistan and timely financing of priority actions during the coronavirus pandemic". These dividends are to be offset by future dividend declaration.

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

Approved for issue and signed on behalf of the Management Board on 27 November 2020.

  
Annaklichev Sakhi  
Chairman of the Management Board



  
Vokhidov Oybek  
Chief Accountant

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

(in millions of Uzbek Sou.ms)

	Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>Cash flows from operating activities</b>			
Interest received		1,040,584	1,224,736
Interest paid		(647,628)	(674,481)
Fee and commission received		149,435	156,786
Fee and commission paid		(42,330)	(38,065)
Insurance operations income received		15,970	3,452
Insurance operations expense paid		(8,349)	(494)
Net gain from trading in foreign currencies		26,774	8,367
Other operating income received		1,793	4,041
Staff costs paid		(173,280)	(176,591)
Administrative and other operating expenses paid		(67,641)	(64,332)
Income tax paid		(130,689)	(62,506)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>164,639</b>	<b>380,913</b>
Net decrease/(increase) in due from other banks		139,414	(603,937)
Net increase in loans and advances to customers		(4,110,600)	(3,107,172)
Net increase in investment securities measured at amortised cost		(985,777)	-
Net increase in other assets		(10,968)	(59,740)
Net increase in due to other banks		1,274,388	195,220
Net increase in customer accounts		979,834	1,253,178
Net decrease in other liabilities		(2,845)	(4,178)
<b>Net cash used in operating activities</b>		<b>(2,551,915)</b>	<b>(1,945,716)</b>
<b>Cash flows from investing activities</b>			
Acquisition of financial assets at fair value through other comprehensive income		(2,081)	(184,663)
Acquisition of premises, equipment and intangible assets		(253,360)	(323,608)
Proceeds from disposal of premises, equipment and intangible assets		5,819	2,628
Acquisition of subsidiary, net of disposed cash	13	(32,364)	-
Dividend income received		681	5,243
<b>Net cash used in investing activities</b>		<b>(281,305)</b>	<b>(500,400)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings due to other banks		-	51,000
Repayment of borrowings due to other banks		(47,346)	(20,529)
Proceeds from other borrowed funds		7,121,033	3,032,177
Repayment of other borrowed funds		(2,121,843)	(1,032,608)
Proceeds from debt securities in issue		38,326	31,300
Repayment of debt securities in issue		(33,050)	(40,100)
Issue of ordinary shares		-	292,466
Dividends paid		(13,583)	(74)
Treasury shares sold		-	645
<b>Net cash from financing activities</b>		<b>4,943,537</b>	<b>2,314,277</b>
Effect of exchange rate changes on cash and cash equivalents		120,841	22,424
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,231,158</b>	<b>(109,415)</b>
Cash and cash equivalents at the beginning of the period	8	2,862,574	1,897,133
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<b>5,093,732</b>	<b>1,787,718</b>
<b>Non-cash transactions</b>			

Approved for issue and signed on behalf of the Management Board on 27 November 2020.

  
Annaklichev Sakhi  
Chairman of the Management Board



  
Vokhidov Oybek  
Chief Accountant



**SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)**

*(In millions of Uzbek Soums, unless otherwise indicated)*

**1. INTRODUCTION**

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

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

**Principal activity.** The Bank’s principal activity is commercial banking, retail banking, operations with securities, foreign currencies and origination of loans and guarantees. The Bank accepts deposits from legal entities and individuals, extended loans, and transfer payments. The Bank conducts its banking operations from its head office in Tashkent and 45 branches within Uzbekistan as of 30 June 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 30 June 2020 (unaudited), the number of Bank’s employees was 3 813 (31 December 2019: 3,902).

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

At 30 June 2020 and 31 December 2019, the Group consolidated the following companies in these consolidated financial statements:

Name	Country of incorporation	The Bank’s ownership		Type of operation
		30 June 2020 (unaudited) %	31 December 2019 %	
SQB Capital, LLC (previously named PSB Capital)	Uzbekistan	100	100	Asset management
PSB Industrial Investments, LLC	Uzbekistan	100	100	Asset management
SQB Insurance, LLC (previously named PSB Insurance)	Uzbekistan	100	100	Insurance
Xorazm Nasli Parranda, LLC	Uzbekistan	57	57	Poultry farming
SQB Securities, LLC	Uzbekistan	100	-	Securities brokerage
SQB Construction, LLC	Uzbekistan	100	-	Construction
Urganch Texnopark #1, LLC	Uzbekistan	100	-	Manufacturing
Urganch Texnopark #2, LLC	Uzbekistan	100	-	Manufacturing
Urganch Texnopark #3, LLC	Uzbekistan	100	-	Manufacturing
Urganch Texnopark #4, LLC	Uzbekistan	100	-	Manufacturing
Urganch Texnopark #5, LLC	Uzbekistan	100	-	Manufacturing
Urganch Texnopark #6, LLC	Uzbekistan	100	-	Manufacturing
Zomin Non SQB, LLC	Uzbekistan	99	-	Bakery
Zarbdor Non SQB, LLC	Uzbekistan	98	-	Bakery

During 2020, the Group established new subsidiaries SQB Securities, SQB Construction and Urganch Texnopark companies, and acquired Zomin Non SQB, Zarbdor Non SQB. Zomin Non SQB, Zarbdor Non SQB and Urganch Texnopark companies were acquired and established exclusively for resale and as at 30 June 2020, the Group classified the investments as non-current assets held for sale described in Note 13.

The table below represents the interest of the shareholders in the Bank’s share capital as at 30 June 2020 and 31 December 2019:

Shareholders	30 June 2020 (unaudited)	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%
<b>Total</b>	<b>100%</b>	<b>100%</b>

According to the Presidential Decree #4478 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 in order to ensure an effective transformation of the Bank’s business model for subsequent privatization.

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

*(In millions of Uzbek Soums, unless otherwise indicated)*

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## 2. OPERATING ENVIRONMENT OF THE GROUP

**Operating Environment.** 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 already started to face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets.

In June 2020, S&P Global Ratings revised Uzbekistan's rating outlook from stable to negative. The decision was made due to rapid rise in the country's external and fiscal debt, partly due to USD 1 billion (UZS 10,173,380 million at the exchange rate prevailing as at the reporting date) in additional government spending in response to the coronavirus pandemic. In addition, in April and September 2020, the CBU reduced the refinancing rate from 16% to 15% and from 15% to 14%, respectively.

As at 30 June 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:

- Towards the end of Q1 2020, the Group has implemented remote work arrangements and restricted business travel effective mid-March.
- Based on application of customers, the Group has also provided holidays till end of Q3 2020 for repayment of interest and/or principal of loans.
- Expanded offering of banking products through digital and distance channels, which were previously provided exclusively at the Bank's branches.

## 3. BASIS OF PRESENTATION

### Accounting basis

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

*(In millions of Uzbek Soums, unless otherwise indicated)*

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

#### 4. 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 six months ended 30 June 2020 (unaudited), 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 20%.

As at 30 June 2020, the Bank was in a breach of cost-to-income 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 and #3673-UZB from November 2018 as discussed in detail in Note 16. 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 is currently in discussions with Ministry of Finance on receiving a letter confirming that this breach of the covenant is not considered to be an event of default.

As at 30 June 2020, the Group had a cumulative liquidity shortfall of UZS 1,860,134 million up to one month (Note 28), which reflects the effects of the decision to classify UZS 456,356 million as "demand and less than 1 month" as a result of the non-compliance with the covenant.

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

- 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. As at 30 June 2020 (unaudited), total current accounts and borrowings with maturities up to one year of the State and State controlled entities amounted to UZS 2,917,012 million. As at 30 June 2020 (unaudited) borrowings of the Group from the State amounted to UZS 4,598,472 million. Should the Group's liquidity position require more funding, the Group's Management believes that the terms of the State borrowings and deposits of the State controlled entities could be re-negotiated. The Group's cumulative liquidity position up to one year adjusted for exclusion of the State borrowings and deposits of the State controlled entities would result in positive cumulative liquidity gap in the amount of UZS 757,397 million.
- 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 Central Bank of Uzbekistan for providing liquidity to commercial banks up to UZS 2,000,000 million with a term of up to 3 years. The Bank has the opportunity to use the funds that appeared due to the simplification of requirements.
- During 2020, the Bank signed a loan agreement with ICBC Standard Bank PLC to attract a credit line in the equivalent of USD 100 million for the purpose of financing the acquisition of modern equipment and updating the technological base in production processes, as well as replenishing the raw material base of business entities. The Bank has also attracted an unsecured synthetic loan of USD 50 million from the investment management company Daryo Finance B.V. for financing the small- and medium-sized enterprises (SMEs), USD 40 million from European Bank for Reconstruction and Development, as well as USD 20 million loan from OPEC Fund for International Development (the OPEC Fund) to support the trade finance requirements of SMEs in different sectors such as agriculture, healthcare, construction and textiles.
- Subsequent to the reporting date the Bank and Credit Suisse AG agreed to increase credit line extended to the Bank by USD 150 million to finance the development of wholesale and retail trade sector in the Republic of Uzbekistan.

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- As at 30 June 2020, deposits of state entities callable within one year amounted to UZS 2,917,011 million and borrowings from the State and state entities with the same maturity amounted to UZS 1,085,029 million (total UZS 4,002,040 million).
- 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. 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 Management is not aware of any circumstances that would question the continuation of the Group and considers that all operations will proceed in the normal course of business, with the State retaining the strategic control at least until 2022 as planned in the "Strategy for reforming of the banking system of the Republic of Uzbekistan for 2020 to 2025". This strategy envisages the State's plan to make its shares in the Bank available for sale to strategic private investors.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2019, except for those disclosed in this Note below.

### ***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 Q2 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 following adjustments in its methodology.

As discussed in Note 10, in line with the government resolution, the Group has provided the borrowers with holidays till the end of Q3 2020 for repayment of interest and/or principal on loans with the outstanding balance of nearly 36% of the total loan portfolio as at 30 June 2020 (unaudited).

The calculation of the PD rates applied across all portfolios (state and municipal organisations, corporate loans) of the Group except for loans with government guarantees was based on the Management's assumption that the payment holidays granted during the lockdown were the evidence of a significant increase in credit risk (SICR). However, the Management is of the view that the actual default rates could materialize to be lower as the customers with government guarantees will continue to receive government support to meet their obligations.

As a result of the assumptions used above the PD rates across all portfolios have been adjusted to reflect the increased credit risk by classifying all Stage 1 loans restructured due to the effects of the pandemic (except for loans with government guarantees) as Stage 2 and all restructured Stage 2 loans that were classified as Stage 3 as at 31 December 2019, have been adjusted as Stage 3. But in measuring the ECL, as at 30 June 2020, the Management has applied an overlay by moving these restructured loans back to their original stages applied before their restructuring.

Additional overlay was applied to the restructured loans that have government guarantees as a collateral by retaining their pre-pandemic staging and assuming that restructuring is not an automatic evidence of significant increase in their credit risk. The basis for this overlay was that the Management believes the government will continue to support these borrowers to meet their obligations. As such, the restructuring that took place during the period of the pandemic in this category of customers did not automatically move them to Stage 2 for a life-time loss calculation.

The Management has also adjusted the calculation of loss given default rates (LGD) by excluding the loan recovery results of the second quarter 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.

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The Management will closely monitor the servicing of the loan portfolio to assess the adequacy of the overlay starting from 1 October 2020, and update 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.

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

The following amended standards and interpretations became effective for the Group from 1 January 2020, but did not have any significant impact on the Group's interim condensed consolidated financial information for the six months ended 30 June 2020:

- Amendments to IFRS 3 Definition of a business;
- Amendments to IAS 1 and IAS 8 Definition of material;
- Amendments to References to the Conceptual Framework in IFRS Standards.

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are not yet effective.

## 7. 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.

## 8. CASH AND CASH EQUIVALENTS

	30 June 2020 (unaudited)	31 December 2019
Cash on hand	907,539	662,864
Cash balances with the CBU (other than mandatory reserve deposits)	1,311,084	1,014,834
Correspondent accounts and placements with other banks with original maturities of less than three months	2,875,248	1,184,977
Less: Allowance for expected credit losses	(139)	(101)
<b>Total cash and cash equivalents</b>	<b>5,093,732</b>	<b>2,862,574</b>

The credit quality of cash and cash equivalents at 30 June 2020 (unaudited) is as follows:

	Cash balances with the CBU (other than mandatory reserve deposits)	Correspondent accounts and placements with other banks with original maturities of less than three months	Total
<i>Neither past due nor impaired</i>			
- Central Bank of Uzbekistan	1,311,084	-	1,311,084
- Rated AA- to A+	-	2,396,014	2,396,014
- Rated below A-	-	479,234	479,234
Less: allowance for impairment losses	(44)	(95)	(139)
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>1,311,040</b>	<b>2,875,153</b>	<b>4,186,193</b>

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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>			
- Central bank of Uzbekistan	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)
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>1,014,781</b>	<b>1,184,929</b>	<b>2,199,710</b>

9. DUE FROM OTHER BANKS

	30 June 2020 (unaudited)	31 December 2019
Mandatory cash balances with CBU	131,210	373,156
Placements with other banks with original maturities of more than three months	1,430,531	1,350,298
Restricted cash	426,703	329,802
Less: Allowance for expected credit losses	(17,194)	(16,166)
<b>Total due from other banks</b>	<b>1,971,250</b>	<b>2,037,090</b>

Due to the effect of the pandemic, the commercial banks of Uzbekistan were provided with additional liquid resources as a result of easing the requirements for mandatory reserves with CBU. This measure has allowed the Bank to enjoy additional liquidity that it could use to fund its operations.

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

Analysis by credit quality of due from other banks outstanding at 30 June 2020 (unaudited) is as follows:

	Mandatory cash balances with CBU	Placements with other banks with original maturities of more than three months	Restricted cash	Total
<i>Neither past due nor impaired</i>				
- Central Bank of Uzbekistan	131,210	-	-	131,210
- Rated A- to A+	-	4,069	85,047	89,116
- Rated below A-	-	1,426,462	341,656	1,768,118
Less: <i>allowance for impairment losses</i>	-	(17,096)	(98)	(17,194)
<b>Total due from other banks</b>	<b>131,210</b>	<b>1,413,435</b>	<b>426,605</b>	<b>1,971,250</b>

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

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

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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10. LOANS AND ADVANCES TO CUSTOMERS

The Bank uses the following classification of loans:

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

Loans and advances to customers comprise:

	30 June 2020 (unaudited)	31 December 2019
State and municipal organisations	14,259,101	13,030,368
Corporate loans	18,681,863	14,532,135
Loans to individuals	4,096,702	3,123,699
<b>Total loans and advances to customers, gross</b>	<b>37,037,666</b>	<b>30,686,202</b>
Less: Allowance for expected credit losses	(1,138,079)	(646,417)
<b>Total loans and advances to customers</b>	<b>35,899,587</b>	<b>30,039,785</b>

In line with the Presidential Decree #5978 dated 3 April 2020, the Group has provided holidays till the end of Q3 2020 for repayment of interest and/or principal on loans with outstanding balance of 36% of the total loan portfolio which comprise 49% of the loans to legal entities, 37% of loans to individuals and nearly 20% of the loans state and municipal organisation as at 30 June 2020 (unaudited). As at the same date, the amount of principal, the repayment of which the Group has extended beyond Q3 2020, was UZS 284,000 million (7%) and UZS 2,308,000 million (12%) of the loans to legal entities and individuals, respectively.

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.

Deterioration in Non-performing loans (“NPL”) to gross loans and in NPL coverage ratios at 30 June 2020 was mainly driven by the increase in non-performing borrowers during the second quarter of 2020 on the back of COVID-19 pandemic outbreak. NPLs are loans in which the borrower is in default due to the fact that they have not made the scheduled payments for 90 days or more. The NPL is a measure of performance not defined by IFRS.

The following table presents information about NPLs as at 30 June 2020 and as at 31 December 2019:

	30 June 2020 (unaudited)	31 December 2019
Non-performing loans (in millions of Uzbekistan Soums)	325,974	109,925
Non-performing loans ratio (Non-performing loans balance divided by the gross loan portfolio)	0.9%	0.4%
NPL coverage ratio	349%	588%

The table below represents loans and advances to customer’s classification by stages as at 30 June 2020 and 31 December 2019:

	30 June 2020 (unaudited)	31 December 2019
Originated loans to customers	36,945,715	30,654,925
Overdrafts	91,951	31,277
<b>Total loans and advances to customers, gross</b>	<b>37,037,666</b>	<b>30,686,202</b>
Stage 1	27,836,980	21,174,347
Stage 2	6,790,009	8,644,898
Stage 3	2,410,677	866,957
<b>Total loans and advances to customers, gross</b>	<b>37,037,666</b>	<b>30,686,202</b>
Less: Allowance for expected credit losses	(1,138,079)	(646,417)
<b>Total loans and advances to customers</b>	<b>35,899,587</b>	<b>30,039,785</b>

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The tables below analyze information about significant changes in the gross carrying amount of loans and advances to customers during the six months ended 30 June 2020 (unaudited):

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
<b>Gross carrying amount as at 31 December 2019</b>	<b>21,174,347</b>	<b>8,644,898</b>	<b>866,957</b>	<b>30,686,202</b>
<b>Changes in the gross carrying amount</b>				
- Transfer from stage 1	(2,239,628)	2,138,646	100,982	-
- Transfer from stage 2	3,561,839	(4,537,027)	975,188	-
- Transfer from stage 3	43,149	103,527	(146,676)	-
- Changes due to modifications that did not result in derecognition*	(1,756,201)	344,880	1,000,052	<b>(411,269)</b>
New assets issued or acquired	8,505,330	-	-	<b>8,505,330</b>
Matured or derecognized assets (except for write off)	(2,619,747)	(272,713)	(499,038)	<b>(3,391,498)</b>
Recovery of written off assets	-	-	35,109	<b>35,109</b>
Foreign exchange differences	1,167,891	367,798	78,103	<b>1,613,792</b>
<b>Gross carrying amount as at 30 June 2020 (unaudited)</b>	<b>27,836,980</b>	<b>6,790,009</b>	<b>2,410,677</b>	<b>37,037,666</b>
Loss allowance for ECL as at 30 June 2020 (unaudited)	(103,935)	(140,359)	(893,785)	<b>(1,138,079)</b>
<b>Total loans and advances to customers</b>	<b>27,733,045</b>	<b>6,649,650</b>	<b>1,516,892</b>	<b>35,899,587</b>

The tables below analyze information about significant changes in the gross carrying amount of loans and advances to customers during the year 2019:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
<b>Gross carrying amount as at 1 January 2019</b>	<b>24,580,970</b>	<b>3,341,788</b>	<b>559,203</b>	<b>28,481,961</b>
<b>Changes in the gross carrying amount</b>				
- 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 due to modifications that did not result in derecognition*	(3,541,080)	2,139,075	34,754	<b>(1,367,251)</b>
New assets issued or acquired	21,544,064	-	-	<b>21,544,064</b>
Matured or derecognized assets (except for write off)	(20,801,314)	(371,392)	(231,594)	<b>(21,404,300)</b>
Recovery of written off assets	-	-	25,838	<b>25,838</b>
Written off assets	-	-	(4,382)	<b>(4,382)</b>
Foreign exchange differences	1,964,623	1,410,618	35,031	<b>3,410,272</b>
<b>Gross carrying amount as at 31 December 2019</b>	<b>21,174,347</b>	<b>8,644,898</b>	<b>866,957</b>	<b>30,686,202</b>
Loss allowance for ECL as at 31 December 2019	(136,991)	(193,828)	(315,598)	<b>(646,417)</b>
<b>Total loans and advances to customers</b>	<b>21,037,356</b>	<b>8,451,070</b>	<b>551,359</b>	<b>30,039,785</b>

\* The line “Changes do to modification that did not result in derecognition” represents changes in EAD, such as Increase, decrease in EAD and transfer of new issued loans between stages.



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The tables below analyze information about significant changes in the expected credit loss of loans and advances to customers during the six months period ended 30 June 2020 (unaudited):

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
<b>Loss allowance for ECL as at 31 December 2019</b>	<b>136,991</b>	<b>193,828</b>	<b>315,598</b>	<b>646,417</b>
<b>Changes in the gross carrying amount</b>				
- Transfer from stage 1	(5,736)	5,007	729	-
- Transfer from stage 2	92,376	(117,856)	25,480	-
- Transfer from stage 3	5,628	68,237	(73,865)	-
- Changes due to modifications that did not result in derecognition*	(759,179)	(10,358)	769,831	<b>294</b>
New assets issued or acquired	641,256	-	-	<b>641,256</b>
Matured or derecognized assets (except for write off)	(14,812)	(8,489)	(184,052)	<b>(207,353)</b>
Recovery of assets previously written off	-	-	35,109	<b>35,109</b>
Foreign exchange differences	7,411	9,990	4,955	<b>22,356</b>
<b>Loss allowance for ECL as at 30 June 2020 (unaudited)</b>	<b>103,935</b>	<b>140,359</b>	<b>893,785</b>	<b>1,138,079</b>

The tables below analyze information about significant changes in the gross carrying amount of loans and advances to customers during the year 2019:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
<b>Loss allowance for ECL as at 1 January 2019</b>	<b>175,253</b>	<b>70,747</b>	<b>215,332</b>	<b>461,332</b>
<b>Changes in the gross carrying amount</b>				
- 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 due to modifications that did not result in derecognition*	(207,675)	5,780	189,704	<b>(12,191)</b>
New assets issued or acquired	293,830	-	-	<b>293,830</b>
Matured or derecognized assets (except for write off)	(124,657)	(13,046)	(48,482)	<b>(186,185)</b>
Recovery of assets previously written off	-	-	25,838	<b>25,838</b>
Written off assets	-	-	(4,382)	<b>(4,382)</b>
Foreign exchange differences	6,485	47,463	14,227	<b>68,175</b>
<b>Loss allowance for ECL as at 31 December 2019</b>	<b>136,991</b>	<b>193,828</b>	<b>315,598</b>	<b>646,417</b>

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

	30 June 2020 (unaudited)		31 December 2019	
	Amount	%	Amount	%
Manufacturing	11,590,078	31%	9,201,743	30%
Oil and gas & chemicals	8,848,404	24%	6,762,641	22%
Individuals	4,096,702	11%	3,123,699	10%
Trade and Services	3,573,362	10%	3,650,471	12%
Energy	3,372,498	9%	3,621,465	12%
Agriculture	2,616,892	7%	1,642,841	5%
Transport and communication	2,157,108	6%	1,867,812	6%
Construction	782,622	2%	815,530	3%
<b>Total loans and advances to customers, gross</b>	<b>37,037,666</b>	<b>100%</b>	<b>30,686,202</b>	<b>100%</b>
Less: Allowance for expected credit losses	(1,138,079)		(646,417)	
<b>Total loans and advances to customers</b>	<b>35,899,587</b>		<b>30,039,785</b>	

As at 30 June 2020, the Group granted loans to 10 (31 December 2019: 10) borrowers in the amount of UZS 10,947,912 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 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 (unaudited)	31 December 2019
Mortgage	2,666,822	1,792,916
Car Loan	573,583	525,977
Microloan	424,491	357,977
Consumer Loans	421,379	300,598
Other	10,427	146,231
<b>Total loans and advances to individuals, gross</b>	<b>4,096,702</b>	<b>3,123,699</b>
Less: Allowance for expected credit losses	(40,354)	(30,355)
<b>Total loans and advances to individuals</b>	<b>4,056,348</b>	<b>3,093,344</b>

Information about collateral as at 30 June 2020 are as follows:

	State and municipal organisations	Corporate loans	Loans to individuals	30 June 2020 (unaudited)
Loans collateralised by:				
Letter of surety	2,065,490	6,339,369	1,024,049	9,428,908
Real estate	178,940	5,482,121	2,372,614	8,033,675
State guarantee	7,688,329	-	-	7,688,329
Equipment	989,427	3,687,594	-	4,677,021
Inventory and receivables	2,924,276	864,693	1,149	3,790,118
Insurance policy	51,139	1,592,240	362,641	2,006,020
Vehicles	156,431	377,839	262,807	797,077
Equity securities	168,259	-	-	168,259
Cash deposits	36,810	43,189	908	80,907
Not collateralised	-	294,818	72,534	367,352
<b>Total loans and advances to customers, gross</b>	<b>14,259,101</b>	<b>18,681,863</b>	<b>4,096,702</b>	<b>37,037,666</b>
Less: Allowance for expected credit losses	(110,714)	(987,011)	(40,354)	(1,138,079)
<b>Total loans and advances to customers</b>	<b>14,148,387</b>	<b>17,694,852</b>	<b>4,056,348</b>	<b>35,899,587</b>

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

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

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Analysis by credit quality of loans and advances to customers that are collectively and individually assessed for impairment as at 30 June 2020 is as follows:

	State and municipal organisations	Corporate loans	Loans to individuals	Total
<b>30 June 2020 (unaudited)</b>				
<i>Loans assessed for impairment on a collective basis (gross)</i>				
Not past due loans	14,258,238	17,124,556	4,053,118	35,435,912
Past due loans				
- less than 30 days overdue	560	18,077	8,290	26,927
- 31 to 90 days overdue	131	49,179	29,924	79,234
- 91 to 180 days overdue	172	32,445	4,134	36,751
- 181 to 360 days overdue	-	40,890	1,190	42,080
- over 360 days overdue	-	10,257	46	10,303
<b>Total loans assessed for impairment on a collective basis, gross</b>	<b>14,259,101</b>	<b>17,275,404</b>	<b>4,096,702</b>	<b>35,631,207</b>
<i>Loans individually determined to be impaired (gross):</i>				
Not past due loans	-	1,105,521	-	1,105,521
Past due loans				
31-90 days	-	64,098	-	64,098
91-180 days	-	236,840	-	236,840
<b>Total loans individually determined to be impaired, gross</b>	<b>-</b>	<b>1,406,459</b>	<b>-</b>	<b>1,406,459</b>
- Impairment provisions for individually impaired loans	-	(537,485)	-	(537,485)
- Impairment provisions assessed on a collective basis	(110,714)	(449,526)	(40,354)	(600,594)
<b>Less: Allowance for expected credit losses</b>	<b>(110,714)</b>	<b>(987,011)</b>	<b>(40,354)</b>	<b>(1,138,079)</b>
<b>Total loans and advances to customers</b>	<b>14,148,387</b>	<b>17,694,852</b>	<b>4,056,348</b>	<b>35,899,587</b>

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:

	State and municipal organisations	Corporate loans	Loans to individuals	Total
<b>31 December 2019</b>				
<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
<b>Total loans assessed for impairment on a collective basis, gross</b>	<b>13,030,368</b>	<b>14,403,756</b>	<b>3,123,699</b>	<b>30,557,823</b>
<i>Loans individually determined to be impaired (gross):</i>				
Restructured loans	-	128,379	-	128,379
<b>Total loans individually determined to be impaired, gross</b>	<b>-</b>	<b>128,379</b>	<b>-</b>	<b>128,379</b>
- 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)
<b>Less: Allowance for expected credit losses</b>	<b>(147,668)</b>	<b>(468,394)</b>	<b>(30,355)</b>	<b>(646,417)</b>
<b>Total loans and advances to customers</b>	<b>12,882,700</b>	<b>14,063,741</b>	<b>3,093,344</b>	<b>30,039,785</b>

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11. INVESTMENT SECURITIES MEASURED AT AMORTISED COST

	Currency	Annual coupon/ interest rate %	EIR %	Maturity date month/year	30 June 2020 (unaudited)	31 December 2019
Government Bonds	UZS	14 - 16	15-16	Oct. 20 - Jan. 22	937,959	83,095
CBU Bonds	UZS	16	16-17.8	Nov. 20	151,283	-
Corporate bonds	UZS	19	19	Jul. 26	2,503	2,503
Less: Allowance for expected credit losses					(5,892)	(950)
<b>Total investment securities measured at amortised cost</b>					<b>1,085,853</b>	<b>84,648</b>

As at 30 June 2020, the Group holds government bonds of the Ministry of Finance of the Republic of Uzbekistan in quantity of 949,009 (31 December 2019: 79,009) with nominal value of UZS 1,000,000 per each and coupon rate of 14-16% p.a.

As at 30 June 2020, government bonds of the Ministry of Finance of the Republic of Uzbekistan in quantity of 470,000 and 250,000 were placed with CBU under REPO agreement with 3 months maturity and interest rate of 14,91% and 15,93%, respectively.

As at 30 June 2020, the Group holds bonds of CBU in amount of UZS 150,991 million at 16% p.a. coupon rate.

As at 30 June 2020, the subsidiary PSB Insurance LLC holds corporate bonds of JSCB “Asia Alliance Bank” in quantity 2,500 with nominal value of UZS 1 million per each and coupon rate of CBU refinancing rate (15%) + 4% p.a.

12. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

In 2019, the Group has arranged 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 30 June 2020, in accordance with the contract, the Group invested USD 33.6 million (equivalent to UZS 328,628 million) of which UZS 151,705 million was recorded in CIP. Other additions to CIP include UZS 18,505 million invested in renovation of the Group’s Head office and UZS 21,682 million on renovation of Group’s branches.

As at 30 June 2020 and 31 December 2019, premises and equipment of the Group were not pledged.

13. NON-CURRENT ASSETS HELD FOR SALE

	30 June 2020 (unaudited)	31 December 2019
<b>Assets related to subsidiary companies</b>	<b>33,384</b>	<b>-</b>
Repossessed assets:		
- Buildings held for sale	60,931	17,706
- Equipment held for sale	6,021	-
- Others assets held for sale	-	1,237
<b>Total repossessed assets</b>	<b>66,952</b>	<b>18,943</b>
<b>Total non-current assets (or disposal groups) held for sale</b>	<b>100,336</b>	<b>18,943</b>

As at 30 June 2020, buildings held for sale comprise repossessed collaterals of “Toshbozorsavdo” LLC and “Beltepa Master Story” LLC. In December 2019 and June 2020, the Group’s Management approved and initiated an active programs to locate buyers within one year. Repossessed assets were measured at the lower of their carrying amount and fair value less costs to sell. As at 30 June 2020 impairment losses on repossessed assets classified as held for sale were recognized in the amount of UZS 11,309 million.

As at 30 June 2020, assets related to subsidiary companies comprise 8 subsidiary companies (Urganch Technoparks 1-6, Zomin Non PSB, Zarbdor Non PSB) of PSB Capital LLC and the assets were measured at the lower of their carrying amount and fair value less costs to sell. As at 30 June 2020, impairment of the assets related to subsidiary companies in the amount of UZS 174 million was recognized within the loss for the period from discontinued operations.

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Major classes of assets and liabilities of the subsidiary companies are as follows:

	30 June 2020 (unaudited)	31 December 2019
Non-current assets	31,941	680
Current assets	1,443	17
<b>Total assets related to subsidiary companies</b>	<b>33,384</b>	<b>697</b>
Current liabilities	1,327	-
<b>Total liabilities related to subsidiary companies</b>	<b>1,327</b>	<b>-</b>
<b>Net assets related to subsidiary companies</b>	<b>32,057</b>	<b>697</b>

14. DUE TO OTHER BANKS

	30 June 2020 (unaudited)	31 December 2019
Long term placements of other banks	361,341	358,687
Short term placements of other banks	495,576	68,427
Payable to the CBU under repo agreement	734,982	-
Correspondent accounts and overnight placements of other banks	118,439	37,995
<b>Total due to other banks</b>	<b>1,710,338</b>	<b>465,109</b>

As at 30 June 2020 and 31 December 2019, "Long term placements of other banks" comprised borrowings from Halk Bank for the amount UZS 311,020 million and UZS 358,259 million, respectively, obtained to finance strategic government infrastructural projects.

15. CUSTOMER ACCOUNTS

	30 June 2020 (unaudited)	31 December 2019
<b>State and public organisations</b>		
- Current/settlement accounts	2,556,968	1,283,604
- Term deposits	2,773,888	3,149,784
<b>Other legal entities</b>		
- Current/settlement accounts	2,994,755	2,666,070
- Term deposits	322,091	391,449
<b>Individuals</b>		
- Current/demand accounts	772,663	760,410
- Term deposits	1,023,456	872,653
<b>Total customer accounts</b>	<b>10,443,821</b>	<b>9,123,970</b>

Economic sector concentrations within customer accounts are as follows:

	30 June 2020 (unaudited)		31 December 2019	
	Amount	%	Amount	%
Public administration	4,392,675	42%	3,290,644	36%
Individuals	1,796,119	17%	1,633,063	18%
Manufacturing	1,243,682	12%	1,086,499	12%
Mining	329,088	3%	665,537	7%
Oil and gas	698,125	7%	525,546	6%
Services	495,847	5%	394,745	4%
Trade	388,173	4%	380,999	4%
Energy	340,686	3%	366,456	4%
Communication	305,929	3%	231,197	3%
Construction	64,986	1%	191,363	2%
Engineering	142,953	1%	115,351	2%
Finance	39,214	0%	55,491	1%
Agriculture	60,619	1%	41,478	0%
Transportation	28,093	0%	22,044	0%
Medicine	3,130	0%	1,384	0%
Other	114,502	1%	122,173	1%
<b>Total customer accounts</b>	<b>10,443,821</b>	<b>100%</b>	<b>9,123,970</b>	<b>100%</b>

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As at 30 June 2020, the Group had two (31 December 2019: two) customers JSC “Uzbekneftegaz” and the Ministry of Finance of the Republic of Uzbekistan with a total balance UZS 3,872,140 million (31 December 2019: JSC “Almalyk MMC” and the Ministry of Finance of the Republic of Uzbekistan with a balance UZS 3,188,457 million), which individually exceeded 10% (31 December 2019: 10%) of the Group’s equity.

16. OTHER BORROWED FUNDS

	30 June 2020 (unaudited)	31 December 2019
<b>International financial institutions</b>		
The Export-Import Bank of China	5,143,515	4,959,868
Commerzbank AG	1,594,600	1,480,537
CREDIT Suisse	1,142,921	530,136
International Bank of Reconstruction and Development	1,105,488	1,000,829
Gazprombank	1,013,254	268,974
China Development Bank	932,783	859,232
Raiffeisen Bank International AG	931,304	594,624
Landesbank Baden-Wuerttemberg	889,913	761,952
The Export-Import Bank of Russia	720,822	588,330
ICBC (London) plc	691,020	-
Promsvyazbank PJSC	668,129	-
International Development Association of World Bank	602,603	570,406
Daryo Finance B.V.	503,363	-
Asian Development Bank	490,845	416,656
VTB Bank Europe	444,162	203,333
Amsterdam Trade Bank N.V	304,016	323,041
Citibank Europe PLC	298,600	115,094
Baobab Securities Limited	233,055	232,573
OPEC Fund for International Development	202,375	-
Turk Eximbank	163,660	130,332
The Export-Import Bank of Korea	145,037	100,959
AKA Ausfuhrkredit-Gesellschaft mbH	128,993	118,302
AK BARS Bank	102,820	-
ODDO Bank	71,217	77,111
Aktif Yatirim Bankasi Anonim Sirketi	51,792	-
KfW IPEX-Bank	49,844	36,317
Sberbank Europe AG	43,014	6,661
European Bank for Reconstruction and Development	23,293	-
UniCredit	20,779	19,427
Sberbank Kazakhstan	12,397	12,816
International Fund for Agricultural Development	2,407	2,495
<b>Financial institutions of Uzbekistan</b>		
Long term borrowings from the Ministry of Finance	3,263,253	1,998,012
Fund for Reconstruction and Development of Uzbekistan	1,248,299	1,299,791
Long term borrowings from CBU	74,717	73,889
Preference shares	9,455	8,647
Khokimiyat of Tashkent Region	5,927	5,953
Children’s Sports Development Fund of Uzbekistan	1,189	1,478
Ipak Yuli Bank	-	687
Other	5,088	4,752
<b>Total other borrowed funds</b>	<b>23,335,949</b>	<b>16,803,214</b>

The borrowings from the OPEC Fund International Development and Ak Bars Bank are provided for financing of trade finance sector of Uzbekistan in order to meet the demand of local enterprises in Uzbekistan.

In accordance with the general agreement of financing dated 20 February 2020 #1799-02-20-11 signed between Promsvyazbank and the Group, the funds were granted to finance foreign trade operations of the Group’s borrowers.

The Group was granted a loan facility by the European bank of reconstruction and development based on loan agreement #51909 signed on 23 June 2020 to re-credit the growing private sector in Uzbekistan.

The Group granted short term loan with maturity one year through money market from Aktif bank dated 19 February 2020 to finance projects involving the industrial and manufacturing sectors

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In accordance with the Loan agreement dated 11 June 2020 signed between Daryo Finance B.V. and the Group, the funds were attracted through private placement of three - year unsecured credit notes in national currency among international investors and aimed to finance small medium business sector respectively.

During 2020, the Group was granted a loan facility by the ICBC Standard Bank PLC to expand opportunities for providing financing in the national currency by the Group to small and medium-sized businesses that are engines of economic growth.

The Group is obligated to comply with financial covenants in relation to majority of other borrowed funds disclosed above, non-compliance of which may give the lender a right to demand repayment.

In 2017 and 2018, the ADB advanced two loans to the Republic of Uzbekistan (the “Republic”) in connection with the financing of horticulture projects in Uzbekistan (the “Project”). The Republic on-lent a portion of these loans to the Bank under tripartite subsidiary loan agreements No. 3471-UZB dated April 2017 and No. 3673-UZB dated November 2018 between the Republic, the Rural Restructuring Agency and the Bank (the “Subsidiary Loan Agreements”).

In November 2019 the ADB advanced another loan to the Republic of Uzbekistan (the “Republic”) 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 February 10, 2020 between the Republic, the Agro Industries and Food Security Agency and the Bank (the “Subsidiary Loan Agreements”).

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

As at 30 June 2020, the Bank was not in compliance with cost-to-income ratio 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. As at 30 June 2020, in accordance with IFRS, the Bank classified the long-term borrowings from the Republic under the Subsidiary Loan Agreements as “demand and less than 1 month”.

The Bank proactively communicated with both ADB and the Republic and established a strategic action plan in relation to financial years 2019-2024 with a view of ensuring compliance with the covenants in the future. On 5 November 2019, ADB issued a letter to the Bank confirming ADB’s agreement with the action plan and the fact that ADB remains committed to the Project and to continuing relationships with the Republic under the Project. 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 is currently in discussions with Ministry of Finance on receiving a letter confirming that this breach of the covenant is not considered to be an event of default.

As at 30 June 2020, the Group had a cumulative liquidity shortfall of UZS 1,860,134 million up to one month (Note 28), which reflects the effects of the decision to classify UZS 456,356 million as “demand and less than 1 month” as a result of the non-compliance with the covenant.

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17. INTEREST INCOME AND EXPENSE

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>Interest income</b>		
Interest income on assets recorded at amortised cost comprises:		
Interest on loans and advances to customers	1,419,402	993,358
Interest on balances due from other banks	67,925	20,856
Interest on investment securities measured at amortised cost	8,627	-
<b>Total interest income</b>	<b>1,495,954</b>	<b>1,014,214</b>
<b>Interest expense</b>		
Interest expense on liabilities recorded at amortised cost comprises:		
Interest on other borrowed funds	(343,972)	(317,873)
Interest on customer accounts	(206,576)	(125,078)
Interest on balances due to other banks	(111,370)	(58,930)
Interest on debt securities in issue	(100,094)	(4,109)
Interest on subordinated debt	(7,334)	-
<b>Total interest expense</b>	<b>(769,346)</b>	<b>(505,990)</b>
<b>Net interest income before provision on loans and advances to customers</b>	<b>726,608</b>	<b>508,224</b>

18. FEE AND COMMISSION INCOME AND EXPENSE

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>Fee and commission income</b>		
Settlement transactions	103,461	102,972
Foreign currency exchange	25,573	21,225
International money transfers	15,961	13,579
Guarantees issued	5,270	12,888
Services of engineers for conducting control measurements	3,100	2,695
Letters of credit	4,141	2,532
Other	459	641
<b>Total fee and commission income</b>	<b>157,965</b>	<b>156,532</b>
<b>Fee and commission expense</b>		
Settlement transactions	(26,391)	(21,486)
Cash collection	(6,404)	(12,298)
Foreign currency exchange	(5,761)	(2,147)
Other	(3,774)	(2,134)
<b>Total fee and commission expense</b>	<b>(42,330)</b>	<b>(38,065)</b>
<b>Net fee and commission income</b>	<b>115,635</b>	<b>118,467</b>



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19. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Staff costs	171,296	137,457
Depreciation and amortisation	25,500	11,676
Security services	14,368	13,512
Taxes other than income tax	10,737	3,815
Membership fees	10,463	3,401
Stationery and other low value items	7,569	6,556
Consultancy fee	6,942	4,055
Communication expenses	2,870	2,553
Repair and maintenance of buildings	2,847	1,710
Charity expenses	2,783	1,065
Advertising expenses	2,641	3,260
Utilities expenses	2,519	1,757
Legal and audit fees	1,972	2,957
Rent expenses	1,733	2,626
Travel expenses	1,416	2,536
Representation and entertainment	910	1,081
Fuel	804	882
Other operating expenses	9,644	5,045
<b>Total administrative and other operating expenses</b>	<b>277,014</b>	<b>205,944</b>

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20. INCOME TAXES

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>IFRS profit before tax</b>	<b>166,794</b>	<b>241,043</b>
Theoretical tax charge at the applicable statutory rate - 20% (2019: 20%)	33,359	48,209
- Non deductible expenses (employee compensation, representation and other non-deductible expenses)	2,195	1,598
- Tax rate difference	-	(6,793)
- Tax incentives	-	(40)
- Tax exempt income	(19)	(1,049)
- Other	(3,631)	1,932
<b>Income tax expense</b>	<b>31,904</b>	<b>43,857</b>
Net income tax benefit relating to loss for the period from discontinued operations	(165)	-
Net income tax expense relating to the components of other comprehensive income	1,884	1,284
<b>Income tax expense through profit or loss and other comprehensive income</b>	<b>33,623</b>	<b>45,141</b>

"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.

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Current income tax expense	98,993	34,599
Deferred tax (benefit)/expense:		
- <i>Deferred tax (benefit)/expense</i>	(67,089)	9,258
- <i>Deferred tax benefit relating to discontinued operation</i>	(165)	-
- <i>Deferred tax expense relating to the components of other comprehensive income</i>	1,884	1,284
<b>Total income tax expense through profit or loss and other comprehensive income</b>	<b>33,623</b>	<b>45,141</b>

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%.

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 %).

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

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	30 June 2020 (unaudited)	(Debit)/ credited to profit or loss (unaudited)	Credited to profit from discontinued operations (unaudited)	Charged to other comprehensive income (unaudited)	31 December 2019	30 June 2019 (unaudited)	(Debit)/ credited to profit or loss (unaudited)	Charged to other comprehensive income (unaudited)	31 December 2018
<b>Tax effect of deductible/(taxable) temporary differences</b>									
Cash and cash equivalents	28	(91)	-	-	119	10	(1)	-	11
Due from other banks	3,439	18	-	-	3,421	1,709	929	-	780
Loans and advances to customers	36,037	53,345	-	-	(17,308)	(89,410)	(8,078)	-	(81,332)
Financial assets at fair value through other comprehensive income	(3,100)	-	-	(1,884)	(1,216)	(468)	-	(1,284)	816
Property, equipment and intangible assets	1,217	863	-	-	354	120	(115)	-	235
Investments in associates and subsidiaries	(5,745)	660	-	-	(6,405)	(9,350)	-	-	(9,350)
Investment securities measured at amortised cost	7,384	7,194	-	-	190	-	-	-	-
Other assets	2,897	1,127	-	-	1,770	(960)	(1,774)	-	814
Non-current assets held for sale	4,821	2,158	165	-	2,498	-	-	-	-
Customer accounts	-	458	-	-	(458)	-	-	-	-
Debt securities in issue	(450)	2,826	-	-	(3,276)	-	-	-	-
Other borrowed funds	(1,220)	(2,281)	-	-	1,061	-	-	-	-
Other liabilities	6,182	1,478	-	-	4,704	942	(219)	-	1,161
Subordinated debt	-	(666)	-	-	666	-	-	-	-
<b>Net deferred tax asset/(liability)</b>	<b>51,490</b>	<b>67,089</b>	<b>165</b>	<b>(1,884)</b>	<b>(13,880)</b>	<b>(97,407)</b>	<b>(9,258)</b>	<b>(1,284)</b>	<b>(86,865)</b>
Recognised deferred tax asset	62,005	70,127	165	-	14,783	2,641	929	-	3,817
Recognised deferred tax liability	(10,515)	(3,038)	-	(1,884)	(28,663)	(100,048)	(10,187)	(1,284)	(90,682)
<b>Net deferred tax asset/(liability)</b>	<b>51,490</b>	<b>67,089</b>	<b>165</b>	<b>(1,884)</b>	<b>(13,880)</b>	<b>(97,407)</b>	<b>(9,258)</b>	<b>(1,284)</b>	<b>(86,865)</b>

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22. ALLOWANCES FOR IMPAIRMENT LOSSES

The tables below analyses information about the changes in the ECL amount of financial assets and commitments:

	Other financial assets		Cash and cash equivalents (Note 8)	Due from other Banks (Note 9)	Investment securities at amortised cost (Note 11)	Letters of Credit and Guarantees (Note 24)			TOTAL	Other non-financial assets
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
<b>Loss allowance for ECL as at 31 December 2019</b>	<b>1,236</b>	<b>1,043</b>	<b>101</b>	<b>16,166</b>	<b>950</b>	<b>12,077</b>	-	-	<b>31,573</b>	<b>129</b>
- Transfer from stage 2	(176)	176	-	-	-	-	-	-	-	-
- Transfer from stage 3	19	(19)	-	-	-	-	-	-	-	-
- Changes due to modifications that did not result in derecognition	7	707	(21)	316	-	1,276	-	-	<b>2,285</b>	1,930
New assets issued or acquired	325	463	95	1,193	4,942	3,012	-	-	<b>10,030</b>	-
Matured or derecognized assets (except for write off)	(516)	(363)	(48)	(750)	-	(1,356)	-	-	<b>(3,033)</b>	-
Foreign exchange differences	14	28	12	269	-	291	-	-	<b>614</b>	-
<b>Loss allowance for ECL as at 30 June 2020 (unaudited)</b>	<b>909</b>	<b>2,035</b>	<b>139</b>	<b>17,194</b>	<b>5,892</b>	<b>15,300</b>	-	-	<b>41,469</b>	<b>2,059</b>
		<b>2,944</b>	<b>139</b>	<b>17,194</b>	<b>5,892</b>			<b>15,300</b>	<b>41,469</b>	

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	Other financial assets		Cash and cash equivalents (Note 8) Stage 1 12-month ECL	Due from other Banks (Note 9) Stage 1 12-month ECL	Investment securities at amortised cost (Note 11) Stage 1 12-month ECL	Letters of Credit and Guarantees (Note 24)			TOTAL	Other non-financial assets
	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL				Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
<b>Loss allowance for ECL as at 1 January 2019</b>	<b>175</b>	<b>310</b>	<b>54</b>	<b>4,811</b>	-	<b>5,922</b>	<b>361</b>	<b>247</b>	<b>11,880</b>	<b>309</b>
- 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)	-	-	<b>(1,685)</b>	<b>(180)</b>
New assets issued or acquired	706	695	9	12,323	950	6,539	-	-	<b>21,222</b>	-
Matured or derecognized assets (except for write off)	(30)	(117)	(21)	(346)	-	(756)	(361)	(247)	<b>(1,878)</b>	-
Foreign exchange differences	56	48	12	539	-	1,379	-	-	<b>2,034</b>	-
<b>Loss allowance for ECL as at 31 December 2019</b>	<b>1,236</b>	<b>1,043</b>	<b>101</b>	<b>16,166</b>	<b>950</b>	<b>12,077</b>	-	-	<b>31,573</b>	<b>129</b>

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23. EARNINGS PER SHARE

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

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

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

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Profit for the year attributable to ordinary shareholders	133,065	195,780
Profit for the year attributable to preference shareholders	1,651	1,406
Profit/(loss) for the year from discontinued operations attributable to ordinary shareholders	(174)	-
<b>Earnings used in calculation of earnings per ordinary share from continuing operations</b>	<b>133,239</b>	<b>195,780</b>
<b>Earnings used in calculation of earnings per preference share from continuing operations</b>	<b>1,651</b>	<b>1,406</b>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (in millions)	243,552	105,277
<b>From continuing operations</b>		
Basic and diluted EPS per ordinary share in UZS	0.55	1.86
<b>From discontinued operations</b>		
Basic and diluted EPS per ordinary share in UZS	(0.00)	-
<b>Total basic and diluted EPS per ordinary share in UZS</b>	<b>0.55</b>	<b>1.86</b>

24. COMMITMENTS AND CONTINGENCIES

**Operating lease commitments.** As at 30 June 2020 and 31 December 2019, the Group had no material operating lease commitments outstanding

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

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

The Management believes that its interpretation of the relevant legislation is appropriate and the Bank’s tax, currency legislation and customs positions will be sustained. Accordingly, as at 30 June 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 30 June 2020 and 31 December 2019, the Group had contractual capital expenditure commitments for the total amount of UZS 1,050,749 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

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

	<b>30 June 2020 (unaudited)</b>	<b>31 December 2019</b>
Guarantees issued	1,958,302	1,599,403
Letters of credit, non post-financing	246,403	390,788
Letters of credits, post-financing with commencement after reporting period end	250,962	260,499
Undrawn credit lines	549,764	297,764
<b>Total gross credit related commitments</b>	<b>3,005,431</b>	<b>2,548,454</b>
Less - Cash held as security against letters of credit and guarantees	(263,008)	(270,951)
Less – Provision for expected credit losses	(15,300)	(12,077)
<b>Total credit related commitments</b>	<b>2,727,123</b>	<b>2,265,426</b>

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.

## **25. FAIR VALUE**

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

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). The Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety. Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used). Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Management's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

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

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

<b>Financial Assets/ Liabilities as at 30 June 2020 (unaudited)</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Fair value hierarchy</b>	<b>Valuation model(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>Relationship of unobservable inputs to fair value</b>
Loans and advances to customers	35,899,587	34,401,244	Level 2	Discounted cash flows. Key input - average interest rates obtained from Statistical bulletin of the CBU at the end of the reporting date used as a discount rate.	N/A	The greater discount- the smaller fair value
Due from other banks	1,971,250	1,876,435	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Investment securities measured at amortised cost	1,085,853	1,082,650	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Due to other banks	1,710,338	1,710,502	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Customer accounts	10,443,821	10,464,689	Level 2	Discounted cash flows. Key input - average interest rates obtained from Statistical bulletin of the CBU at the end of the reporting date used as a discount rate.	N/A	The greater discount- the smaller fair value
Debt securities in issue						
- Eurobonds	3,005,702	3,126,788	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Certificates of deposit	54,304	54,304	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
- Bonds	80,376	80,376	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Other borrowed funds	23,335,949	23,843,500	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Subordinated debt	82,708	82,453	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value



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<b>Financial Assets/ Liabilities as at 31 December 2019</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Fair value hierarchy</b>	<b>Valuation model(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>Relationship of unobservable inputs to fair value</b>
Loans and advances to customers	30,039,785	26,681,120	Level 2	Discounted cash flows. Key input - average interest rates obtained from Statistical bulletin of the CBU at the end of the reporting date used as a discount rate.	N/A	The greater discount- the smaller fair value
Due from other banks	2,037,090	1,883,309	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Investment securities measured at amortised cost	84,648	83,618	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Due to other banks	465,109	455,427	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Customer accounts	9,123,970	9,106,613	Level 2	Discounted cash flows. Key input - average interest rates obtained from Statistical bulletin of the CBU at the end of the reporting date used as a discount rate.	N/A	The greater discount- the smaller fair value
Debt securities in issue - Eurobonds	2,808,987	2,987,751	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Certificates of deposit	79,627	79,627	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
- Bonds	32,280	32,280	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Other borrowed funds	16,803,214	16,963,385	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value
Subordinated debt	83,332	84,917	Level 3	Discounted cash flows. Discount rate estimated based on unobservable internally generated interest rates.	Discount rate	The greater discount- the smaller fair value

As at 30 June 2020 and 31 December 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, thereby, categorizing such instruments as Level 3.

The fair value of the equity instruments at fair value through other comprehensive income disclosed in note 12 were determined as the present value of future dividends by assuming dividend growth rate of zero per annum. The Management built its expectation based on previous experience of dividends received on financial assets at fair value through other comprehensive income over multiple years, and accordingly calculated the value of using the average rate of return on investments. The Management believes that this approach accurately reflects the fair value of these securities, given they are not traded. Such financial instruments were categorised as Level 3.

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26. CAPITAL RISK MANAGEMENT

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

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

- Ratio of regulatory capital to risk weighted assets ("Regulatory capital ratio") above a prescribed minimum level of 13% (31 December 2019: 13%). Actual ratio as at 30 June 2020: 18.9% (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 30 June 2020: 15.8% (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 30 June 2020: 11.9% (31 December 2019: 13.4%).

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

	30 June 2020 (unaudited)	31 December 2019 (unaudited)
Tier 1 capital	6,044,271	5,235,684
Tier 2 capital	1,155,573	1,463,606
Less: Deductions from capital	(102,835)	(100,000)
<b>Total regulatory Capital</b>	<b>7,097,009</b>	<b>6,599,290</b>

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

27. RISK MANAGEMENT POLICIES

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

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

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

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		primary source of repayment is not sufficient and the Group has to seek additional loan repayment sources, which in case of non-repayment is a sale of collateral.
Doubtful	4	Doubtful loans are those loans, which have all the weaknesses inherent in those classified as "unsatisfactory" with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable.
Loss	5	Loans classified as "loss" are considered uncollectible and have such little value that their continuance as bankable assets of the Group is not warranted. This classification does not mean that the loans have absolutely no likelihood of recovery, but rather means that it is not practical or desirable to defer writing off these essentially worthless assets even though partial recovery may be effected in the future and the Group should make efforts on liquidation such debts through selling collateral or should apply all forces for its repayment.

*Risk limits control and mitigation policies.* The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

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

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

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

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

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

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

- The maximum risk to single borrower or group of affiliated borrowers shall not exceed 25 percent of the Group's tier 1 capital;
- Total amount of unsecured credits 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.

In order to monitor credit risk exposures, weekly reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance, which includes overdue balances, disbursements and repayments, outstanding balances and maturity of loan and as well as grade of loan and collateral. Any significant exposures against customers with deteriorating creditworthiness are reported to and reviewed by the Management daily. The Management monitors and follows up past due balances.

*Impairment and provisioning policies.* The internal rating tool assists the Management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;

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- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings and etc.

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

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

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

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

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
<b>30 June 2020 (unaudited)</b>					
Cash and cash equivalents	5,093,732	(907,539)	4,186,193	-	4,186,193
Due from other banks	1,971,250	-	1,971,250	-	1,971,250
Loans and advances to customers	35,899,587	(80,907)	35,818,680	(35,451,328)	367,352
Financial assets at fair value through other comprehensive income	100,258	-	100,258	-	100,258
Investment securities measured at amortised cost	1,085,853	-	1,085,853	-	1,085,853
Other financial assets	32,247	-	32,247	-	32,247
<i>Off-balance sheet items:</i>					
Letters of credit and guarantees issued	2,440,367	(263,008)	2,177,359	(401,026)	1,776,333

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
<b>31 December 2019</b>					
Cash and cash equivalents	2,862,574	(662,864)	2,199,710	-	2,199,710
Due from other banks	2,037,090	-	2,037,090	-	2,037,090
Loans and advances to customers	30,039,785	(1,021,000)	29,018,785	(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	5,162	-	5,162	-	5,162
<i>Off-balance sheet items:</i>					
Letters of credit and guarantees issued	2,238,613	(270,951)	1,967,662	(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.

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**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:

**Non-derivative monetary assets and liabilities:**

	USD	EUR	Other currencies	UZS	Total
<b>30 June 2020 (unaudited)</b>					
Cash and cash equivalents	3,204,514	307,346	182,611	1,399,261	<b>5,093,732</b>
Due from other banks	1,100,538	167,936	26,415	676,361	<b>1,971,250</b>
Loans and advances to customers	19,280,274	5,835,656	-	10,783,657	<b>35,899,587</b>
Investment securities measured at amortised cost	-	-	-	1,085,853	<b>1,085,853</b>
Other financial assets	14,053	2,508	-	15,686	<b>32,247</b>
<b>Total monetary assets</b>	<b>23,599,379</b>	<b>6,313,446</b>	<b>209,026</b>	<b>13,960,818</b>	<b>44,082,669</b>
Due to other banks	430,346	171,179	-	1,108,813	<b>1,710,338</b>
Customer accounts	6,103,779	337,069	53,729	3,949,244	<b>10,443,821</b>
Debt securities in issue	3,005,702	-	-	134,680	<b>3,140,382</b>
Other borrowed funds	13,291,744	5,789,817	-	4,254,388	<b>23,335,949</b>
Other financial liabilities	33,087	-	341	26,672	<b>60,100</b>
Subordinated debt	-	-	-	82,708	<b>82,708</b>
<b>Total monetary liabilities</b>	<b>22,864,658</b>	<b>6,298,065</b>	<b>54,070</b>	<b>9,556,505</b>	<b>38,773,298</b>
<b>Net Balance sheet position</b>	<b>734,721</b>	<b>15,381</b>	<b>154,956</b>	<b>4,404,313</b>	<b>5,309,371</b>

	USD	EUR	Other currencies	UZS	Total
<b>31 December 2019</b>					
Cash and cash equivalents	1,640,812	94,358	106,364	1,021,040	<b>2,862,574</b>
Due from other banks	1,081,143	11,827	34,638	909,482	<b>2,037,090</b>
Loans and advances to customers	16,846,573	3,595,623	-	9,597,589	<b>30,039,785</b>
Investment securities measured at amortised cost	-	-	-	84,648	<b>84,648</b>
Other financial assets	823	2,812	-	1,527	<b>5,162</b>
<b>Total monetary assets</b>	<b>19,569,351</b>	<b>3,704,620</b>	<b>141,002</b>	<b>11,614,286</b>	<b>35,029,259</b>
Due to other banks	42,738	32	-	422,339	<b>465,109</b>
Customer accounts	4,777,978	274,280	111,267	3,960,445	<b>9,123,970</b>
Debt securities in issue	2,808,987	-	-	111,907	<b>2,920,894</b>
Other borrowed funds	10,644,036	3,506,863	-	2,652,315	<b>16,803,214</b>
Other financial liabilities	812	-	-	23,213	<b>24,025</b>
Subordinated debt	-	-	-	83,332	<b>83,332</b>
<b>Total monetary liabilities</b>	<b>18,274,551</b>	<b>3,781,175</b>	<b>111,267</b>	<b>7,253,551</b>	<b>29,420,544</b>
<b>Net Balance sheet position</b>	<b>1,294,800</b>	<b>(76,555)</b>	<b>29,735</b>	<b>4,360,735</b>	<b>5,608,715</b>

The CBU sets a number of requirements for foreign currency position. As at 30 June 2020, the Bank is in compliance with the statutory requirements on open position in respect of foreign currencies under the accounting policies set by CBU.

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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:

	As at 30 June 2020 (unaudited) Impact on profit or loss	As at 31 December 2019 Impact on profit or loss
US Dollars strengthening by 20% (31 December 2019: 20%)	146,944	275,890
US Dollars weakening by 20% (31 December 2019: 20%)	(146,944)	(275,890)
EUR strengthening by 20% (31 December 2019: 20%)	3,076	(15,311)
EUR weakening by 20% (31 December 2019: 20%)	(3,076)	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.

30 June 2020 (unaudited)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
<b>Assets</b>							
Cash and cash equivalents	961,248	-	-	-	-	-	961,248
Due from other banks	62,518	168,760	19,924	755,515	-	402,966	1,409,683
Loans and advances to customers	352,206	4,736,952	4,688,373	10,747,336	6,897,501	7,637,710	35,060,078
Investment securities measured at amortised cost	-	314,561	699,745	47,558	-	2,440	1,064,304
<b>Total % bearing financial assets</b>	<b>1,375,972</b>	<b>5,220,273</b>	<b>5,408,042</b>	<b>11,550,409</b>	<b>6,897,501</b>	<b>8,043,116</b>	<b>38,495,313</b>
<b>Liabilities</b>							
Due to other banks	255,000	778,570	-	23,550	67,721	218,685	1,343,526
Customer accounts	126,807	543,091	649,331	324,371	1,749,883	559,738	3,953,221
Debt securities in issue	35,203	18,300	38,560	23,275	3,005,702	-	3,121,040
Other borrowed funds	1,057,138	2,849,805	3,325,311	7,796,407	2,385,626	5,174,840	22,589,127
Subordinated debt	-	-	-	-	-	80,000	80,000
<b>Total financial % bearing liabilities</b>	<b>1,474,148</b>	<b>4,189,766</b>	<b>4,013,202</b>	<b>8,167,603</b>	<b>7,208,932</b>	<b>5,953,263</b>	<b>31,086,914</b>
<b>Net interest sensitivity gap</b>	<b>(98,176)</b>	<b>1,030,507</b>	<b>1,394,840</b>	<b>3,382,806</b>	<b>(311,431)</b>	<b>2,089,853</b>	<b>7,408,399</b>

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

As at 30 June 2020 (unaudited), if interest rates at that date had been 154 basis points lower (2019: 140 basis points lower) with all other variables held constant, profit for the period would have been UZS 144,443 million higher (for the year ended 31 December 2019: UZS 40,723 million higher).

If interest rates had been 140 basis points higher (2019: 140 basis points higher), with all other variables held constant, profit for the period would have been UZS 144,443 million lower (for the year ended 31 December 2019: UZS 40,723 million lower).

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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.	30 June 2020 (unaudited)			
	UZS	USD	EUR	Other
<b>Assets</b>				
Cash and cash equivalents	0-18	0-0.06	-	-
Due from other banks	3 - 20	0.7 - 7.3	-	-
Loans and advances to customers	0 - 47.9	0 - 15	2.5 - 15	-
Investment securities measured at amortised cost	14 - 19	-	-	-
<b>Liabilities</b>				
Due to other banks	3-18	0-4.75	-	-
<i>Customer accounts:</i>				
-term deposits	0-23	0-6	4-6	5
Debt securities in issue	14-17	5.75	-	-
<i>Other borrowed funds:</i>				
-International Financial Institutions	4.5 - 19.25	0.82 - 7	0.23 - 5.05	-
-Local Financial Institutions	0 - 15	0 - 7	-	-
Subordinated debt	16	-	-	-

In % p.a.	31 December 2019			
	UZS	USD	EUR	Other
<b>Assets</b>				
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	-	-	-
<b>Liabilities</b>				
Due to other banks	0-18	-	-	-
<i>Customer accounts:</i>				
-term deposits	1-35	4-17	5-6	5
Debt securities in issue	5-18	6	-	-
<i>Other borrowed funds:</i>				
-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.



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**Geographical risk concentration.** The geographical concentration of the Group's financial assets and liabilities at 30 June 2020 (unaudited) is set out below:

	Uzbekistan	OECD	Non-OECD	Total
<b>Assets</b>				
Cash and cash equivalents	2,523,490	2,553,202	17,040	5,093,732
Due from other banks	1,489,630	401,156	80,464	1,971,250
Loans and advances to customers	35,899,587	-	-	35,899,587
Investment securities measured at amortised cost	1,085,853	-	-	1,085,853
Financial assets at fair value through other comprehensive income	88,981	11,277	-	100,258
Other financial assets	18,590	10,915	2,742	32,247
<b>Total financial assets</b>	<b>41,106,131</b>	<b>2,976,550</b>	<b>100,246</b>	<b>44,182,927</b>
<b>Liabilities</b>				
Due to other banks	1,443,770	254,335	12,233	1,710,338
Customer accounts	10,443,821	-	-	10,443,821
Debt securities in issue	134,680	3,005,702	-	3,140,382
Other borrowed funds	4,607,928	9,643,456	9,084,565	23,335,949
Other financial liabilities	27,013	-	33,087	60,100
Subordinated debt	82,708	-	-	82,708
<b>Total financial liabilities</b>	<b>16,739,920</b>	<b>12,903,493</b>	<b>9,129,885</b>	<b>38,773,298</b>
<b>Net balance sheet position</b>	<b>24,366,211</b>	<b>(9,926,943)</b>	<b>(9,029,639)</b>	<b>5,409,629</b>
<b>Credit related commitments (Note 24)</b>	<b>2,727,123</b>	<b>-</b>	<b>-</b>	<b>2,727,123</b>

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

	Uzbekistan	OECD	Non-OECD	Total
<b>Assets</b>				
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
<b>Total financial assets</b>	<b>33,823,440</b>	<b>1,213,081</b>	<b>81,452</b>	<b>35,117,973</b>
<b>Liabilities</b>				
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	24,025	-	-	24,025
Subordinated debt	83,332	-	-	83,332
<b>Total financial liabilities</b>	<b>13,193,266</b>	<b>9,107,554</b>	<b>7,119,724</b>	<b>29,420,544</b>
<b>Net balance sheet position</b>	<b>20,630,174</b>	<b>(7,894,473)</b>	<b>(7,038,272)</b>	<b>5,697,429</b>
<b>Credit related commitments (Note 24)</b>	<b>2,265,426</b>	<b>-</b>	<b>-</b>	<b>2,265,426</b>

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

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

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

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accordance with the requirement of the Central Bank of Uzbekistan. These ratios are calculated using figures based on National Accounting Standards.

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

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

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

The undiscounted maturity analysis of financial instruments at 30 June 2020 (unaudited) is as follows:

	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>From 3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities</b>							
Due to other banks	634,688	808,566	24,092	116,349	146,567	223,474	<b>1,953,736</b>
Customer accounts	6,489,652	692,304	858,269	504,086	2,039,288	718,791	<b>11,302,390</b>
Debt securities in issue	52,974	119,483	136,398	215,310	3,464,998	-	<b>3,989,163</b>
Other borrowed funds	1,167,912	3,412,070	3,698,702	9,526,346	2,771,824	5,917,399	<b>26,494,253</b>
Other financial liabilities	60,100	-	-	-	-	-	<b>60,100</b>
Subordinated debt	2,708	6,453	6,347	25,600	25,635	89,626	<b>156,369</b>
Undrawn credit lines	45,832	79,645	121,565	105,740	129,414	67,568	<b>549,764</b>
Guarantees issued	128,767	217,304	88,104	-	72,078	1,372,441	<b>1,878,694</b>
Letters of credit	40,618	67,502	190,545	-	-	-	<b>298,665</b>
<b>Total potential future payments for financial obligations</b>	<b>8,623,251</b>	<b>5,403,327</b>	<b>5,124,022</b>	<b>10,493,431</b>	<b>8,649,804</b>	<b>8,389,299</b>	<b>46,683,134</b>

The undiscounted maturity analysis of financial instruments at 31 December 2019 is as follows:

	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>From 3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities</b>							
Due to other banks	53,788	81,476	36,490	133,361	173,742	267,468	<b>746,325</b>
Customer accounts	4,740,001	537,498	745,800	1,355,343	1,011,853	1,579,526	<b>9,970,021</b>
Debt securities in issue	25,410	103,327	123,698	194,725	3,282,366	-	<b>3,729,526</b>
Other borrowed funds	1,075,611	1,559,551	2,028,916	4,143,930	3,099,972	7,473,794	<b>19,381,774</b>
Other financial liabilities	24,025	-	-	-	-	-	<b>24,025</b>
Subordinated debt	3,332	5,331	6,418	25,600	25,635	97,061	<b>163,377</b>
Undrawn credit lines	5,364	110,495	69,517	59,854	36,597	15,937	<b>297,764</b>
Guarantees issued	136,010	21,109	50,481	-	67,361	1,283,724	<b>1,558,685</b>
Letters of credit	32,734	279,741	94,552	1,950	-	-	<b>408,977</b>
<b>Total potential future payments for financial obligations</b>	<b>6,096,275</b>	<b>2,698,528</b>	<b>3,155,872</b>	<b>5,914,763</b>	<b>7,697,526</b>	<b>10,717,510</b>	<b>36,280,474</b>

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

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

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

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors expected maturities which may be summarised as follows at 30 June 2020 (unaudited):

<b>30 June 2020 (unaudited)</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>From 3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	5,093,732	-	-	-	-	-	<b>5,093,732</b>
Due from other banks	289,148	359,221	161,512	755,515	-	405,854	<b>1,971,250</b>
Loans and advances to customers	1,191,715	4,736,952	4,688,373	10,747,336	6,897,501	7,637,710	<b>35,899,587</b>
Investment securities measured at amortised cost	21,549	314,561	699,745	47,558	-	2,440	<b>1,085,853</b>
Financial assets at fair value through other comprehensive income	-	-	-	100,258	-	-	<b>100,258</b>
Other financial assets	32,247	-	-	-	-	-	<b>32,247</b>
<b>Total financial assets</b>	<b>6,628,391</b>	<b>5,410,734</b>	<b>5,549,630</b>	<b>11,650,667</b>	<b>6,897,501</b>	<b>8,046,004</b>	<b>44,182,927</b>
<b>Liabilities</b>							
Due to other banks	621,813	778,570	-	23,550	67,721	218,684	<b>1,710,338</b>
Customer accounts	6,461,148	581,156	742,891	348,650	1,749,934	560,042	<b>10,443,821</b>
Debt securities in issue	35,736	37,108	38,560	23,276	3,005,702	-	<b>3,140,382</b>
Other borrowed funds	1,091,803	3,051,072	3,331,275	8,200,185	2,409,481	5,252,133	<b>23,335,949</b>
Other financial liabilities	60,100	-	-	-	-	-	<b>60,100</b>
Subordinated debt	2,708	-	-	-	-	80,000	<b>82,708</b>
Undrawn credit lines	45,832	79,645	121,565	105,740	129,414	67,568	<b>549,764</b>
Guarantees issued	128,767	217,304	88,104	-	72,078	1,372,441	<b>1,878,694</b>
Letters of credit	40,618	67,502	190,545	-	-	-	<b>298,665</b>
<b>Total financial liabilities</b>	<b>8,488,525</b>	<b>4,812,357</b>	<b>4,512,940</b>	<b>8,701,401</b>	<b>7,434,330</b>	<b>7,550,868</b>	<b>41,500,421</b>
<b>Net liquidity gap</b>	<b>(1,860,134)</b>	<b>598,377</b>	<b>1,036,690</b>	<b>2,949,266</b>	<b>(536,829)</b>	<b>495,136</b>	<b>2,682,506</b>
<b>Cumulative liquidity gap</b>	<b>(1,860,134)</b>	<b>(1,261,757)</b>	<b>(225,067)</b>	<b>2,724,199</b>	<b>2,187,370</b>	<b>2,682,506</b>	

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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 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
<b>Assets</b>							
Cash and cash equivalents	2,862,574	-	-	-	-	-	<b>2,862,574</b>
Due from other banks	412,400	305,773	170,616	698,730	3,572	445,999	<b>2,037,090</b>
Loans and advances to customers	1,556,366	4,000,702	3,156,815	8,496,128	6,125,037	6,704,737	<b>30,039,785</b>
Financial assets at fair value through other comprehensive income	-	-	-	88,714	-	-	<b>88,714</b>
Investment securities measured at amortised cost	-	-	82,144	-	-	2,504	<b>84,648</b>
Other financial assets	5,162	-	-	-	-	-	<b>5,162</b>
<b>Total financial assets</b>	<b>4,836,502</b>	<b>4,306,475</b>	<b>3,409,575</b>	<b>9,283,572</b>	<b>6,128,609</b>	<b>7,153,240</b>	<b>35,117,973</b>
<b>Liabilities</b>							
Due to other banks	48,221	57,372	9,146	27,298	80,107	242,965	<b>465,109</b>
Customer accounts	4,710,833	430,187	629,544	1,202,836	694,959	1,455,611	<b>9,123,970</b>
Debt securities in issue	10,311	31,286	38,750	31,560	2,808,987	-	<b>2,920,894</b>
Other borrowed funds	1,029,026	1,339,792	1,801,274	3,414,962	2,599,136	6,619,024	<b>16,803,214</b>
Other financial liabilities	24,025	-	-	-	-	-	<b>24,025</b>
Subordinated debt	3,332	-	-	-	-	80,000	<b>83,332</b>
Undrawn credit lines	5,364	110,495	69,517	59,854	36,597	15,937	<b>297,764</b>
Guarantees issued	136,010	21,109	50,481	-	67,361	1,283,724	<b>1,558,685</b>
Letters of credit	32,734	279,741	94,552	1,950	-	-	<b>408,977</b>
<b>Total financial liabilities</b>	<b>5,999,856</b>	<b>2,269,982</b>	<b>2,693,264</b>	<b>4,738,460</b>	<b>6,287,147</b>	<b>9,697,261</b>	<b>31,685,970</b>
<b>Net liquidity gap</b>	<b>(1,163,354)</b>	<b>2,036,493</b>	<b>716,311</b>	<b>4,545,112</b>	<b>(158,538)</b>	<b>(2,544,021)</b>	<b>3,432,003</b>
<b>Cumulative liquidity gap</b>	<b>(1,163,354)</b>	<b>873,139</b>	<b>1,589,450</b>	<b>6,134,562</b>	<b>5,976,024</b>	<b>3,432,003</b>	

The above analysis is based on remaining contractual maturities.

As at 30 June 2020, the Bank was not in compliance with cost-to-income 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 and #3673-UZB from November 2018 as discussed in detail in Note 16. On 5 November 2019, the Republic of Uzbekistan confirmed to the Bank in writing 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. 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 is currently in discussions with Ministry of Finance on receiving a letter confirming that this breach of the covenant is not considered to be an event of default.

As at 30 June 2020, the Group had a cumulative liquidity shortfall of UZS 1,860,134 million up to one month, which reflects the effects of the decision to classify UZS 456,356 million as “demand and less than 1 month” as a result of the non-compliance with the covenant.

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

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

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

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

As at 30 June 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.

Subsequent to the reporting date the Bank and Credit Suisse AG agreed to increase credit line extended to the Bank by USD 150 million to finance the development of wholesale and retail trade sector in the Republic of Uzbekistan.

Due 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 30 June 2020.

## **28. RELATED PARTY TRANSACTIONS**

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group applies a disclosure exemption regarding Government-related entities, where the same Government has control or joint control of, or significant influence over, both the Group and the other entities, disclosed as "entities under common control".

- "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.

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

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

	30 June 2020 (unaudited)		31 December 2019	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<b>Cash and cash equivalents</b>				
- entities under common control	1,626,621	32%	1,291,956	45%
<b>Due from other banks</b>				
- entities under common control	1,279,874	65%	1,444,897	71%
<b>Loans and advances to customers</b>				
- key management personnel	204	0%	166	0%
- significant shareholders	4,274,483	12%	3,767,645	13%
- entities under common control	9,873,904	28%	9,262,723	31%
<b>Investment securities measured at amortised cost</b>				
- significant shareholders	932,534	86%	-	-
- entities under common control	150,875	14%	84,648	100%
<b>Financial assets at fair value through other comprehensive income</b>				
- entities under common control	91,018	90.78%	6,903	8%
<b>Other Assets</b>				
- significant shareholders	12,979	3.52%	-	0%
<b>Due to other banks</b>				
- entities under common control	1,402,655	82%	515,690	111%
<b>Customer accounts</b>				
- key management personnel	285,636	3%	1,265	0%
- significant shareholders	4,657,306	45%	363,226	4%
- entities under common control	673,550	6%	4,310,188	47%
<b>Debt securities in issue</b>				
- entities under common control	32,200	1%	32,320	1%
- significant shareholders	500	0%	-	0%
<b>Other borrowed funds</b>				
- significant shareholders	4,511,552	19%	1,299,160	8%
- entities under common control	86,920	0%	2,088,610	12%
<b>Other liabilities</b>				
- significant shareholders	85	0%	76	0%
- entities under common control	34,286	31%	42,683	92%
<b>Subordinated debt</b>				
- entities under common control	82,708	100%	83,332	100%

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	Six months ended 30 June 2020 (unaudited)		Six months ended 30 June 2019 (unaudited)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
<b>Interest income</b>				
- key management personnel	9	0%	26	0%
- significant shareholders	125,212	8%	286,659	28%
- entities under common control	208,791	14%	46,887	5%
<b>Interest expense</b>				
- key management personnel	(24)	0%	(80)	0%
- significant shareholders	(128,251)	17%	(250,771)	50%
- entities under common control	(135,667)	18%	(29,537)	6%
<b>Provision for/(recovery of) credit losses on loans and advances to customers</b>				
- significant shareholders	(14,116)	3%	4,011	-2%
<b>Fee and commission income</b>				
- significant shareholders	17,083	11%	28,742	18%
- entities under common control	24,430	15%	11,738	7%
<b>Net gain from trading in foreign currencies</b>				
- significant shareholders	17	0%	118	1%
- entities under common control	2,035	8%	546	7%
<b>Other operating income</b>				
- significant shareholders	-	0%	271	4%
- entities under common control	75	4%	25	0%
<b>Administrative and other operating expenses</b>				
- key management personnel	(1,540)	1%	(1,193)	1%
- entities under common control	(38,142)	14%	(22,485)	11%

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

Key management compensation is presented below:

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Salaries and other benefits	1,222	697
Bonuses	-	452
Social security contributions	317	44
<b>Total</b>	<b>1,539</b>	<b>1,193</b>

## 29. EVENTS AFTER THE END OF THE REPORTING PERIOD

During July, August and October 2020, Bank’s subsidiary PSB Capital has sold four of its subsidiaries (Urganch Technoparks) that were classified as non-current assets held for sale as of reporting date for total amount of UZS 23,256 million with payment due within 30 days of contract date.

On 8 July 2020, the Government reinstated significant restrictions on the movement of vehicles and closed non food shopping malls, markets, parks, cafes, restaurants and entertainment venues in response to a surge of new COVID-19 cases in the country. These restrictions were lifted on 15 August 2020.

In July 2020 the Bank and Credit Suisse AG agreed to increase credit line extended to the Bank by USD 150 million to finance the development of wholesale and retail trade sector in the Republic of Uzbekistan.

In September 2020, the CBU reduced the refinancing rate from 15% to 14% which may lead to attraction of funding and their reinvestment into loans and advances to customers at lower rates.

In September 2020 Group’s subsidiary Xorazm Nassli Parranda LLC has bought back its share of 57.2% from the the Group based on the share selling agreement for the amount of UZS 3,975 million.

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In September 2020 Steel Property Construction, LLC has bought back its share 7.1% from the Group for total consideration of UZS 58,280 million. As of 30 June 2020 this investment was classified as financial asset at fair value through other comprehensive income.